Magnasale Trading Limited

Pillar III – Disclosures 2020

Contents

1. Introduction, scope and purpose of this Document

Magnasale Trading Limited ("Magnasale" or the "Company") is an investment firm incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the CySEC under license number 264/15 for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions. The Company's operating license from CySEC permits the Company to undertake regulated investment services including the services of reception and transmission of orders in relation to one or more financial instruments, the execution of orders on behalf of clients and the dealing on own account. The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments, credit granting and foreign exchange services where these are connected to the provision of investment services.

Magnasale is focused on offering investment services to professional and eligible counterparties engaged in the sectors of Contracts for Difference ("CFDs") on a solely Business to Business (B2B) model. The business objective of the Company is to act as the liquidity provider and hedging counterparty to the risk assumed by other regulated brokers also engaged in offering CFDs to their retail clients.

1.1 Regulatory context

The Pillar III Disclosures Report (the "Report") has been prepared in accordance with Part Eight of the European Capital Requirements Regulation No. 575.2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the "CRR"), as well as the Commission's Directive DI144-2014-14 for the prudential supervision of Investment Firms (the "Directive"), collectively referred to as the "CRDIV package".

The disclosures included in this Report are made on a solo basis and are published annually. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2020. Where in this Report there are references to "reference date" this is the 31st of December 2020.

Unless stated otherwise, all amounts are in thousands of United States Dollars ("US$" or "USD").

The capital adequacy and overall risk management requirements that currently apply to the Company under the CRR and CRDIV prudential framework, will be replaced by amended prudential rules established by the EU Regulation 2019/2033 ("Investment Firm Regulation" or "IFR") and the EU Directive 2019/2034 ("Investment Firm Directive" or "IFD"), which shall become applicable on 26th of June 2021. The new rules introduce changes in the methodologies that EU investment firms are required to apply for calculating their exposures to risk and their capital adequacy ratio and in this respect, the Company is in the process of assessing the impact that these changes are expected to have on its solvency position, in order to take timely action and be in a position to adopt the new rules.

1.2 Disclosures

The following provides a summary of the Company's Pillar III Disclosure Policy, making specific reference to the information to be disclosed, frequency, media, location and verification.

Information to be disclosed & frequency

The Company's policy is to meet all required Pillar III disclosure requirements as detailed in Part Eight of the CRR, to a degree that is appropriate to the nature, size, scope and complexity of its operations and its internal organisation. The Company's policy is to publish the disclosures required on an annual basis.

Medium and location of publication

The Company's Pillar III disclosures are published on Magnasale's website through the 'Legal and Regulation' section. Please refer to the following links: http://magnasaleltd.com/ and https://liquidity.finalto.com/eu/

Verification

The Company has commissioned its External Auditors to verify its Pillar III Disclosures. The Company is required by the Directive 144-2014-14 to provide a copy of the External Auditor's verification report to CySEC within five months of each financial year-end.

As per Circular C445 issued by CySEC, for the year ended 31 December 2020 the deadlines to publish the disclosures and to provide the external auditor's verification report to CySEC have been extended to 30th June and 31st August 2021 latest respectively.

1.3 Implications of COVID-19

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. The Company has taken all available and necessary measures in order to ensure the smooth continuity of its operations and there has been no operational impact or disruption to its business during this time. Due to the nature of its business which is online, the Board of Directors do not expect a negative impact on the Company's operations or financial results due to the pandemic.

2. Governance, Risk Management Objectives and Policies

2.1 The Board of Directors

The Company's Board of Directors (the "Board" or "BoD") is required to assess and review the effectiveness of the policies, arrangements and procedures put in place for the Company to comply with its obligations under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the "Law"), as well as the relevant CySEC Directives and the CRR and to take appropriate measures to address any deficiencies.

The responsibilities of the Company's Board of Directors include, among others, the following:

- Approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Company is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- Ensure that all the Risk Management regulatory requirements are applied, and that appropriate systems and controls are introduced;
- Be actively involved in and ensure that adequate resources are allocated to the management of all material risks, as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks;
- Review and approve the Annual Risk Management Report and take all action as deemed appropriate under the circumstances to remedy any weaknesses and/or deficiencies identified in the Annual Report.

The BoD's role is supported by a number of sub-committees, each of which assume specific risk related tasks and responsibilities.

As at 31st December 2020, the Board comprised of 2 Executive and 4 Non-Executive Directors.

2.2 Recruitment of the Management body

Recruitment of the Board members combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework in compliance with Article 9(14) of the Law which requires that members of the Board shall at all times be of good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board is required to reflect an adequately broad range of experiences. Furthermore, according to the Article 9(3) of the Law, Board members are required to commit sufficient time to perform their duties in the Company.

Nominees are subject to the approval of the Board of Directors in consultation with the Company's shareholder, whilst adherence to the requirements of Article 46(2) of the Law pertaining to the number of directorships which may be held is also a pre-requisite. Regulatory approval from CySEC is coordinated through the Compliance Officer. Review is performed to establish the specific experience and skills needed to ensure the optimum blend of individual and aggregate capability having regard to the Company's long-term strategic plan.

Furthermore, at the reference date the Company was led by the Board and management team that also led the Cyprus-based regulated affiliate Safecap Investments Ltd. The Board considers that the substantially similar governance and management arrangements between the Company and Safecap enable the Company to benefit from the accumulated sector expertise, governance, risk management and compliance knowledge and infrastructure at Safecap. This aids the achievement of the Company's corporate objectives on a comprehensive basis, whilst enabling a lean and competitive operating model.

2.3 Diversity in the selection of members of the management body

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the markets in which it does business. It recognizes that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organization.

2.4 Number of Directorships held by the Board Members

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 (excluding the directorship in Magnasale) as at 31/03/2021. 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. Executive or non-executive directorships held within the same group, are considered as a single directorship.

Name[1]	Position in Magnasale	Total number of Executive Directorships	Total number of Non-Executive Directorships
Joseph Rundle	Executive Director	-	-
Evagoras Kountouris	Executive Director	-	-
Damien Francis	Non-Executive Director	-	-
Athos Demetriou	Non-Executive Director	1	2
Liron Greenbaum	Non-Executive Director	1	-
Stelios Prodromitis	Non-Executive Director	1	1

1.The information presented in this table is based only on representations made by the Company.

2.5 Risk Management Framework

The risk strategy of Magnasale aims to ensure substantial growth of the Company in combination with a moderate risk profile through the establishment of an effective Risk Management framework. The Company's overall governance, system and control framework is deployed on the basis of the three levels of defense model including functions that own and manage risks, oversee risks and provide independent assurance.

The Company operates a dedicated Risk Management function under which the Chief Risk Officer is responsible for implementing the Risk Management Policy of the Company set by the Board of Directors and the Risk & Compliance Committee and ensuring that it is properly followed under the supervision and control of the Committee.

The Company aims to follow a continuous and systematic Risk Management process by following steps for Risk Identification, Risk Assessment, Risk Treatment and Risk Reporting.

The Risk Management function is tasked with the following duties and responsibilities:

- Implementing policies on risk management and internal control;

- Identifying and evaluating the fundamental risks faced by the Company for consideration by the Risk & Compliance Committee;
- Providing adequate information in a timely manner to the BoD and the Risk & Compliance Committee on the status of risks and controls;
- Providing reports to the Risk & Compliance Committee and the CEO, with details of the Company's total exposure across all instruments. These reports include information about clients' positions and the positions opened by the Company as part of its hedging activity;
- Undertaking reviews on the effectiveness of the system of internal controls;

2.6 Risk & Compliance Committee

The Board has established a Risk & Compliance Committee to oversee on behalf of the Board all matters relating to risk management and regulatory compliance. All members of the Committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company. The responsibilities of the Company's Risk & Compliance Committee include reviewing and recommending to the BoD Risk Management standards, risk control principles, best practice standards, overall risk measures, the assessment of the overall risk level and risk profile of the Company, setting and approving credit and market limits, etc. More specifically, the Company's Risk & Compliance Committee aims to assist the Board of Directors in fulfilling its Risk Management responsibilities and to provide a regular forum at the level of the Company in order to discuss, monitor and evaluate material risks and controls in place. The Company's Risk & Compliance Committee has been tasked with the following responsibilities:

- Reviewing and assessing the integrity and adequacy of the Company's Risk Management Framework, including processes, policies and organizational structure;
- Promoting a consistent Risk Management oversight and reviewing limit excesses;
- Examining the appropriateness of incentives provided by the remuneration system, and ensuring that they take in consideration risk, capital, liquidity and the likelihood and timing of earning streams.

Composition of Risk & Compliance Committee

As at year end, the Risk & Compliance Committee was composed of three Non-Executive Directors. During 2020, the Risk & Compliance Committee formally met 3 times.

2.7 Nomination Committee

The main objective of the Nomination Committee is to review the structure, size and composition of the Board and its committees and to make recommendations with regard to any changes considered necessary in the identification and nomination of new Directors, the removal of Directors, the reappointment of existing Directors and the appointment and removal of members to the Board's committees. The Nomination Committee's arrangements put in place are proportionate to the tasks, size, complexity and risk profile of the Company. The Nomination Committee acts independently from the management of the Company, and all members of the Committee must have appropriate knowledge, skills and expertise to fully understand and monitor the remuneration strategy and appetite of the CIF. The Nomination Committee has a responsibility to assess the roles of the existing Directors in office to ensure that there continues to be a balanced Board in terms of skills, knowledge, experience and diversity.

Composition of Nomination Committee

As at year end, the Nomination Committee was composed of three Non-Executive Directors, two of which were independent.

2.8 Money Laundering Reporting Officer

The Company retains a person as its Money Laundering Reporting Officer ("MLRO"). The MLRO reports directly to the Board of Directors and is assisted in his/her responsibilities by other members of the Compliance function, who act at his/her direction and oversight. The overall responsibility for the prevention of money laundering and terrorist financing lies with the Board of Directors.

2.9 Chief Compliance Officer

The Company has a Chief Compliance Officer ("CCO") who acts independently and is, among others, responsible to monitor and assess the adequacy and effectiveness of the measures and procedures put in place and the actions taken to address any deficiencies in order to ensure the Company's compliance with its obligations under the Law and the Directive.

2.10 Internal Audit

The Internal Audit Function of the Company is independent and autonomous and is responsible for the review and evaluation of the operations and activities of the Company in all respects, and the provision of recommendations and advice to ensure that the Company operates at the highest standards and in accordance with best practices and with the applicable legal and regulatory framework. The Internal Auditor is an independent function with a direct reporting line to the Board of Directors.

2.11 Risk Management Strategies and Capital Management

A designated team of professionals monitors the clients' positions and the Company's exposures on an ongoing basis. Also, the Company prepares various reports (i.e. Risk Management Report, Compliance Report, AML Report) that enable the analysis of risks and provide support for future action plans.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. In addition, the Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders through striving to improve its Equity and Capital Adequacy Ratio.

2.12 Internal Capital Adequacy Assessment Process

The Company conducts an Internal Capital Adequacy Assessment Process Report annually. The ICAAP report is an internal tool which allows the Company to assess its position and determine the amount of internal capital it needs to hold in order to cover exposures to all the risks it is facing or to which it may be exposed in the future.

The ICAAP Report is the document submitted to the Commission, upon the latter's request, with the purpose of explaining how the Company has implemented and embedded the ICAAP process within its business, describing its risk profile and the extent of risk appetite that the Company is prepared to accept, as well as the capital that it considers as adequate to be held against all the risks that it is exposed to, if any. The submission of the ICAAP Report to CySEC serves as the basis for reviewing the ICAAP under the Supervisory Review and Evaluation Process ("SREP").

The Commission, under the SREP, shall review the arrangements, strategies, processes and mechanisms implemented by the Company to comply with the CRDIV package.

2.13 Information flow on risk management to the Board of Directors

The information flow on risk management matters to the Board is achieved through the following means:

- The annual Risk Management report of the Chief Risk Officer;
- The annual Anti-money laundering report of the Money Laundering Reporting Officer;
- The annual Compliance report of the Chief Compliance Officer;
- The annual Internal Audit report of the Internal Auditor;
- The decisions of the Risk & Compliance Committee which are communicated to the Board;
- The presentation of the Annual Financial Statements by the external auditors;
- The annual Suitability Report prepared by the Company's external auditors;
- The audited Financial Statements provided by the external auditors.

2.14 Declaration of Management Body

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These controls are designed to manage rather than eliminate the risks of not achieving business objectives, and, to the extent possible prevent fraud, material misstatements and loss.

The Board, taking into consideration the Company's profile and strategy, considers that it has in place adequate controls, and an appropriate selection of mechanisms, skilled to avoid or minimize loss.

2.15 Board Risk Statement

The Risk Appetite Statement defines the level of risk the Board is willing to take in pursuit of its business objectives and strategic goals. It defines the parameters within which the Company can operate and the relevant risks it can assume, both on an individual as well as on an aggregated basis.

The Risk Appetite Statement includes some high-level principles and key risk indicators to alert Management and the Board of Directors of any risk concerns and triggering appropriate responsive actions. Specific limits are in place, which are embedded in the risk monitoring systems and reporting, to cap the amount of risk the Company will take.

The Board of Directors has identified several categories of principal risk and established policies and procedures that seek to manage them:

- Regulatory Risk
- Operational Risk
- Liquidity Risk
- Credit and counterparty risk
- Market Risk
- AML Risk
- Capital Risk

The Board of Directors periodically revises the Risk Appetite Statement and its management framework, analyzing the impact of unlikely but plausible tension scenarios and adopting the pertinent measures to ensure the policies set are met.

3. Own Funds

The Own Funds of the Company as at 31 December 2020 comprised primarily of Common Equity Tier 1 Capital ("CET1") and a Tier 2 subordinated loan that matures on 1/6/2022. As at 31 December 2020, the total amount of Subordinated loan was $349 thousand. The subordinated loan is amortised gradually during last 5 years before maturity, as per the relevant provisions of the CRR. The composition of the Company's capital base is shown in the table below:

Table 1: Composition of the capital base

Capital Base	31 December 2020 ($'000)
CET1 Capital	
Share capital	3
Share premium	28.977
Retained Earnings	32.796
Total CET1 Capital before Deductions	**61.776**
CET1 Deductions	
Intangible Assets	-
CYSEC Investor Compensation Fund	(67)
AVA	(13)
Total CET1 Deductions	**(80)**
Total CET1 Capital after Deductions	**61.696**
AT1 Capital	**-**
Total Tier 1 Capital after Deductions	**61.696**
Tier 2 Capital	
Subordinated loan capital	99
Total Own Funds (Tier 1 + Tier 2 Capital)	**61.795**
Capital Requirements	
Credit risk	2.273
Credit Valuation Adjustment ("CVA") Risk	726
Market Risk	26.658
Operational Risk	1.363
Total Capital Requirements	**31.020**
Capital Adequacy Ratio	**15,94%**

Capital adequacy

As at 31 December 2020, the Company was subject to a minimum Pillar I capital adequacy ratio of 8%, plus a capital conservation buffer of 2,50% as per the provisions for transitional implementation of the capital buffers. In addition, the Company, as at the reference date, was also subject to an institution-specific countercyclical capital buffer of 0,008%.

As a result, as at 31 December 2020 the Company was subject to an overall minimum requirement of 10,508% (for Pillar I plus buffers). As indicated in the table above, the Company's actual capital adequacy ratio as reported to CySEC for the year ended 31 December 2020 was 15,94%.

Countercyclical Capital Buffer

For the year ended 31 December 2020, the Company was required to maintain an institution-specific countercyclical capital buffer.

The Company calculates its institution-specific countercyclical capital buffer rate in accordance with the methodology set out in Article 140 of the CRDIV, which takes into consideration the country where the counterparties for specified exposures reside/are registered, as well as the countercyclical buffer rates that applies for each such country.

The following tables provide aggregated information on the geographical breakdown of the exposures considered in the calculation of this buffer, and on the institution-specific rate and relevant capital requirement arising from this buffer.

Table 2: Geographical Distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer

Countries	General Credit Exposures		Trading Book Exposure		Own Funds Requirements			Own Funds Requirements Weights	Countercyclical Buffer Rate
	SA	IRB	SA	IRB	General	Trading	Total		
	($'000)							%	%
Cyprus	5	-	9	-	-	1	1	0,02%	0,000%
United Kingdom	-	-	8.302	-	-	664	664	12,57%	0,000%
Czech Republic	-	-	49	-	-	4	4	0,08%	0,500%
Greece	-	-	539	-	-	43	43	0,81%	0,000%
Hong Kong	-	-	465	-	-	37	37	0,70%	1,000%
Norway	-	-	3	-	-	-	-	0,00%	1,000%
Seychelles	4.799	-	-	-	343	-	343	6,49%	0,000%
Luxembourg	-	-	19	-	-	2	2	0,04%	0,500%
BVI	5.487	-	-	-	326	-	326	6,17%	0,000%
Other	223	-	48.134	-	11	3.851	3.862	73,12%	0,000%
Total	**10.514**	**-**	**57.520**	**-**	**680**	**4.602**	**5.282**	**100%**	

Table 3: Amount of institution-specific countercyclical capital buffer

	Amount ($'000)
Total Risk Exposure Amount	387.745
Institution-specific countercyclical buffer rate	0,008%
Institution-specific countercyclical buffer requirement	29

Appendix 2 presents the reconciliation of the Company's Balance Sheet with regulatory Own Funds as at 31st December 2020 based on the audited financial statements.

4. Minimum Capital Requirements

The Company follows the Standardized Approach for the measurement of its Pillar I capital requirements for Credit and Market Risk, and the Basic Indicator Approach for Operational Risk. The Capital Requirements and Risk Weighted Assets ("RWAs") calculated for each category of risk as at 31 December 2020 are shown in the table below:

Table 4: RWAs and Capital requirements by risk category

Risk Type	RWAs ($'000)	Capital Requirements ($'000)
Credit Risk	28.417	2.273
Market Risk	333.219	26.658
of which Equity market risk	128.501	10.280
of which Commodity market risk	85.477	6.838
of which Interest rate market risk	347	28
of which FX market risk	118.894	9.512
Large exposures in the Trading Book	-	-
Operational Risk	17.036	1.363
Credit Valuation Adjustment Risk (CVA)	9.073	726
Total	387.745	31.020

4.1 Credit Risk Management

Credit risk relates to the risk of a Company's counterparty defaulting and the Company not being able to recover assets / amounts due to it. The Company's key counterparties are its institutional clients and hedging counterparties as well as other financial institutions with which it holds its assets and proprietary funds, such as banks.

The Company operates a real-time mark-to-market leveraged trading facility where clients are required to deposit collateral (margin) against positions. Any profits and losses generated are credited and debited automatically to their account.

Liquidation Process

This is the process of closing a client's open positions when the total equity is not sufficient to cover the required margin of the portfolio held. The liquidation process is fully automated and is documented in detail within the Company's Leverage Policy. This process is ultimately aimed to minimize client credit risk exposure. Where clients' required margin decreases as a result of adverse market moves the Company exercises margin calls and stop outs to prevent the account from going into deficit, hence managing credit risk effectively.

Position Limits

Position limits can be implemented both at an instrument and at a client level. The instrument level enables the Company to control the total exposure the Company takes on in a single instrument. At a client level this ensures that the client can only reach a pre-defined size of overall portfolio. For calculating its credit risk capital requirement, the Company uses the standardized approach.

The following table represents the Company's RWAs and minimum capital requirements as at 31 December 2020, broken down by asset class:

Table 5: RWAs and capital requirements by asset class

Asset Classes	Risk Weighted Assets ($'000)	Minimum capital requirements ($'000)
Institutions	19.915	1.593
Corporates	8.497	680
Other Items	5	-
Total	**28.417**	**2.273**

The following table provides information on the original exposure amount, the total amount of exposures after accounting offsets (if any), as well as on average exposures analyzed by asset class as at 31 December 2020:

Table 6: Original Exposure amount, Exposure amount after Credit Risk Mitigation, Average exposures

Asset Classes	Original exposure amount, net of specific provisions ($'000)	Average exposure ($'000)
Institutions	102.249	95.527
Corporates	10.483	8.322
Other Items	5	757
Total	**112.737**	**104.606**

The following table provides information on the residual maturity of the Company's credit risk exposures:

Table 7: Residual Maturity of credit risk exposures, broken down by asset class

Asset Classes	Up to 3 months ($'000)	More than 3 months ($'000)	Total ($'000)
Institutions	102.249	-	102.249
Corporates	10.483	-	10.483
Other Items	-	5	5
Total	**112.732**	**5**	**112.737**

The table below illustrates the geographic distribution of the Company's exposure:

Table 8: Geographic Distribution of exposures

Asset Classes	United Kingdom ($'000)	Cyprus ($'000)	BVI ($'000)	Seychelles ($'000)	Other ($'000)	Total ($'000)
Institutions	85.382	12.899	-	-	3.968	102.249
Corporates	-	-	5.487	4.773	223	10.483
Other Items	-	5	-	-	-	5
Total	**85.382**	**12.904**	**5.487**	**4.773**	**4.191**	**112.737**

The following table presents the distribution of the Company's exposures by industry sector:

Table 9: Distribution of exposures by industry

Asset Classes	Banking / Financial services ($'000)	Other ($'000)	Total ($'000)
Institutions	102.249	-	102.249
Corporates	10.483	-	10.483
Other Items	-	5	5
Total	**112.732**	**5**	**112.737**

Use of External Credit Assessments for the Determination of Risk Weights

For the purposes of applying the Standardised Approach, the nominated External Credit Assessment Institutions ("ECAIs") used by the Company to determine the risk weights of its credit risk exposures are Fitch Ratings, Standard and Poor's Rating Services and Moody's Investor Service. As at 31 December 2020, the Company used credit assessments to determine the risk weight for its exposures to institutions, except in the cases where the preferential treatments applied, as set out by the CRR.

The Company has used the Credit Quality Step ("CQS") mapping table below to map the credit assessment to credit quality steps:

Credit Quality Step ("CQS")	Fitch	Moody's	S&P
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Exposure before and after Credit Risk Mitigation

The exposure before and after credit risk mitigation ("CRM") associated with each CQS as at the year-end was as follows:

Table 10: Breakdown of credit risk exposures by Credit Quality Step

Credit Quality Step	Exposure values before CRM ($'000)	Exposure values after CRM ($'000)
CQS 2	51.325	51.325
CQS 5	12	12
Unrated	58.773	54.110
N/A	2.627	2.627
Total	**112.737**	**108.074**

Table 11: Funded Credit Protection by Asset Class

Asset Classes	Total Funded Credit Protection Amount recognized ($'000)
Institutions	2.677
Corporates	1.985
Total	**4.662**

As at the year end, the Company used the trading margin of its clients to reduce the Counterparty Credit Risk arising from its open trades. The Company recognizes the funded credit protection (i.e. margin) as its credit protection for Credit Risk Mitigation purposes.

The Company used the Comprehensive Method for Credit Risk Mitigation purposes.

Counterparty Credit Risk

The Company's key counterparties to its derivative transactions are its institutional clients and hedging counterparties. The Company applies the Mark-to-Market Method to calculate its Counterparty Credit Risk exposure with such counterparties. An analysis of the key figures concerning the Company's open derivative positions as at 31 December 2020, all of which related to Contracts For Difference ("CFDs") is presented in the following table:

Table 12: Counterparty Credit risk

Type of Exposure	Positive Fair Value ($'000)	Negative Fair Value ($'000)	Nominal Value ($'000)	Exposure Amount before CRM ($'000)	Exposure Amount After CRM ($'000)	Risk Weighted Assets ($'000)	Capital Requirements ($'000)
FX CFDs	1.077	(566)	300.078	4.078	3.349	1.332	107
Gold CFDs	8	(23)	20.130	209	87	46	4
Commodity CFDs (incl. cryptos)	97	(307)	22.721	2.208	1.956	752	60
Equity CFDs	6.023	(5.178)	522.227	37.357	33.798	10.409	832
Bonds	-	-	400	1	-	-	-
Total	**7.205**	**(6.074)**	**865.556**	**43.853**	**39.190**	**12.539**	**1.003**

The Company does not hold any real crypto assets. The Company offers through its online platform trading in a number of CFDs with crypto as their underlying instrument which are less than 1% of the total volume of CFDs of the Company in terms of notional value.

Wrong-way risk exposures

Wrong way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty, i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Company's derivatives transactions) have an adverse impact on the probability of default of a counterparty. This risk is not considered to be significant given the existence of cash collateral/margin for almost all derivative transactions, which significantly reduces Counterparty Credit Risk.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Credit Valuation Adjustment ("CVA") Risk

CVA risk relates to Over-The-Counter ("OTC") derivative transactions and is defined as the risk of loss caused by changes in the credit spread of a counterparty due to changes in its credit quality. CVA risk is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty which reflects the current market value of the credit risk of the counterparty to the institution. The Company has opted to use the Standardised Method for calculating its capital requirement against CVA risk.

As at 31 December 2020 the Company was subject to CVA risk as a result of its open positions in OTC derivatives (CFDs) with financial counterparties, for which the minimum capital requirement under the Standardised Method was calculated as $726 thousand.

4.2 Market Risk Management

Market risk is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to a change in market risk factors. The four standard market risk factors are market prices, non-trading book interest rates, non-trading book foreign exchange rates and commodity prices.

Exposure to market risk at any point in time depends primarily on short term market conditions and the levels of institutional client activity. The Company implements market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. As a result, not all net client exposures are hedged and the Company may have a substantial net position in any of the financial markets in which it offers products.

The Company aims to set market position limits and actions that reflect its risk appetite, for each financial instrument or market in which its institutional clients can trade. These limits are determined based on the clients' trading levels, volatilities and the market liquidity of the underlying financial product or asset class.

The Company has implemented a real-time market position monitoring system. This enables the Company to continually monitor its market risk exposure against these limits so that relevant action is initiated, which may include the initiation of appropriate hedging strategies or limit locks, without any more exposure being accepted.

The Risk Weighted Assets and Capital Requirements calculated for each category of market risk as at 31 December 2020 are as shown in the table below:

Table 13: Capital requirement and RWAs by of market risk by category:

Market Risk by category	RWAs ($'000)	Capital Requirements ($'000)
Equity market risk	*128.501*	*10.280*
Commodity market risk	*85.477*	*6.838*
Interest rate market risk	*347*	*28*
FX market risk	*118.894*	*9.512*
Total	333.219	26.658

4.3 Operational Risk Management

The Company is primarily exposed to operational risks regarding potential system / trading platform failures or delays, inadequate or failed internal processes, people, systems or external events as well as other risks such as fraud, legal, physical and environmental risks. The Company is partially dependent on third parties, including counterparties in its own Group, for the key technological systems it uses, infrastructure suppliers, data providers and data sources.

Technology

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that, where possible, multiple providers and data routes are utilized. To remain competitive, the Company continues to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component, enabling the Company to continue to function in the event of an incident, adverse event or business disruption.

Regulation

The regulatory environment is continuously changing and imposes significant demands on the resources of the Company. As the Company's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Company's operations requires training and recruitment to be tailored in order to meet these regulatory demands and the costs of compliance are expected to increase.

The Company calculates its operational risk using the Basic Indicator approach and takes the average over three years of the sum of its net income. The table below shows the Company's exposure to Operational Risk:

Table 14: Operational Risk based on the Company's activities

Operational Risk	2018	2019	2020	Average
	($'000)	($'000)	($'000)	($'000)
Total Net Income from Activities	2.861	706	23.690	9.086

4.4 Liquidity Risk Management

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

Positions can be closed at any time by clients and can also be closed by the Company, in accordance with its own margining rules. If after closing a position a client is in surplus, then the amount owed is immediately repayable on the client's demand by the Company. When client positions are closed, corresponding positions relating to the hedged position are closed with hedging counterparties/brokers. Accordingly, the Company releases cash margin, which is repaid by hedging counterparties/brokers to the Company on demand.

In accordance with the CySEC clients' money rules, the Company holds in segregated, clearly designated as clients' money bank accounts, all the funds of its clients. Therefore, the Company considers liquidity risk in relation to all clients' trading activity to be significantly low.

5. Leverage Ratio

The Leverage Ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62. The Company calculates its Leverage Ratio on a quarterly basis. The minimum requirement for the purposes of Leverage Ratio is set to 3%, below which an institution's ratio shall not fall. The Company's Leverage Ratio as at 31 December 2020 was 54,73%.

The table below provides a reconciliation of accounting assets and Leverage Ratio exposures:

Table 15: Reconciliation of accounting assets and Leverage Ratio exposures

	Applicable Amounts ($'000)
Total assets as per published financial statements	67.472
Adjustments for derivative financial instruments	36.647
Other adjustments	8.617
Total Leverage Ratio exposure	**112.736**

The table below provides a breakdown of the exposure measure by exposure type:

Table 16: Breakdown of the exposure measure by exposure type

	CRR Leverage Ratio exposures ($'000)
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	68.964
(Asset amounts deducted in determining Tier 1 capital)	(80)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**68.884**
Derivative exposures	
Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	7.205
Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	36.648
Total derivative exposures	**43.853**
Capital and total exposures	
Tier 1 capital	61.696
Total Leverage Ratio exposures	**112.737**
Leverage Ratio	
Leverage Ratio (%)	**54,73%**

Table 17: Breakdown of total on balance sheet exposures

	CRR Leverage Ratio exposures ($'000)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	112.737
Trading book exposures, of which:	43.853
Banking book exposures, of which:	68.884
Institutions	66.258
Corporate	2.621
Other exposures	5

Description of the processes used to manage the risk of excessive leverage

In order to manage the risk of excessive leverage, the Company monitors its Leverage Ratio at least on a quarterly basis and ensures that it is always well above the regulatory minimum requirement of 3%.

Factors that had an impact on the Leverage Ratio during the period

The Leverage Ratio of the Company over the financial year 2020 ranged between 38,06% to 54,73% with an average 43,76%, mainly due to the fluctuation in exposure measure. The reason of this fluctuation during the period is due to the variability in the Company's exposure measure driven primarily by the fluctuations in the trading volume and at the same time the changes in the Company's Tier 1 capital.

6. Remuneration Policy

The Remuneration Policy sets out the Company's policy for remuneration practices in compliance with regulatory requirements and the corporate objective of balancing risk and performance through hiring and retaining competent and committed executives for the longer term. In addition, it outlines the internal control processes and procedures implemented within the Company with respect to having in place risk-focused remuneration controls and procedures which are consistent with and promote a code of conduct that ensures the avoidance of conflicts of interest that might lead to detrimental outcomes to the clients of the Company.

Internal governance processes provide a robust level of oversight and control over remuneration policies and risk management to ensure that remuneration decisions are aligned with the risk appetite of the Company and the Group, premised on the mapping of potential conflicts. The internal governance of remuneration is managed primarily by the Board of Directors and the Remuneration Committee of the Board ("REMCO"). REMCO receive input from the respective Business Heads as well as crucially from the Compliance, Risk, Audit, and HR Management functions.

Remuneration Committee

Role and Responsibilities

The main objective of the Remuneration Committee ("REMCO") is to determine and apply a Remuneration Policy on behalf of the Board and to ensure compliance with best practice in the area of remuneration and reward. The REMCO is required to make suitable arrangements in order to achieve prudent recognition of any deficiencies identified in terms of remuneration within the Company and approves remuneration policies that may need to be implemented, from time to time, by the respective relevant departments within the Company.

The role and remit of the REMCO, in conjunction with the Risk & Compliance Committee, focuses on the remuneration practices of Directors, Senior Management, risk takers, Sales executives and all other employees of the Company that receive (or may in the future receive) any form of variable pay. Additionally, the remit of the REMCO includes ensuring that the Company has in place a Remuneration Policy that addresses all regulatory requirements.

Amongst others, the Committee has a crucial role in:

- Reviewing the framework for remuneration for all employees to ensure it remains appropriate and market competitive Through the ICAAP Report.
- Determining and agreeing with the Board the remuneration of the Company's Chief Executive, the executive directors, the Company secretary and such other members of the senior management as relevant.
- Ensuring that the Remuneration Policy considers all necessary relevant legal and regulatory requirements for senior employees and risk takers and all other employees.

The REMCO is comprised of 3 independent members of the Board of Directors who do not perform executive functions in order to operate independently from senior executives.

The Senior Management makes recommendations to REMCO for any changes in remuneration practices, vesting conditions and levels. Furthermore, it makes recommendations to REMCO for bonus / variable pay pools, taking into consideration the Company's Financial Results, individual Department performance and individual employee performance as well as the feedback from the Company's Compliance and Risk Management functions. The Senior Management directs and oversees the implementation of remuneration practices by the remuneration policy owners who are the Chief Executive Officer and the Human Resources Manager.

All remuneration decisions are in line with the stated risk appetite (including conduct risk) and framework of the Company as well as the Company's regulatory obligations.

Fixed and Variable Remuneration

Compensation Mix

The REMCO take into account, when determining remuneration awards, the need to ensure an appropriate ratio between fixed and variable pay to ensure that the Company and the Group are able to operate a fully flexible incentive policy under a hybrid remuneration model. This includes the ability to pay no bonuses or other incentive pay should performance of the Company and Group and / or of an individual require this.

Fixed Remuneration

Fixed remuneration serves to compensate employees according to their qualifications, experience and skills, as well as the requirements, significance and scope of their work. Specifically, it includes the contractually agreed monthly recurring salary.

The appropriate amount for an employee's fixed remuneration shall be determined based on a market comparison of his/her role, general salary levels within the Company, the labor market situation in the industry and at the respective location and the regulatory requirements for the structures applicable to total remuneration. Competitive fixed remuneration plays an important role in attracting and retaining employees. This guarantees that the Company and the Group have the competencies required to meet their strategic goals. The Company's employees are awarded with a fixed monthly remuneration.

Variable Remuneration

The Company employs two types of variable remuneration:

- Annual discretionary performance-related bonus. All employees are eligible to receive such a bonus following the year under review.
- Commission based on First Time Deposits ("FTDs") and/or spread share, paid to specific employee categories.

Qualitative and quantitative criteria are taken into account in the determination of variable remuneration. These criteria reflect the desired conduct of the employees to act in the best interest of the clients and in a manner that has regard to focusing on the long-term sustainable performance of the Company versus short term risk taking or malpractices. Variable remuneration also has the benefit that it can differentiate performance results and promote practices by means of suitable incentive systems, which in turn affect the corporate culture.

The maximum variable remuneration payable to an employee is limited to 100% of the employee's fixed remuneration, as per the respective policy of Playtech PLC ("Playtech"). Up to 100% of the total variable and performance related remuneration may be subject to malus and clawback arrangements.

Bonus Pool Determination (including risk adjustment)

The discretionary annual bonus pool for the employee remuneration is suggested to the REMCO for its consideration and evaluation. The REMCO makes final recommendations to the Board of Directors, which has the responsibility for the final sign off. The work of all relevant committees is based on an assessment of the financial performance for each financial year against targets and a quantitative and qualitative assessment of the risks taken during each financial year, as well as matters relating to capital management and regulatory compliance. The Board of Directors reviews the annual bonus pool to ensure (a) that all relevant business risks have been assessed and taken into account and (b) that sufficient amounts are allocated to ensure the Company and the Group are able to maintain a robust capital base.

Performance Management Approach

The Company and the Group operate an annual appraisal process which establishes objectives for all staff covering both financial and non-financial metrics, specific behavioral competencies, including compliance and risk management behaviors with regards to the Company's and Group's values, Code of Conduct, policies and procedures.

Performance against non-financial metrics has a significant influence on the overall performance rating and poor performance against non-financial metrics will result in a reduction of an employee's annual incentive award. Annual performance ratings are independently reviewed (and challenged where appropriate) and calibrated at a Company and Group-wide level to ensure that ratings have been applied consistently and performance has been effectively differentiated.

Under the remuneration framework, remuneration decisions are made based on a combination of business results, performance against objectives set out in performance scorecards, general individual performance of the role and adherence to the Company's values, Code of Conduct, policies and procedures.

The Company has substantially the same Board of Directors with its affiliate Safecap. The activities of the Company are executed by staff of Safecap who are either seconded and / or are on joint sharing arrangements with Safecap. As a result, the Company has not paid any wages and salaries during the year. The only remuneration-related payment made by the Company was the fees paid to three Non-Executive Directors, which amounted to $69.888.

Appendix 1: Own Funds Disclosure

Table 18: Transitional and Fully Phased-in Definition of Own Funds

At 31 December 2020	Transitional Definition ($'000)	Full - phased in Definition ($'000)
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	28.980	28.980
Retained earnings	32.796	32.796
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**61.776**	**61.776**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Value adjustments due to the requirements for prudent valuation	(13)	(13)
Intangible assets (net of related tax liability)	-	-
Additional deductions of CET1 Capital due to Article 3 CRR	(67)	(67)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(80)**	**(80)**
Common Equity Tier 1 (CET1) capital	**61.696**	**61.696**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**61.696**	**61.696**
Tier 2 (T2) capital	**99**	**99**
Total capital (TC = T1 + T2)	**61.795**	**61.795**
Total risk weighted assets	**387.745**	**387.745**
Capital ratios		
Common Equity Tier 1 ratio	15,91%	15,91%
Tier 1 ratio	15,91%	15,91%
Total Capital Adequacy ratio	**15,94%**	**15,94%**

Definitions:

The Common Equity Tier 1 ratio is the CET1 capital of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar I risks.

The Tier 1 ratio is the T1 capital of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar I risks.

The Total Capital Adequacy ratio is the Own Funds of the Company expressed as a percentage of the total Risk Weighted Assets for covering Pillar I risks.

Appendix 2: Balance Sheet Reconciliation

Table 19: Balance sheet reconciliation with regulatory Own Funds calculation

Balance Sheet Description, as per published financial statements	31 December 2020 ($'000)
Capital and reserves	
Share Capital	3
Share premium	28.977
Retained Earnings	32.796
Total Equity as per Audited Financial Statements	61.776
Regulatory Adjustments	
ICF Contribution	(67)
Intangible assets	-
AVA	(13)
Paid up Capital instruments and subordinated loans	99
Regulatory Own Funds (Total Capital = CET1 + AT1 + T2 capital)	61.795