RYNAT TRADING LIMITED

MARKET DISCIPLINE & DISCLOSURES REPORT
(PILLAR III)

According to Directives DI144-2014-14 and DI144-2014-15 of the Cyprus Securities & Exchange Commission for the prudential supervision of investment firms and Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

June 2021

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I. Overview

CIF Information

Rynat Trading Ltd (the “Company”), being regulated by the Cyprus Securities and Exchange Commission (CySEC), under License No 303/16, which permits the Company to provide investment and ancillary services in relation of financial instruments and to enhance market discipline, hereby discloses information relating to its internal capital adequacy assessment and to mitigation of various types of risks that it faces.

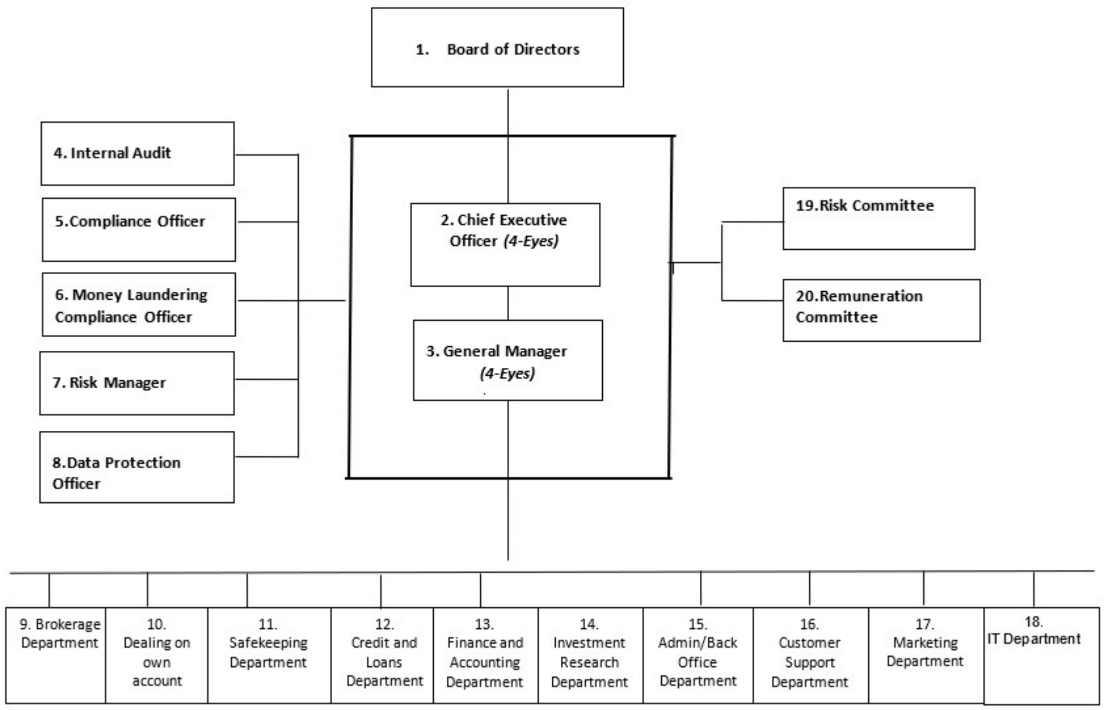
Table 1 – Company License Information (based on the Third Appendix of the Law 144(I)/2007)

		Investments Services and Activities									Ancillary Services						
		1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
	1	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	2	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	3	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	4	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	5	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
Financial Instruments	**6**	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	7	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	8	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	9	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	10	✓	✓	✓	✓	✓	-	-	-	-	✓	✓	-	✓	✓	-	-
	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Scope of Report

This Report has been prepared in accordance with the requirements of Directives DI144-2014-14 and DI144-2014-15. This Report contains information in relation to the risks the Company faces and the strategies it has in place to manage and mitigate those risks, its own funds, and its capital adequacy. The Company is making the disclosures on an individual (solo) basis.

Organisational Structure



Regulatory Framework

The Regulation (EU) No. 575/2013 ("the Regulation" or "the CRR") is directly applicable as a Single Rule book by all Member State institutions, whereas the Directive 2013/36/EU has been transposed by all member state regulatory authorities into local legislation. The transposed Directive of CySEC is Directive DI144-2014- 14 ("the Directive"). In addition, CySEC has issued Directive DI144-2014-15 which includes some national discretions arising from the Regulation.

The regulatory framework consists of three Pillars:

- Pillar I sets out the minimum capital requirements firms are required to meet;
- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured, or not adequately captured, in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and Risk Management practices.

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the Regulation.

The information will be published on an annual basis at a minimum, and at the latest within five months from the end of each financial year. The disclosures are based on the audited financial statements of the Company for the year ended 31 December 2020. The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for making economic decisions.

Where the Company has considered a disclosure to be immaterial, this was not included in the document.

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality. Under the light of the above, the Company avoided to disclose such confidential information in this report.

This Report contains information in relation to the risks the Company faces and the strategies it has in place to manage and mitigate those risks, its own funds and its capital adequacy. The Company is making the disclosures on an individual (solo) basis.

This Report together with our External Auditor's verification is submitted to CySEC. The Report is prepared annually and is available on our website http://www.rynattrading.com http://www.thextrend.com.

II. Risk Management Objectives and Policies:

Approach to Risk Management:

To ensure effective Risk Management, the Company has adopted the Three Lines of Defense model, with clearly defined roles and responsibilities.

First Line of Defense: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company's policies and where appropriate defined thresholds. First Line of Defense acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defense: – The Risk Management function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of Second Line of Defense is identifying risk areas, detecting situations/activities, in need of monitoring and developing policies to formalize risk assessment, mitigation and monitoring.

Third Line of Defense - Comprises by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviews the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defense to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

Each of these three "lines" plays a distinct role within the organization's wider governance framework. Although neither the Board of Directors, nor the senior management are among the three "lines" in this model, no discussion of Risk Management systems, including compliance risks, could be complete without first considering the essential roles of both governing bodies (i.e., the Board of directors and senior management (4 eyes team)). The Board of Directors, and senior management are the primary stakeholders served by the "lines," and they are the parties best positioned to help ensure that the Three Lines of Defense model is reflected in the organization's Risk Management and control processes. The Three Lines of Defense model distinguishes among three groups (or lines) involved in effective Risk Management:

I. Functions that own and manage risks.
II. Functions that oversee risks, which includes the Compliance Function.
III. Functions that provide independent assurance, Internal Audit.

The Board and Senior Management recognize that risk occurs as part of the day-to-day business of the Company. Risk Management embraces the whole spectrum of activities associated with the identification, measurement, monitoring and reporting of risk. The Risk Management framework enables a consistent approach to Risk Management across the Company.

The Company's risk framework is comprised by the following key components:

- Policies and procedures;
- Organization and governance structure;
- Risk processes and infrastructure

Policies and procedures deal mainly with:

- Overall objective, risk strategy and appetite;
- High level description of approach and minimum risk policy standards; and,
- Relation with other lower level Risk Management and control policies and processes.

Organization and governance deal mainly with:

- Clearly documented roles and responsibilities tied to job description;
- Risk, MLCO/Compliance and Internal Audit functions which provides independent assessment and challenge to the business; and,
- Senior management oversight.

Risk processes and infrastructure deals mainly with:

- Technology to support/enable risk data capture and reporting;
- Supporting methodologies and tools;
- Key risk measures.
- Risk and control assessment process; and,
- Risk monitoring/key risk indicators;

Risk Appetite Statement

The Risk Appetite of the Company is set by the Board of Directors and is defined as the level of risks which the Company can accept while achieving its business objectives.

The Risk Appetite Statement is formally reviewed annually and is monitored on an ongoing basis for adherence. The Company's strategy, business plan and capital and liquidity plans are set with reference to Risk Appetite Statement.

The Company's Risk Appetite statement covers the main primary areas: credit risk, reputational risk, market risk, concentration risk and operational risk. The Board approves the Company's business plans, budget, Internal Capital Adequacy Assessment Process (ICAAP), and any new product and services. The Board also monitors the Company's risk profile and capital adequacy position.

The Risk Management function

Structure and Responsibilities

The Company has put in place procedures in order to ensure that the full spectrum of risks it faces, is properly identified, measured, monitored and controlled to minimize adverse outcomes, while Internal Audit has the responsibility of auditing the Risk Management function and of proposing recommendations, where needed.

The Risk Management function shall be assigned the monitoring of the following:

1. The adequacy and effectiveness of the company's Risk Management policies and procedures.
2. The level of compliance by the company and its relevant persons with the arrangements, processes and mechanisms adopted.
3. The adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

The Risk Management Report is prepared on an annual basis regarding the status of the Company's Risk Management policies and procedures and any remedial measures taken to tackle any deficiencies. The report is prepared by the Risk Manager who heads the Company's Risk Management Committee. The report is presented to the Company's Board of Directors for approval and is subsequently submitted to the CySEC.
The Risk Management function is further supported by the following functions:

- Internal Audit.
- Legal and Compliance.
- Accounting.

Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board ensures that it receives on a frequent basis, at least annually written reports regarding Internal Audit, Compliance, Money Laundering and Terrorist Financing and Risk Management issues and approves the Company's ICAAP report as shown in the table below:

Information flow on risk to management body

	Report Name	Owner of Report	Recipient	Frequency
1	Risk Management Report	Risk Manager	CySEC, BoDs	Annual
2	ICAAP	Risk Manager	CySEC (upon request), BoDs (upon request)	Annual or more frequent upon management request
3	Compliance Report	Compliance Officer	CySEC, BoDs	Annual
4	Internal Audit Report	Internal Auditor	CySEC, BoDs	Annual or more frequent upon management request
5	Anti-money laundering report	Anti-money laundering Compliance Officer	CySEC, BoDs	Annual
6	Audited Financial Statements	External Auditor	CySEC, BoDs	Annual
7	Suitability Report	External Auditor	CySEC, BoDs	Annual

III. Corporate Governance

The Board is responsible for reviewing the effectiveness of the Company's Risk Management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such- offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls regarding the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

Role of the Board of Directors

The Board comprises of 5 directors, 2 independent non-executive directors and 2 executive directors and 1 non-executive.

The Board of Directors, being responsible for monitoring Risk Management – undertakes the following roles:

- approves and periodically reviews risk strategy and policies;
- approves the risk appetite annually and monitors the Company's risk profile against this appetite;
- ensures that management takes steps necessary to monitor and control risks;
- ensures that management maintains an appropriate system of internal control and reviews its effectiveness;
- ensures that the Company's overall credit risk exposure is maintained at prudent levels and is consistent with the available capital;
- reviews and approves changes/amendments to the Risk Management framework;
- reviews and approves Risk Management procedures and controls for new products and activities;
- periodically receives risk reports from the management highlighting key risk areas, controls, failures and remedial action steps taken by the Management (this is to be done at least once every quarter)
- ensures that the Management as well as individuals responsible for credit Risk Management possess the requisite expertise and knowledge to accomplish the Risk Management function;

- ensures that the Company implements a sound methodology that facilitates the identification, measurement, monitoring and control of risk;
- ensures that detailed policies and procedures for risk exposure creation, management and recovery are in place.

The Company is monitoring its risk exposure on a continuous basis.

Number of Directorships held by members of the Board

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships which may be held by a member of the Board at the same time shall consider individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships;
- four non-executive directorships.

For the purposes of the above, the following shall count as a single directorship:

- Executive or non-executive directorships held within the same group.

Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations shall not count for the purposes of the above guidelines. The table below discloses the number of directorships held by members of the management body.

Table 1- Number of Directorships of the members of the Board of Directors

Director	Function	Number of Executive Directorships	Number of Non-Executive Directorships
Mrs. Zilin Hu	Executive Director	1	0
Mr. Michael Shahin Rezaie	Chief Executive Officer	1	1
Mr. Wei Zhang	Non-Executive Director		1
Mrs. Eleni Pavlou	Independent, Non-Executive Director	0	2
Mr. Alkis Aloneftis	Independent, Non-Executive Director	0	4

Governance and Committees

Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the *Risk Management Committee.* The role of the Risk Management Committee is to provide oversight, review and challenge of the material risks both current and future affecting the business whilst ensuring that there is effective management and control of all key risks and issues facing the Company. The members of the Risk Management Committee are the Executive directors, 1 independent Non-Executive Director and the Heads of Dealing on Own Account and Brokerage departments.

The Risk Management Committee, inter alia, scrutinizes, and decides on various risks inherent with the operation of the Company with the view to formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company. Moreover, the Risk Management Committee reviews the Risk Management procedures in place (monitors and controls the Risk Manager in the performance of his duties and the effectiveness of the Risk Management Department).

The Risk Management function operates independently and monitors the adequacy and effectiveness of policies and procedures, the level of compliance to those policies and procedures, in order to identify deficiencies and rectify. The Risk Management Committee is responsible for monitoring and controlling the Risk Manager in the performance of his/her duties.

The Risk Management Committee meets at least annually, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager.

Internal Audit

The Internal Audit function examines and evaluates the adequacy and effectiveness of the Company's policies, procedures and internal control mechanisms in relation to its legislative obligations. On-site inspections are carried out at the headquarters of the Company, recommendation reports are issued and the Company's compliance with its legislative obligations is verified. An Internal Audit report is prepared on an annual basis and is presented to the Company’s senior management and Board of Directors. The approved report is then sent to CySEC.

Legal and Compliance

The Company has in place a Legal and Compliance function that establishes implements and maintains adequate procedures that detect the risk of the Company failing to comply with its legislative obligations, adequate measures to minimize its risk of compliance and to assist CySEC in effectively exercising its powers. This function operates independently, monitors and assesses the adequacy and effectiveness of the internal compliance policies and procedures and the actions taken to address any deficiencies. It also acts as an information point to the Company's employees with reference to the Company's legislative obligations. Reports on compliance and anti-money laundering and terrorist financing are prepared on an annual basis and presented to the Company's Senior Management and Board of Directors. As a final step, the reports are submitted to CySEC.

Accounting

The accounting function plays a key role in the Company complying with its financial reporting obligations to CySEC. The accounting function is responsible for preparing the Company's consolidated financial statements in accordance with applicable accounting standards and rules in order to reflect a fair and true view of the Company's financial position. The financial statements are audited by the Company's External Auditors and presented to the Board of Directors for approval. In addition, the accounting function prepares the appropriate capital adequacy and large exposures forms for submission to CySEC on a quarterly basis in accordance with the Company's legislative obligations.

IV. Analysis of the Risks faced by the Company

The Company will seek as far as possible to manage all of the risks that arise from its operations. The Company's Risk Management framework is commensurate with the size and scope of the Company and its operations. It identifies the key risks faced and reports them to the Board of Directors, which then determines the firms' risk appetite and ensures that an appropriate amount of capital is maintained. The Company's Senior Management and Members of the Board will receive at least annually information relating to risks and Risk Management for assessment and acting appropriately to address any deficiencies.

The Company identifies the risks relating to its activities, processes and systems as follows:

Table 1 – Risks

Risk Area	Risks Captured	Risks Not Fully Covered
Pillar 1	Credit Risk Market Risk Operational Risk	Residual Risks Securitization Risks Model Risk Price Risk
Other Pillar 1	Concentration Risk (Country) Concentration Risk (Industry) Concentration Risk (Large Exposure)	
Pillar 2	Interest Rate Risk Liquidity Risk Settlement Risks Country Risk	Conduct Risk Customer Risk Regulatory Risk Reputation Risk
Other Material Risks	Fraud Risk Conflicts of Interest Risk	

Credit Risk & Credit Risk Management

Credit risk is the risk of loss that the Company would incur if any counterparty to the Company fails to perform its contractual credit obligations.

Credit Risk analysis is shown on the table below:

	Risk Weighted Assets	Capital Requirements
	(Audited) €000	(Audited) €000
Exposure class		
Institutions	597	48
Corporates	404	32
Retail	300	24
Equity	188	15
Other Items	490	39
Total	1979	158

Geographical distribution of the exposure classes:

Geographical Distribution of the Exposures											
(Audited) €000	**Cyprus**	**UK**	**Germany**	**Italy**	**Spain**	**Portugal**	**USA**	**MT**	**SA**	**Other**	**Total**
Exposure class											
Institutions	789	10	286						87		**1172**
Equity									75		**75**
Corporates	242	205	58				195	48			**748**
Retail	0	5	1	6	2	3.9			283	8	**309**
Other Items	489										**489**
Total	**1520**	**220**	**345**	**6**	**2**	**4**	**195**	**48**	**154**	**8**	**2793**

Exposures by Industry:

	Banking/Financial services (Audited) €000	Private Individuals (Audited) €000	Other (Audited) €000	Total (Audited) €000
Exposure class				
Institutions	597	0	0	**589**
Corporates	0	0	404	**404**
Retail	0	300	0	**300**
Equity	0	0	188	**188**
Other Items	0	0	490	**490**
Total	**597**	**300**	**1082**	**1979**

Residual maturity broken down by exposure class:

	Residual Maturity ≤ 3 months	Residual Maturity > 3 months	Total
Exposure	**(Audited) €000**	**(Audited) €000**	**(Audited) €000**
Institutions	557	40	**589**
Corporates	0	404	**404**
Retail	300	0	**300**
Equity	0	188	**188**
Other Items	0	490	**490**
Total	**857**	**1122**	**1979**

Credit Quality Step	Moody's Rating
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

Summary reconciliation of accounting assets and Leverage exposures	
	31 Dec 2020 €000
Total assets as per published financial statements	2479
Adjustments for derivative financial instruments	307
Other adjustments	-86
Total Leverage exposure	**2700**

Large Exposures Limits

As at 31/12/2020 there was no exposure to directors or shareholders as set by paragraph 61 of CySEEC Directive 144-2014-14 for exposures to shareholders with more that 10% holding and their connected persons.
The limits set to credit institutions are monitored daily in order to manage any exposure when needed.

Market Risk and Market Risk Management

Market Risk is the risk of adverse movements in the level of interest rates, in the rate of exchange between currencies and the current prices of securities, commodities and other financial instruments.

The Company's activities expose it to Market Risk, which includes Foreign Exchange risk and Interest Rate Risk. These risks are managed and monitored using the following methods and mitigation strategies:

- Margin Calls
- Hedging strategy
- Monitoring Leverage
- Limiting trading via specific orders such as, Stop Loss.

A breakdown of the Market Risk is shown below:

Market Risk Exposure	Dec 31, 2020 (Audited) €000
Foreign Exchange	1390
Traded Debt Instrument Risk	0
Equity Risk	0
Commodity Risk	443
Total	**1833**

Foreign Exchange Risk Management

Foreign Exchange Risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. As the Company's principal activity is trading in foreign currencies, it is exposed to Foreign Currency Risk because of the existence of open currency positions in the currencies in which it performs transactions with its customers. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Interest Rate Risk Management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates, as the Company has no significant interest-bearing assets. Furthermore, the Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Operational Risk and Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, employees and systems or from external events.

Operational risk is the risk of loss arising from inadequate or failed internal processes, error, omission, inefficiency, systems failure or external events. The Company's policies and internal controls outline the processes and procedures to be followed by its employees, the reporting lines in place, and each department's functions and responsibilities. The aim of the policies and controls is to minimize the Operational Risk the Company faces. This is supported by a program of audits undertaken by the Internal Auditors of the Company.
The Company's Business Continuity Policy ensures that the Company's operations will continue in the event of the occurrence of circumstances beyond its control.

Residual Risk

Residual risk is the risk of the large-scale devaluation or limited enforceability of collaterals behind credit exposures. In other words, residual risk is the risk that recognized credit risk mitigation techniques used by the credit institution prove less effective.

Concentration Risk and Concentration Risk Management

The concentration risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer, must be addressed and controlled including by means of written policies and procedures. The Company has Credit Risk Mitigation strategies including the management of large exposures to a single credit institution or counterparty.

Country Risk

Country risk refers to potential losses that may be generated by an (economic, political, etc.) event that occurs in a specific country, where the event can be controlled by that country (government) but not by the credit grantor/investor. It also comprises of Regulatory Risk upon the domestic implementation of the CRD, the Ministry of Finance's regulation on the capital requirement for country risks ceases to be in effect.

Interest Risk arising from non-trading book activities

CIFs must implement systems to identify, that affect a CIF's non-trading activities.

Interest Risk Management arising from non-trading book activities

The Company keeps a short-term fixed deposit in EU regulated credit institution.

Liquidity Risk and Liquidity Risk Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In periods of up normal fluctuations in market conditions or financial crisis, liquidity risk can expose the Company to shortfall of access to the capital markets resulting to damages. Liquidity exposes the Company to the risk of not having enough cash to fulfil its duties against creditors/debtors that can eventually cause sanctions and loss of business.

The Company has procedures in place with the object of minimizing the risk of losses which may arise as a result of an unmatched position. These procedures include maintaining sufficient cash and other liquid current assets and having available an adequate amount of committed credit facilities.

The Company also ensures that it has sufficient cash on demand to meet any operational expenses that arise.

Reputational Risk

Reputational risk is a threat or danger to the good name or standing of a business or entity. Reputational risk can occur through a number of ways: directly as the result of the actions of the company itself; indirectly due to the actions of an employee or employees; or tangentially through other peripheral parties, such as joint venture partners or suppliers.

Conflicts of Interest Risk

A conflict of interest is a situation in which a person or organization is involved in multiple interests, financial or otherwise, in situations where serving one the interests could involve working against one of the other interests.

Risk Management and Mitigation Strategies

Some of the mitigation strategies that the Company follows are the following:

- The Company has a four-eyes structure and board oversight as required by CySEC. The Board further reviews any decisions made by management and monitors its activities.
- The Company reviews credit limit on a regular basis.
- Reconciliations performed by the accounting function are in place to detect discrepancies
- The Compliance Office ensures the appropriate level of the compliance with legislation and ensures that the information addressed to the client is fair, clear and not misleading.
- Internal Audit visits to ensure that employees comply with the Company's internal procedures.
- The Company's Procedures Manual includes Business Continuity Policy, together with Employee Replacement Policy, which includes recovery procedures and actions to be followed in the case of damage to any vital part of the Company's structure.
- The Company continually obtains legal advice and suggestions on the preparation of its legal documents and any issues that may arise relating to the legal and regulatory environment under which it operates and more specifically on Compliance and Risk Management issues.

V. Own Funds

Information on Own Funds

In accordance with the Directive, the Company's own funds must be disclosed as the amount of original own funds with separate disclosures of all positive items (share capital, reserves brought forward, less any proposed dividends, translation differences and unaudited current period losses, as applicable).

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with CRD IV which sets out the characteristics and conditions for own funds. The Company throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

During the year under review, the Company's own funds never dropped below the minimum initial capital requirement (i.e. €730,000) and the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV CoRep Forms.
In this respect, the minimum Total Capital Adequacy Ratio (i.e. 8%) was maintained by the Company during the year 2020. The Company's Capital Adequacy Ratio as at 31 December 2020 was **46.95%.**

Capital Adequacy Requirements

The Company, being regulated by the Cyprus Securities and Exchange Commission, needs to adhere to minimum capital requirements and proceeds to disclose such information. According with CySEC, CIFs are legally required to maintain a minimum capital adequacy of 8%, the Company maintains a considerably higher ratio. As far as the Company's internal capital adequacy assessment is concerned this is reported to the Board on a quarterly basis.

Own Funds & Capital Adequacy Ratio as at 31.12.2020

Total Eligible Own Funds	
CET1 Capital ratio	46.95%
T1 Capital ratio	46.95%
Total capital ratio	46.95%
According to Article 92 of the Regulation EU No. 575/2013 a CIF shall at all times satisfy the following own funds requirements:	
CET1 Capital ratio	4.5%
T1 Capital ratio	6.0%
Total capital ratio	8.0%

Balance Sheet Reconciliation

	2020
	(Audited) €000
Equity	
Share capital	10
Share premium	2040
Retained Earnings	346
Total Equity as per Audited Financial Statements	**2396**
Additional deductions of CET1 Capital due to Article 3 of the CRR	-87
Total Own funds as per CoRep Forms	**2309**

Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information in relation to their own funds. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier

1 instruments and Tier 2 instruments issued by the institution. In this respect, the Company's total capital is wholly comprised of Common Equity Tier 1 capital.
The composition of the capital base and capital ratios of the company is shown in the following table:

Composition of Capital Base and Capital Ratios

	2020
	(Audited) €000
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	2050
Retained Earnings	346
Common Equity Tier 1 (CET1) capital before regulatory adjustments	2,396
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Additional deductions of CET1 Capital due to Article 3 of the CRR (*)	-87
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-87
Common Equity Tier 1 (CET1) capital	2,309
Additional Tier 1 (AT1) capital	0
Tier 1 capital (T1 = CET1 + AT1)	2,309
Tier 2 (T2) capital	0
Total capital (TC = T1 + T2)	2309
Risk weighted assets	
Credit risk	1979
Market risk	1833
Operational risk	1106
Additional Risk Exposure amount due to Fixed Overheads	0
Total risk weighted assets	**4,918**
Capital ratios	
Common Equity Tier 1	46.95%
Tier 1	46.95%
Total Capital	46.95%

Main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments
To meet the requirements for disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, the company discloses the capital instruments' main features as outlined below:

Main features of capital instruments

Capital Instruments Main Feature	CET1	
Issuer	Rynat Trading Limited	
Regulatory Treatment		
Eligible at Solo/(sub-)consolidated/solo	Consolidated	
Instrument type	Common Equity	
Amount recognized in regulatory capital	€2050k	
Nominal amount of instrument	€2050k	
Issue Price	Various	
Accounting classification	Shareholders' Equity	
Original date of issuance	€1k	09/06/2015
	€124k	17/08/2016
	€97k	31/08/2016
	€500k	19/09/2017
	€340k	13/12/2017
	€230k	18/01/2018
	€378k	14/06/2018
	€170k	17/07/2018
	€75k	18/06/2019
	€135k	16/04/2020
Perpetual or dated	Perpetual	
Original maturity date	No maturity	
Issuer call subject to prior supervisory approval	No	
Coupons / dividends		
Fixed or floating dividend/coupon	Floating	
Coupon rate and any related index	N/A	

The Company's capital resources consist of Tier 1 Capital only. No additional Tier 1 and Tier 2 available.

VI. Internal Capital Adequacy Assessment Process

PILLAR I – MINIMUM CAPITAL REQUIREMENTS

The Company adopted the Standardized approach for Credit and Market risks and the Basic Indicator approach for Operational risk. According to the Standardized approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, after the consideration of various mitigating factors, according to the exposure class to which they belong.

For exposures to institutions, the risk weight also depends on the term of the exposure (more favorable risk weights apply where the exposure is under three months). The categories of exposures the Company is exposed to with regards to Credit risk are mainly deposits with banks, liquidity providers and payment system providers, fixed assets, and trade and other receivables. The Standardized measurement method for the capital requirement for Foreign Exchange risk considers the long and short positions in assets and liabilities denominated in foreign currencies in order to determine the capital requirement. The main sources of Foreign Exchange risk for the Company are bank balances and equity balances in currencies other than Euro.

- **Pillar 2 - Supervisory Review Process:** the key principles of supervisory review, transparency and Risk Management are discussed, with emphasis to be given to the development of an internal capital adequacy assessment process for ensuring compliance with regulatory requirements regarding capital adequacy.

PILLAR II – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures the Company may have, in addition to requiring appropriate Risk Management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company. Pillar II connects the regulatory capital requirements to the Company's Internal Capital Adequacy Assessment Procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk. Under Basel II, ICAAP is a requirement for the Company to establish and report to the regulator (on request) the process of Internal Capital Adequacy Assessment.

COMPANY'S ICAAP APPROACH

Our approach for meeting the Pillar II requirements, are based on the Pillar I Minimum Capital Requirement Plus Approach, as it takes the Pillar I capital requirements calculation as a starting point and then considers further risks identified under the ICAAP Report to ascertain whether this results in an adequate amount of capital to cover the Company's actual risk profile.

The Company chooses to apply this method and uses, as a starting point, the minimum capital calculated according to the provisions of the Regulation, under Pillar I for credit risk, operational risk and market risk.

The capital calculated as a minimum requirement, under Pillar I, is then assessed internally as to its adequacy vis-à-vis the following:

- Risks covered in Pillar I (additional counterparty credit risk);
- Risks not fully covered in Pillar I (additional concentration and market risks);
- Pillar II risks (reputational, political and client concentration risks).

The Company assesses the above elements of the overall risk, following the chosen approach, and uses the stress scenarios approved at the strategic management levels, mainly for external factors, to ensure that the Company's plans and current level of the capital are sufficient to:

- meet the Company's liabilities as they fall due;
- survive a recession and meet the Pillar I capital requirement through a severe recession.

The Company aims to operate at all times over and above the required statutory capital and currently maintains a prudent level of capital for both short and long-term requirements.

- **Pillar 3 - Market Discipline:** the introduction of disclosure requirements and recommendations enhances comparability through the dissemination of information to the market that enables better assessment of the financial strength of investment firms.

PILLAR III – MARKET DISCIPLINE

Market Discipline requires the disclosure of information regarding the Risk Management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information with respect to the composition of own funds.
The regulatory capital base of the Company consists of original own funds (Common Equity Tier 1 capital), which include share capital.

The primary objective of the Company's capital supervision is to ensure its compliance with externally (regulatory) imposed capital requirements and the maintenance of healthy capital ratios, to support its business and maximize shareholders' value.

The Company manages its capital structure and allocations and adjusts it in light of changes in economic conditions and the risk characteristics of its activities on an ongoing basis. The monitoring of capital level is a simultaneous, continuous task.

The current legal and regulatory framework under which the Company operates stipulates that the Company must maintain a minimum capital adequacy ratio of 8%. The method of calculation is set up by the Regulation.

The Company aims to always maintain a high capital adequacy ratio that is well above the required minimum. The capital adequacy ratio is reported to the Company's regulating authority since September 2016 on a quarterly basis.

The Company's regulatory capital can be analyzed as follows:
All the elements on the Company's CET1 capital satisfy the requirement laid down in the Chapter One Part Two of CRR to be qualified as CET1 elements, in particular:

- The capital instruments were issued directly by the Company;
- The capital instruments were paid up;
- The capital instruments are classified as equity within the meaning of the IFRS;

- The capital instruments are clearly and separately disclosed in the Company's statement of financial position;
- The capital instruments are of perpetual nature;
- The capital instruments rank below all other claims in the event of insolvency or liquidation of the Company;
- Entitle their owners to a claim on the residual assets of the institution;
- Retained earnings and other reserves are available for unrestricted and immediate use to cover risks or losses as soon as these occur and verified by the persons independent of the Company that are responsible for the auditing of the accounts of the Company

Under Pillar 3, the Company is required to publicly disclose information about the capital it holds and each material category of risk it faces, including the strategies and processes it has in place in order to manage and monitor these risks. Disclosures are made regarding the risks referred to under points 1 to 14 of Part 2 of Annex XII, Part C of the Directive and in case that these are not applicable, no reference is made. The aforesaid disclosures aim to strengthen market discipline and encourage transparency.

VII. Remuneration and Recruitment Disclosures

Recruitment policy

The Board of Directors will submit request to HR prior to the recruiting candidate for the Board of Directors. It is the responsibility of the Board of Directors to find, assess and short list candidates for the Board of Directors. The short-listed candidates must have sufficient experience and knowledge and devote the time needed to perform the job required by the Board of Directors effectively.

Remuneration Policy

The Company's remuneration disclosure is subject to the principle of proportionality, which considers the scale, nature and complexity of activities of the Company.

The Company's remuneration policy is set by the Board of Directors.

The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, and individual performance and market rates. Staff performance is assessed on an annual basis through the Company's HR processes, based on range of performance criteria (financial and non-financial). The remuneration structure offered by the Company to management and staff comprised of fixed remuneration. The remuneration policy of the company is not related at all to any risk taking and actually risk taking is discouraged.

Formal performance appraisals take place annually to evaluate the performance of each employee.

Remuneration analysis split by Senior Management and key management personnel

2020	Executive/Non Executive Directors	Key Management personnel
Fixed reward	EUR 152 442	EUR 340000
Variable reward	EUR NIL	EUR NIL
Total	**EUR 152 442**	**EUR 340 000**
Number of beneficiaries	4	10

For the selection of the members of the management body, the Company pursues the target of having a professionally experienced, balanced, and top-integrity management team.

The members need to have higher education, necessary professional qualifications, advanced financial knowledge in the areas of financial markets, accounting and financial reporting, have appropriate skills, knowledge and diverse financial experience to perform their duties.

The Company's Board of Directors comprises of professionally qualified members, with sufficient financial experience and understanding of financial markets, their professional expertise includes accounting and auditing, IT, financial management and other areas. The Company recognizes the benefits of having a management team with diverse backgrounds, financial specialization, knowledge, skills and expertise. Diversity of the Board contributes to higher quality management decisions.

VIII. Diversity policy

The Company is committed to promoting diversity in the composition of its Board of Directors and recognizes that its human capital is the most valuable asset. Diversity is one of the criteria taken into consideration when selecting a Board member so that the Company has a balanced and effective Board.