Pillar III Disclosures and Market Discipline for the year ended 31 December 2020

UGM Securities Ltd

April 2021

Regulated by the Cyprus Securities and Exchange Commission (License. No. 352/17)

This report has been prepared based on the Audited Financial Statements of 2020 under Directive 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.

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1 Introduction

1.1 Corporate information

These disclosures relate to UGM Securities Ltd (the "Company"), which is authorized and regulated by the Cyprus Securities and Exchange Commission (the Commission" or "CySEC") as a Cyprus Investment Firm ("CIF") to offer Investment and Ancillary Services in accordance with the Investment Services and Activities and Regulated Markets Law of 2017 (hereinafter, the "Law"), under license number 352/17 dated 28 December 2017.

The Company has the license to provide the following investment and ancillary services, in the financial instruments outlined below:

Investment Services and Activities:

(a) Reception and transmission of orders in relation to one or more financial instruments;

(b) Execution of orders on behalf of clients, and;

(d) Investment advice.

Ancillary Services:

(a) Safekeeping and administration of financial instruments, including custodianship and related services, and;

(c) Foreign exchange services where these are connected to the provision of investment services.

Financial Instruments:

1) Transferable securities;
2) Money-market instruments;
3) Units in collective investment undertakings;
4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF);
7) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in point 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls;
8) Derivative instruments for the transfer of credit risk;
9) Financial contracts for differences; and
10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official

economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

1.2 Basis of preparation (Pillar III Regulatory Framework)

The current EU Capital Requirements Directive 2013/36/EU ("CRDIV") and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (the "Regulation" or "CRR") set out the regulatory framework (commonly known as Basel III) that governs the amount of capital EU investment firms and banks are required to maintain. This is achieved through the application of common capital adequacy methodologies and by enforcing standardized disclosure requirements that ensure transparency and enable the comparability of solvency results across the region.

The Basel III framework consists of three Pillars:

- Pillar I set 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 in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publicly disclose certain details of their risks, capital and risk management.

According to Directives DI144-2014-14, DI144-2014-14(A) and DI144-2014-15 of the Commission and Part Eight of the Regulation for the prudential supervision of investment firms, the Company prepared these disclosures (hereinafter the "Pillar III disclosures") to demonstrate that it has successfully implemented the prudential provisions and to fully comply with the current legislature.

The information provided in this report is based on procedures followed by the Management to identify and manage risks for the year ended 31 December 2020 and on reports submitted to CySEC for the said year.

1.3 Reporting Frequency

The Company's policy is to publish the disclosures required on an annual basis. Should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements, the frequency of disclosure will be reviewed.

This report is published and will be available on the Company's website (https://ugm.com.cy/).

1.4 Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board of Directors (the "Board") for approval.

The Company's Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures as detailed in Section 6 of this document have been reviewed by the Board which has responsibility of the Remuneration Policy in the absence of a Remuneration Committee.

1.5 Reporting details

The Company reports on a Solo basis and the reporting currency is EUR.

1.6 Return on Assets

The Company's return on assets (ROA) for financial year ending 31 December 2020 was 5.87%; (2019: (2.25)%).

1.7 Non-Material, Proprietary or Confidential Information

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the CRR. The Company does not seek any exemption from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

2 Risk Governance – Board and Committees

2.1 Board of Directors

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust.

The Board of Directors, as at the reference date, consists of two (2) executive and three (3) non-executive members, of which the two are also independent. The Chairman of the Board in most of the cases is the General Manager.

Table 1:Board of Directors structure

Full name of Director	Position/Title	Capacity	Country
Zhaslan Adilbaev	Chief Executive Officer	Executive Director, "4 eyes"	Cyprus
Ruslan Adilbaev	General Manager	Executive Director, "4 eyes"	Cyprus
Savvas Zannetos	Non-executive Director	Non-Exe. Director	Cyprus
Natalja Milovanova	Non-executive Director	Non-Exe. Director	Cyprus
Askhat Saddiev	Non-executive Director	Non-Exe. Director	Russia

2.1.1 Board of Directors responsibilities

The Board shall be responsible for ensuring that the Company complies with its obligations under the Law. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law and takes appropriate measures to address any deficiencies. In general, the Board shall:

a) act within its powers;
b) exercise independent judgment;
c) exercise reasonable care, skill and diligence;
d) avoid conflicts of interest;
e) review and evaluate the work carried out by the Internal Auditor;
f) discuss internal audit issues and adopt strategies to improve the operation of the internal audit mechanism;
g) determine the remuneration of staff, senior management and Directors of the Company;
h) approve the terms of reference of the company's committees;
i) approve the annual budget and monitor the quarterly and yearly performance of the company;
j) determines, record and approve the general policy principles in relation to the prevention of money laundering and terrorist financing and communicate them to the compliance officer;
k) appoint a compliance officer and, where is necessary, assistant compliance officers and determine their duties and responsibilities;
l) approve the risk management and procedures manual; and

m) Initiate, design and approve the Company’s Internal Capital Adequacy Assessment Process (the “ICAAP”).

Particularly, the Board shall ensure that it receives on a frequent basis, and at least annually, written reports regarding Internal Audit, Compliance, Anti-Money Laundering & Terrorist Financing, Risk Management and ICAAP issues, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The executive directors take part in the operation of the Company and, as appropriate, in the provision of investment or ancillary services. The Non-Executive (Independent) Directors monitor the operations of the Company through their participation in the various meetings of the Board, and will also request and be granted access to, as necessary, information and reports from the management of the Company.

2.1.2 Board of Directors meetings and quorum

The Company’s Board of Directors shall meet at least once a year to discuss issues relating to internal audit and compliance. The Internal Auditor shall prepare and submit to the Board detailed reports as to the audits performed during the past year and any conclusions reached as to the effectiveness of the internal audit system, and any suggestions as to its improvement.
The Board of Directors will go through the Internal Auditor’s reports and discuss the issues which have arisen. The Board of Directors will reach its own conclusions and make any decisions it considers appropriate.

The Company will submit to the Commission the abovementioned written report along with a copy of the minutes of the yearly meeting within 20 days from the day on which the meeting took place.

2.1.3 Number of Directorships held by the Board members

Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit making or charitable organizations, are not taken into account for the purposes of the below.

The table below provides the number of directorships that each member of the management body of the Company holds at the same time in other entities, including the one in UGM Securities Limited:

Table 2:Directorships of Board Members

Full name of Director	Position/Title	Executive	Non-Executive
Zhaslan Adilbaev	Chief Executive Officer	1	0
Ruslan Adilbaev	General Manager	1	0
Savvas Zannetos	Non-executive Director	1	1
Natalja Milovanova	Non-executive Director	0	1
Askhat Saddiev	Non-executive Director	1	1

2.2 Board recruitment policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework.

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission.

All organizational units of the Company shall be staffed by competent people. During the executive hiring process, special attention shall be given to the following:

- Morality and reliability (character) of the person;
- Academic qualifications;
- Professional experience;
- Possession of certificates of professional competence, where applicable;
- His/her potential to contribute to the business development of the Company's projects.

2.3 Governance Committees

The Company has not formed any governance committees. The current scale and complexity of its operations do not require such level of elaborate governance oversight structure to adequately monitor its operational effectiveness and potential risks.

2.4 Information flow on risk to the Board

The flow of risk-related information to the management body of the Company, is presented in the table below:

Table 3:Information flow on risk to Board

No.	Report Description	Responsible Officer	Frequency
1	Risk Management Report	Risk Manager	Annually
2	Pillar I (CySEC forms)	Risk Manager	Quarterly
3	ICAAP (Pillar 2) Report	Risk Manager	Annually
4	Pillar 3 Disclosures	Risk Manager	Annually
5	Escalation of key risk (when applicable)	Risk Manager	Ad hoc
6	Internal Audit Report	Internal Auditor	Annually
7	Compliance Report	Compliance Officer	Annually
8	AMLCO Report	AMLCO	Annually
9	Suspicious transactions involving money laundering and terrorist financing	AMLCO	Ad hoc

3 Risk Management Objectives and Policies

3.1 Approach to Risk Management

There is a formal structure for monitoring and managing risks across the Company comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk.

First line of defence - Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds.

Second line of defence - 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. Risk 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.

Third line of defence comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

3.2 Risk Appetite

Risk Appetite limits the risks which the business can accept in pursuit of its strategic objectives. Risk Appetite 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.

The Board approves the Risk Appetite, which defines the level of risk that the Company is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long-term plan, capital planning, stress testing and the Company's risk management framework. The review and approval process is undertaken at least annually.

The Company's Risk Appetite covers three (3) core areas, financial risk, reputational risk and operational risk. The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

3.3 Risk Management Function

The Risk Management function is independent from other operational functions, possesses the necessary authority for the fulfilment of relevant duties and responsibilities, as well as direct access to the Company's Board of Directors.

The Risk Management Function operates under the leadership of the Risk Manager who reports directly to the Senior Management and the Board. The role of the Risk Manager is undertaken in-house by an executive director with specific expertise and structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced by the Company.

The Risk Manager is responsible for the following tasks:

a) to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company;
b) to adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance;
c) to monitor the following:
    i. the adequacy and effectiveness of the Company's risk management policies and procedures;
    ii. the level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted in for managing relevant risks;
    iii. 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;
d) to provide reports and advice to the BoD at least annually, on the adequacy of risk management policies and procedures designed to identify and manage risks relating to the Company's activities, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies; and
e) Provision of ICAAP training to relevant employees and senior management.

3.4 Risk Management Framework

The Company' aim is to embed explicit and robust risk management practices across its entire business operations, in order to ensure that the level of risk it faces is consistent with its corporate objectives and its level of risk tolerance. This is achieved through the implementation of a comprehensive risk management framework for the identification, assessment, monitoring and control of all relevant risks. The framework also enables the Company to continually align its business objectives against a background of changing risks and uncertainty.

The risk management framework:

- Enables the Company to proactively manage its risks in a systematic manner;
- Ensures that appropriate measures are in place to mitigate risks;
- Creates a culture of risk awareness within the Company; and
- Ensures that risk management is an integral part of the Company's decision-making process.

3.4.1 Risk Identification

The Risk Identification process provides guidance on the sources to investigate and research in order to identify new and emerging risks and sets out consistent principles, which should be applied.

3.4.2 Risk Assessment

The Risk Assessment process is the means through which the Company understands and estimates the effect of risk on the business and the processes, systems and controls that mitigate those risks to an acceptable level.

3.4.3 Risk monitoring and control

Based on the Risk Assessment findings and having the Risk Appetite as a benchmark the Company decides to eliminate, mitigate or tolerate the risks faced and accordingly takes appropriate actions and measures to achieve the decision being made. The actions and measures are monitored for performance and change achievement.

3.4.4 Stress Testing

Stress Testing is the process by which the Company's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Company's business including the projected capital and liquidity positions.

The Company is required to prepare and make available upon request periodic ICAAP reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

3.5 Internal Capital Adequacy Assessment Process

The Company has established an Internal Capital Adequacy Assessment Process which it has documented in an ICAAP Report and a relevant policy manual. The Company has produced an updated ICAAP Report based on Financial year 2019 and with forecasted periods 2020-2022, as per the Guidelines GD-IF-02 & GD-IF-03. Upon CySEC's request the ICAAP Report shall be submitted to CySEC.

The ICAAP report describes how the Company has implemented and embedded the management of the various risks to which it is subject, within its business. The ICAAP also describes the Company's Risk Management framework, which includes - among others - its risk profile and the extent of risk appetite, the risk management limits where relevant, as well as the measures that need to be taken and, if necessary, the Pillar II capital to be held for the most material risks (including risks other than the Pillar I risks) faced by the Company.

In performing its ICAAP, the Company has adopted the "Pillar I" approach. In particular, the Company uses simple methods to quantify the capital requirements, over and above the Pillar I minimum requirement, as more advanced approaches are considered unsuitable for the size and complexity of the Company and require extensive use of resources and time to produce. The allocation of capital for Pillar II takes into consideration the risks that have been assessed internally by the Company as "material", through the risk assessment as well as the capital planning and stress test exercises performed. All risks falling outside the Company's risk appetite are considered to be threats to the Company and are covered with additional capital and/or additional controls.

3.6 Board Declaration - Adequacy of the Risk Management arrangements

The Board of Directors is ultimately responsible for the risk management framework of the Company. The risk management framework is the totality of systems, structures, policies, processes and people within the Company that identify, assess, mitigate and monitor all internal and external sources of risk that could have a material impact on the Company's operations.

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 with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

3.7 Board Risk Statement

Considering its current nature, scale and complexity of operations, the Company has developed a policy that establishes and applies processes and mechanisms that are most appropriate and effective in monitoring activities.

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Company's strategic, operational and financial objectives. The policy includes adjusting the risk profile in line with the Company's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns.

Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur.

The following table sets out a number of key measures used to monitor the Company's risk profile:

Table 4:Key Risk Measures

Risk Area	Metrics	Comment	Measure as at 31/12/20
Capital risk	Core Equity Tier1 (CET1), Tier 1 and	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. It therefore aims	CET1: 82.02% Tier 1: 82.02% Total capital ratio: 82.02%

Risk Area	Metrics	Comment	Measure as at 31/12/20
	Total capital ratios	to maintain its capital ratios at least 2% points above the required level (regulator's current total capital ratio limit is 8%).	
Liquidity risk	Cash Ratio	The Company aims to keep its Cash Ratio i.e. (Cash & Cash Equivalents)/Current Liabilities at values exceeding 1.0.	Cash Ratio: 42.38x
Credit risk	Exposure to single financial institution	The Company's objective is to minimize the potential loss from counterparties. It thus tries to limit its exposure to a single financial institution at levels of 90% of its overall cash positions or less and maintains exposure to any one institution at levels of 80% of its own funds or less.	Currently the significant exposure is to a single institution exists and therefore the highest exposure to a single institution of 99.23% is in effect. The Company is taking all the necessary steps to diversify the allocation of its own funds.

4 Pillar I Risks and Minimum Capital Requirements

4.1 Capital Management

This is the risk that the Company will not comply with capital adequacy requirements. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Company's Management Accounts to monitor the financial and capital position of the Company.

It is underlined that in accordance to the Company's licenses, no additional capital conservation buffer nor systemic risk buffer are applicable as applicable by the Cyprus Macroprudential Authority regulations. Moreover, the Company was exempted from applying the institution-specific countercyclical capital buffer following a decision of the Central Bank of Cyprus to exempt small and medium-sized CIFs from this requirement.

4.1.1 Capital Base

The own funds/capital base of the Company as at 31 December 2020 comprised solely of Common Equity Tier 1 (CET1), as shown in the table below.

Under the Law, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

Table 5:Composition of Capital Base

Capital Base	**2020**
	€000
Share Capital	3,500
Retained Earnings	(474)
Common Equity Tier 1 Capital Total	**3,026**
Additional Tier 1 Capital	-
Tier 2 Capital	-
Adjustment to CET1 due to prudential filters	**-**

Capital Base	**2020**
(-) Other intangible assets	(0)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(43)
Total Own Funds & Eligible capital	**2,983**

4.1.2 Capital Requirements and Capital Adequacy

The Company's objectives when managing capital are:

- to comply with the capital requirements set by the CySEC;
- to safeguard its ability to continue as a going concern; and
- to maintain a strong capital base to support the development of its business.

The Company's policy on capital management is focused on maintaining the capital base sufficient in order to keep the confidence of customers, creditors and other market participants at satisfactory levels and to secure the future development of the Company. Capital adequacy and the use of the regulatory capital are monitored by the Company's management through its Internal Capital Adequacy Assessment Process as analyzed in section 3.5. The Company is further required to report on its capital adequacy quarterly. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. All reports are regularly submitted to the Regulator as required.

Based on the Company’s authorization, quarterly Capital Adequacy Reports are prepared and submitted to Cyprus Securities and Exchange Commission. The Capital Adequacy Reports is prepared on a solo basis and the reporting currency is Euro. Moreover, the Company is categorized as an Investment Firm falling under the Article 95.1 category, which requires it to hold eligible capital of at least one quarter of the fixed overheads of the preceding year.

According to the Regulation and the Law the minimum capital adequacy ratio is 8% and the minimum own capital is €125 thousand. The Company maintains only Tier 1 Capital as eligible own funds. Total eligible own funds for 31 December 2020 were €2,983 thousand.

As at 31 December 2020, the Company’s total risk exposure amount was €3,637 thousand resulting in a capital adequacy ratio of 82.02%, considerably higher than the minimum required of 8%. Also, the minimum capital requirements set by CySEC are €125 thousand, and the Company’s total eligible capital of €2,983 thousand is well above the minimum threshold.

Further the Company’s total eligible capital stated above covers the Fixed Overheads Requirement (25% * Fixed Overheads) of €218thousand by more than 13 times.

Table 6:Own Funds and Capital Adequacy Ratio

Own Funds and Capital Adequacy Ratio	**2020**
	€000
Total Capital (Own Funds) & Total Eligible Capital	***2,983***
Risk Weighted Exposures	
Credit Risk	1,358
Market risk – FX risk	3,279
Operational risk	-
Total Risk Exposure Amount	***3,637***
CET1 Capital ratio	***82.02%***
T1 Capital ratio	***82.02%***
Total capital ratio	***82.02%***

Publication of disclosures

According to the CySEC Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures will be made by the external auditors and sent to CySEC by the end of 31st May 2021 in line with the submission deadline for audited financial statements as per Circular C114.

4.2 Market Risk

Market risk is the risk associated with the Company's balance sheet positions where the value or cash flow depends on financial markets. Fluctuating risk drivers resulting in market risk include:

4.2.1 Position risk – equity instruments

Risks arising from equity, debt, money market or derivative securities and real estate could affect the Company's liquidity, reported income, surplus and regulatory capital position. Such exposure may include, but is not limited to, common stocks, debt assets, deposits, option contracts, direct holdings in real estate, or listed real estate company shares and funds.

As at 31 December 2020, the Company did not hold any financial instruments. Therefore, the Company was not exposed to any risks resulting from price fluctuations on equity securities, real estate or capital markets. Moreover, it is highly unlikely that the Company will be exposed to such risks considering it is not licensed to trade on its own account and there is no plan to hold any asset securities on its balance sheet. The balance sheet assets consist of office and equipment utilized in the daily operations of the Company and own funds which mainly consist of instant access cash deposits.

4.2.2 Position risk – traded debt instruments

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2020 and 2019, the Company did not have any borrowings. At 31 December 2020, the Company had no other interest-bearing financial assets or liabilities other than cash at bank. The Company does not have any own position in securities meaning that its income and operating cash flows are substantially independent of changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

4.2.3 Foreign currency exchange risk

The Company is exposed to Foreign Exchange Risk. Foreign Exchange Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign Exchange Risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company’s functional currency (Euro). At the year-end the Company had certain receivables and cash balances denominated in foreign currencies. The main currencies, whose fluctuations have an impact on the results of the Company, is predominantly the US Dollar. The table below shows the Company’s exposure to Foreign Exchange Risk calculated in accordance with Article 352 of the CRR.

Table 7:Exposures to foreign exchange risk

Exposure to currency risk	**Net Position**		
	Assets (Long)	**Liabilities (Short)**	**Overall Net FX Position**
2020	**€000**	**€000**	**€000**
Euro	753	45	**708**
Russian Rouble	0	-	**0**
US Dollar	2,279	-	**2,279**
Total currency positions	**3,032**	**45**	**2,987**
Total Foreign Exchange Risk - Risk Exposure Amount			**2,279**
Market Risk (8% of total foreign exchange risk)			***182***

4.3 Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. Generally, credit risk can be derived from the following areas:

- Cash and cash equivalents;
- Debt instruments;
- Receivables; and
- Other Assets.

The Company's objective in managing credit risk exposures is to maintain them within parameters that reflect the strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories of credit risk.

For calculating its Credit risk capital requirement, the Company uses the Standardized Approach. The following table represents the Company's RWAs and minimum capital requirement for Credit risk as at 31 December 2020, broken down by asset class:

Table 8:Credit risk summary table: by asset class

Asset classes	**Total Exposure Amounts**	**Risk Weighted Exposure**
	2020	**2020**
	€000	**€000**
Institutions	2,084	421
Central Government	12	-
Corporates	192	192
Other items	745	745
Total	**3,033**	**1,358**

Table 9:Credit risk summary table: by residual maturity

Residual maturity as at 31 December 2020	**Up to 3 months**	**More than 3 months**	**Total**
Total Exposure Amounts	**2020**	**2020**	**2020**
	€000	**€000**	**€000**
Institutions	2,084	-	2,084
Corporates	192	-	192
Central Government	-	12	12
Other items	19	726	745
Total	**2,295**	**738**	**3,033**

Table 10:Credit risk summary table: by country distribution of exposure

RWA distribution by country as at 31 December 2020	**Cyprus**	**Russia**	**Total**
Total Exposure Amounts	**2020**	**2020**	**2020**
	€000	**€000**	**€000**
Institutions	15	2,069	2,084
Central Government	12	-	12
Corporates	192	-	192
Other items	745	-	745
Total	**964**	**2,069**	**3,033**

4.3.1 Exposures to central governments

As described in Article 114(4) of the CRR Exposures to Member States' central governments and central banks denominated and funded in the domestic currency of that central government and central bank shall be assigned a risk weight of 0%.

As at 31 December 2020, the Company had €12 thousand of exposure to the Republic of Cyprus government in respect of refundable VAT and corporation tax refund receivable. Risk weight of 0% has been assigned to the above exposures.

4.3.2 Exposures to institutions

The Company's Credit risk stems mainly from its cash balances with banks and credit institutions. To minimize potential risks the Company was holding its cash balances with reliable financial institutions which are mainly: locally with Hellenic Bank and abroad with RosBank in Russia. The Company has policies in place to diversify risks and to limit the amount of credit exposure to any particular financial institution in compliance with the requirements of the Directive. The Company is allowed to keep in one institution not more than 100% of its own funds, and this limit was never exceeded. In addition, the Company reviews a list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

The Company takes into account the expertise and market reputation of the credit institution itself and the residual maturity of the exposure as per Article 120 of CRR. Exposures to unrated institutions are assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned, as specified in Article 121 of CRR.

According to Article 119 of the CRR, exposures to institutions of a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight that is one category less favorable than the preferential risk weight, as described in Article 114(4) to (7) of the CRR, assigned to exposures to the central government in which the institution is incorporated in accordance with the table below:

Article 114 (2) - Table 1						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	0%	20%	50%	100%	100%	150%

Exposures to Member States' central governments, and central banks denominated and funded in the domestic currency of that central government and central bank shall be assigned a risk weight of 0%.

Until 31 December 2017, the same risk weight shall be assigned in relation to exposures to the central governments or central banks of Member States denominated and funded in the domestic currency of any Member State as would be applied to such exposures denominated and funded in their domestic currency. However, in 2019, the calculated risk weighted exposure amounts shall be 50 % of the risk weight assigned to these exposures in accordance with Article 114(2).

According to Article 119 of the CRR, exposures to institutions for which a credit assessment by a nominated ECAI is available shall be risk-weighted in accordance with the tables below:

Article 120 (1) - Table 3						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	50%	100%	100%	150%

Article 120 (2) - Table 4						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	20%	20%	50%	50%	150%

Exposures to institutions for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned in accordance with the table below:

Article 121 (1) - Table 4						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	100%	100%	100%	150%

Notwithstanding the general treatment mentioned above, short term exposures to institutions can receive the more favorable risk weight of 20% if specific conditions apply:

- in accordance to Article 119(3) no exposures with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight less than 20%;
- in accordance to Article 121 (3) for exposures to unrated institutions with an original effective maturity of three months or less, the risk weight shall be 20%.

Table 11:Credit risk summary table: exposures to institutions

Credit Quality Steps	Risk Weight			Moody's Credit Rating	Exposure amount			Risk weighted
					2020			2020
					€000	€000	€000	€000
	Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated		Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated	
CQS1	0%	20%	20%	Aaa to Aa3	-	-	-	**-**
CQS2	20%	50%	50%	A1 to A3	2,069	-	-	**414**
CQS3	50%	50%	100%	Baa1 to Baa3	15	-	-	**7**
CQS4	100%	100%	100%	Ba1 to Ba3	-	-	-	**-**
CQS5	100%	100%	100%	B1 to B3	-	-	-	**-**
CQS6	150%	150%	150%	Caa1 and below	-	-	-	**-**
Total risk weighted cash exposure								**421**

4.3.3 Corporate exposures

As described in Article 122 (2), exposures to corporate entities for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight of 100%. As at 31 December 2020, the Company had € 192 thousand of such exposures on which a risk weight of 100% has been assigned.

4.3.4 Other exposures

As described in Article 134 (1), tangible assets within the meaning of Article 4(10) of Directive 86/635/EEC shall be assigned a risk weight of 100%. As at 31 December 2020, the Company had €726 thousand of exposure to furniture, fixtures, office equipment and computer hardware. Risk weight of 100% has been assigned to the above exposures.

As described in Article 134 (2), prepayments and accrued income for which an institution is unable to determine the counterparty in accordance to Directive 86/635/EEC, shall be assigned a risk weight of 100%. As at 31 December 2020, the Company had €19 thousand of exposure to other receivables. Risk weight of 100% has been assigned to the above exposures.

4.4 Operational Risk

Operational risk is defined by the Basel Committee for Banking Supervision as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Major sources of Operational risk include inadequate operational processes, IT security, dependence on key service providers and implementation of strategic change, fraud, human error, recruitment training and retention of staff. The Company's systems and controls are evaluated, maintained and upgraded continuously. Furthermore, the Company has a "four-eye" structure and board oversight ensuring the separation of power and authority regarding vital functions of the Company.

The Company has implemented an Operational risk management framework designed to ensure that Operational risks are identified, assessed, mitigated and reported in a consistent manner consisting of, inter alia, the following components:

- Reviewing risks and controls as part of the Internal Audit function; Regular review and updating of policies;
- Monitoring of the effectiveness of policies, procedures and controls by Internal Audit;
- Maintaining Risk Registers by following the risk monitoring program in order to ensure that past failures are not repeated;
- Maintaining a four-eye structure and implementing board oversight over the strategic decisions made by the heads of departments;
- Access to the Company's systems (client administration) is limited and the end-users are properly authorized. The system is in a network protected by firewalls and other hardware and software intrusion security tools to block any external intruders from accessing it;
- The Company has performed due diligence on its system providers and has ensured that their service can be delivered uninterrupted. The due diligence performed covered the areas of a business continuity policy, acceptable downtime, accessibility, security features, and server location(s). The provider is a reputable software developer with years of experience in system provision for the financial industry;
- A Disaster Recovery Plan has been designed in order to be used in the event of a force majeure affecting the Company's internal systems and databases. This plan is structured around departments, with each having a set of specific responsibilities; and
- A Business Continuity Policy has been implemented which helps protect all of the Company's information databases including data, records and facilities.

In addition to its overall framework, in order to mitigate operational risks, the Company has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.

Following the implementation of the Regulation 575/2013 on prudential requirements for credit institutions and investment firms and the amending Regulation (EU) No. 648/2012 ('the Regulation'), the amendments in the Investment Services and Activities and Regulated Markets Law (December 19, 2014) and the issuance of Directives DI2014-144-14 and DI2014-144-15, the Company has been categorized as an investment firm that falls under Article 95(1) of the CRR. Given its categorization, the Company has adopted the Fixed Overheads Exposure Risk calculation method to calculate its total risk exposure amount.

The table below shows the Total Risk Exposure which takes into account the exposure to Fixed Overheads (equal to 13.7 times the Fixed Overheads Requirements). The fixed overheads are based on the fixed overheads of the preceding year adjusted for items listed below:

a. fully discretionary staff bonuses;
b. employees', directors' and partners' shares in profits, to the extent that they are fully discretionary;
c. other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;
d. shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable;
e. fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;
f. fees to tied agents in the sense of paragraph 1, Section 2 of Part I of Law 114(I)/2007, where applicable, notwithstanding the provisions of Note (i);
g. interest paid to customers on client money; and
h. non-recurring expenses from non-ordinary activities.

Following the calculation of the Fixed Overheads there are three derivative calculated amounts:

- **Fixed Overheads Requirement** which is 25% of the Fixed Overheads and defines minimum threshold of eligible funds the Company is obliged to have (this minimum will be applicable if larger than the CRR-defined minimum initial capital requirement);
- **Fixed Overheads risk exposure amount** which is 12.5 times the Fixed Overheads Requirement and defines the total operational risk exposure amount; and
- **Additional Risk Exposure amount due to fixed overheads:** calculated as the difference between Fixed Overheads risk exposure amount and the total of all other risk exposures of the Company (i.e., credit risk, market risk etc.); however, this calculated number has an absolute minimum of zero. The additional risk exposure amount due to fixed overheads is the exposure that forms part of the Company's Total Risk Exposure Amount for the calculation of the capital ratios (refer to table 6).

It is noted that the Fixed Overhead requirement is calculated based on the most recent audited financial statements of the institution. Therefore, the current calculation of operational risk is based on the 2020 audited financial statements..

Table 12:Fixed overhead requirement calculation:

Fixed Overhead requirement	**Total Risk Exposures**
	2020
	€000
Total expenses (as per 2020 audited financial statements)	972
(-) fees, brokerage and other charges paid to clearing houses, exchange and intermediate brokers for the purposes of executing, registering or clearing transactions	(101)
Fixed overheads	**871**
Fixed Overheads Requirement (25% X Fixed Overheads)	**218**
Fixed Overheads risk exposure amount	**2,722**

Total Risk Exposure amount, other than operational risk (Credit risk & Market risk)	3,637
Additional Risk Weighted Exposure amount due to Fixed Overheads	**-**

4.5 Other Risks

4.5.1 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions.

To achieve this, the Company monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient accessible cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Company is not subject to any liquidity risk as it maintains own funds in cash deposits with reputable institutions and its liquidity and own fund ratios are at a satisfactory level.

4.5.2 Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; and
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

4.5.3 Reputation Risk

Risks to the Company's reputation include the risk that an act or omission by the Company or any of its employees could result in damage to the reputation or loss of trust among its stakeholders. Every risk type has potential consequences for the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to its reputation.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example external communications, through functions with the appropriate expertise. It also places great emphasis on the information technology security which is one of the main causes of such reputational risk manifestation.

4.5.4 Business Risk

Business risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions.

Research on economic and market forecasts are conducted with a view to minimize the Company’s exposure to business risk. Additionally, reports from external providers are constantly reviewed. All these are analyzed and taken into consideration when implementing the Company’s strategy.

The Company’s Board regularly reviews the economic and market conditions and responds to any changes.

4.5.5 Regulatory non-compliance risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk.

The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company’s strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Internal Operations Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company’s Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company’s control framework at least annually. Therefore, the risk of non-compliance is minimized within acceptable limits.

4.5.6 Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

Due to the nature of operations and specific clientele (majority comprises of physical persons) the Company is subject to concentration risk due to high share of income generated by a few corporate Clients. Proper warning was given to the Senior Management which decided to take additional measures and more efforts in order to attract new corporate clients.

No significant concentration of credit risk was identified as the Company has established procedures to collect fees and commissions within the predetermined payment period.

No large exposures exceeding the maximum proportion permitted in relation to Company's own funds were identified in 2020 and in 2019.

5 Leverage Ratio

The leverage ratio is a new monitoring tool which will allow the competent authorities to assess the risk of excessive leverage in their respective institutions. According to the CRR, the investment firms have to report all necessary information on the leverage ratio and its components.

According to the CRR, the requirement for institutions to start disclosing the leverage ratio (Form 144-14-07) from 1 January 2016, depends on the category of the institution as detailed in the to the table below extracted from the relevant CySEC circular. The Company is exempted from this reporting requirement in accordance to its minimum initial capital which is €125,000.

ANNEX VI – Summary of reporting requirements

Category	Minimum initial capital	Form 144-14-06.1	Form 144-14-07	Form 144-14-08.1	Form 144-14-08.2	Form 144-14-08.3	Form 144-14-09
Full scope [1]	€730.000	submit	submit	submit	submit	submit	Submit
Under art. 95(1) of CRR[2]	€125.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	exempted
Under art. 95(2) of CRR [3]	€50.000	Submit (calculation based on FOH)	exempted	exempted	exempted	exempted	exempted
Under art. 96(1) (a) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Under art. 96(1) (b) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Exempted under art. 4(1) (2) of CRR [4]	€50.000	exempted	exempted	exempted	exempted	exempted	exempted

6 Remuneration Policy and Practices

As from 1st of January 2015 the Company must comply with Directive DI144-2014-14 of the CySEC for the Prudential Supervision of CIFs, regarding Remuneration policies (paragraph 20), Variable elements of remuneration (paragraph 21).

The Remuneration Policy (the "RP") is the internal document approved by the BoD of the Company and its provisions are applicable to each Director, Officer and Employee. The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels, which reflect the knowledge level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Company when establishing and applying the total remuneration policies, including the salaries and discretionary pension benefits, for categories of staff, including SM, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as SM and risk takers, whose professional activities have a material impact on their risk profile, must comply with the following principles in a manner and to the extent that is appropriate to their size, internal organization and the nature, scope and complexity of their activities:

1. The RP is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company;
2. The RP is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interest;
3. The implementation of the RP is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the BoD;
4. Staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
5. The remuneration of the senior officers in the risk management and compliance functions is directly overseen by the Board;
6. The RP, taking into account national criteria on wage setting, makes a clear distinction between criteria for setting:
    a. Basic fixed remuneration, which should primarily reflect relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of employment; and
    b. Variable remuneration which should reflect a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.

The Board of Directors is responsible for determining and approving the Company’s remuneration policy and practices. The Board of Director’s is also responsible to monitor the Company’s compliance towards the approved policy and to identify and work towards any deficiencies. The Board of Directors meets at least once a year, and whenever the need arises, to discuss issues and to reformulate the policy where this is necessary on account of changes and developments, whether internal to the Company or external in its market environment. Any changes in the Company’s remuneration policy can be brought about only as a result of a decision of its Board of Directors.

6.1 Design and Structure of Remuneration

The Company believes that remuneration should as far as possible to be individually designed and with that encourage employees to perform according to the Company’s goals, strategy and vision. The remuneration should also encourage employees to act according to the Company’s values: simplicity, care and openness, since this is considered to be the foundation for a successful and long- term business. Further, the total remuneration should be designed in a way that makes the Company attracts employees with the needed skills within the existing margins of costs.

The employees’ total remuneration consists of a fixed component and, under certain conditions, a bonus component. The Company’s general structure of remuneration is detailed below:

Board of Directors

The Board of Directors in its supervisory function adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation and it must ensure that the implementation of the remuneration policy is at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the Board of Directors in its supervisory function.

Senior Management

The Senior Management must be able to demonstrate that its decisions in respect to remuneration practices are consistent with an assessment of the Company's financial condition and future prospects. In particular, practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain should be evaluated carefully and the Board of Directors should work closely with the Company's risk function in evaluating the incentives created by its remuneration system.

The Senior Management is responsible for ensuring, at all times, that its remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company.

The Senior Management is also responsible for ensuring, at all times that the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company.

Profit-based Measurement and Risk Adjustment

The Senior Management must ensure that any measurement of performance used to calculate variable remuneration components or pools of variable remuneration components:

- Include adjustments for all types of current and future risks and takes into account the cost and quantity of the capital and the liquidity required, and
- Takes into account the need for consistency with the timing and likelihood of the Company receiving potential future revenues incorporated into current earnings.

The Senior Management must ensure that Company's total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Company occurs, taking into account both current remuneration and reductions in pay-outs of amounts previously earned.

Control Functions

The Company ensures at all times that employees engaged in control functions:

1 are independent from the business units they oversee

2 have appropriate authority, and
3 are remunerated: adequately to attract qualified and experienced staff; and
4 in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The Company's Risk Management and Compliance functions should have appropriate input into setting the remuneration policy for other business areas. The procedures for setting remuneration must allow Risk and Compliance functions to have significant input into the setting of individual remuneration awards where those functions have concerns about the behaviour of the individuals concerned or the riskiness of the business undertaken. Contravention of this may be relied on as tending to establish contravention of the rule on employees engaged in control functions having appropriate authority.

The Company must ensure that the remuneration of the senior officers in the Internal Audit, Compliance (including anti-money laundering compliance) and Risk Management functions (where necessary) is directly overseen by the Board of Directors in its supervisory function and that:

1 This remuneration requirement is designed to manage the conflicts of interest which might arise if other business areas had undue influence over the remuneration of employees within control functions. Conflicts of interest can easily arise when employees are involved in the determination of remuneration for their own business area. Where these could arise, they need to be managed by having in place independent roles for control functions including notably, Risk Management and Compliance.
2 The need to avoid undue influence is particularly important where employees from the control functions are embedded in other business areas. This remuneration requirement does not prevent the views of other business areas being sought as an appropriate part of the assessment process.

4.2.1 Pension Policy

The Company does not have any active pension policy for the time being. For information purposes, any pension policy should be in line with the business strategy, objectives, values and long-term interests of the Company.

4.2.2 Variable Remuneration

In case where the Company's Remuneration includes a Variable Component then the below apply inter alia:

1 Where performance related, should be based on a combination of the assessment of the performance of the individual (taking into account financial and non- financial criteria) and of the business unit concerned and of the overall results of the Company. When assessing the individual's performance financial and non-financial criteria should be taken into account. Non-financial performance metrics should form a significant part of the performance assessment process and should include adherence to effective risk management

and compliance with the regulatory system and with relevant overseas regulatory requirements. Poor performance as assessed by non-financial metrics such as poor risk management or other behaviours contrary to Company values can pose significant risks for the Company and should as appropriate, override metrics of financial performance. The performance assessment process and the importance of non-financial assessment factors in the process should be clearly explained to Relevant Employees.

2 Should be set on a multi-year framework to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks. The requirement for assessment of performance to be in a multi-year framework reflects the fact that profits from Company's activities can be volatile and subject to cycles. The financial performance of the Company's and individual employees can be exaggerated as a result. Performance assessment on a moving average of results can be a good way of meeting this requirement however, other techniques such as good quality risk adjustment and deferral of a sufficiently large proportion of remuneration may also be useful.

3 Should be sufficiently flexible to not limit the ability of the Company to strengthen its capital base, and to allow the Company to direct necessary resources towards its capital base where required,

4 Should NOT be Guaranteed Variable remuneration unless for new staff during their first year of employment and only for hiring purposes.

5 Should be balanced. Fixed component should be a sufficiently high proportion of the total remuneration.

6 Variable Component shall not be greater than the fixed component unless in exceptional cases where it can be up to 2 times the fixed component. To do so, the Company should communicate, allowing for sufficient time to review, the reasons for the exceptional variable remuneration to its shareholders and obtain approval (66% if 50% of the voting rights are represented or 75% if less than 50% of the voting rights are representation). The Company should also notify CySEC that it has requested from its shareholders the exemption in variable remuneration, at the time of notifying the shareholders, as well as the shareholders' decision as soon as this is taken. Any persons concerned by this higher variable remuneration and which have direct or indirect voting rights are not allowed to exercise these in the voting for the exceptional variable remuneration.

7 May include a discount rate of up to 25%, provided that it is paid in instruments that are deferred for a period of not less than five years.

Prohibited Remuneration Practices

The Company shall refrain from applying any of the following Remuneration Practices regarding the remuneration of its Relevant Employees:

1 Remuneration linked in any way to the percentage of the total volume of transactions, or the value of transactions, or the value of clients 'deposits.

2 Remuneration based on retention of clients e.g. based on a predefined percentage of cancellation of withdrawal requests that an employee manages to achieve.

3 Remunerations based on the number of potential clients who have actually become clients.

4 Remuneration as a percentage of the net revenue accruing to the Company in respect to clients' transactions/trading activity.
5 Fixed remuneration based on the number of new clients attracted.

6.2 Link between Pay and Performance

Remuneration policies and practices implemented by the Company were intentionally simplified to the basic requirements of recruiting and maintaining high level professional personnel. The Board of Directors considers such approach as the most practical at this stage as it corresponds to the scale and complexity of the Company's operations. To this respect, the Company has decided to follow fixed remuneration scales for all employees including top Management. More complex stimulating remuneration schemes are expected to be introduced in the future depending on the Company's results and growth.

The total staff costs for 2020 amounted to EUR 307,119. It should be noted that the Internal Audit, and Accounting Departments are outsourced. Moreover, the Company did not pay any non-cash remuneration, nor any severance payments were made, during the years 2020 and 2019.

The table below provides aggregate quantitative information on remuneration, broken down by senior management and members of staff (heads of departments) whose actions have a material impact on the risk profile of the Company:

Table 13:Quantitative information on remuneration

Description	No. of beneficiaries	Fixed remuneration	No. of beneficiaries	Variable remuneration	Total remuneration
Senior Management – Directors	2	96,000	2	0	96,000
Non-executive directors	2	25,602	2	0	25,602
Heads of departments	3	72,000	3	0	72,000

7 Conclusion

It can be concluded that the Company has a comprehensive, effective Risk Management that meets its requirements. Specifically, it warns the management in due time of risks as they arise and enables timely and appropriate risk control measures to be taken. The Company understands the necessity of further improvement of the existing policies for capital management and continually assesses the appropriateness of its disclosures. Moreover, the Company has a clear remuneration system which is effectively risk-based managed. The Company is not disclosing in this report all information and certain detailed data which considers immaterial or confidential. The Company through its Management is always willing to discuss these issues in more detail with any interested party upon written request.

The Company has included its risk management disclosures as required by the Directive on its website (https://ugm.com.cy). The Company has appointed its independent auditors FinExpert Audit Ltd, to verify its disclosures. The Company is required according to the Directive to provide a copy of the auditor's verification report to CySEC five months after the end of each financial year, at the latest.