ERRANTE | TRADING MADE PERSONAL

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Notely Trading Limited

Pillar III Disclosures 2020

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Contents

1. About Notely Trading Limited

Notely Trading Limited (hereinafter referred to as "Notely" or "Errante" or the "Firm") is an investment Firm incorporated in the Republic of Cyprus (Certificate of Incorporation No. HE 394425). Notely is authorised and regulated by the Cyprus Securities and Exchange Commission ('CySEC') (https://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/86468/) (Licence No. 383/20) and operates under the Markets in Financial Instruments Directive (EU Directive 2004/39/EC).

In accordance with the license granted by the CySEC, the principal activities of the Firm comprise the following:

Investment Services	**Ancillary Services**
Reception and transmission of orders in relation to one or more financial instruments	Foreign exchange services where these are connected to the provision of investment services
Execution of orders on behalf of clients	Granting credits/loans to investors to allow them to carry out transactions in the financial instruments of CFDs
Dealing on own account	Safekeeping and administration of financial instruments, including custodianship and related services
Portfolio Management	

More specifically, the Firm is an online financial services provider which enables its clients to trade through the MetaTrader 5 Platform and acts as the principal and market maker to its customers in Contracts for Difference ("CFDs") on currency pairs, stocks, indices, metals, energies and commodities. Even though the Company is authorised by CySEC to offer financial instruments 1-10 as per Law 87(I)-2017 Part III, for the year ended 31 December 2020 it only offered Financial Contracts for differences.

A detailed list of the financial products offered by the Firm is available online at the Firm's site https://errante.eu/

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2. Pillar III Regulatory Framework

The Pillar 3 disclosure is a requirement of CRD IV, consisting of the Capital Requirements Directive ('CRD' or 'Directive 2013/36/EU') and the Capital Requirements Regulations ('CRR' or 'Regulation (EU) No. 575/2013), which is effective from January 1st, 2014. The above has resulted to the respective amendments of the Investment Services and Activities and Regulated Markets Law (Law 144(1)/2007) and the implementation of the respective Regulations and the release of Directives DI144-2014-14, DI144-2014-15, for the purpose of harmonization with the actions of the European Directive.

The main aim of the above directives and regulations is to implement the main Basel III reforms across the EU. Pillar 3 requirements under CRD IV are designed to promote market discipline through the disclosure of key information about risk exposures and risk management processes. The current regulatory framework comprises of three pillars:

- **Pillar 1** (minimum capital requirements): sets out the minimum capital requirements regulated Firms are required to meet, to be able to cover credit risk, market risk and operational risk.
- **Pillar 2** (supervisory review process 'SREP'): sets out a supervisory review process which assesses the internal capital adequacy processes ('ICAAP'), as to whether the Firm's Pillar I capital is adequate to meet those risk exposures and encourages the Firm to develop and use better risk management techniques.
- **Pillar 3** (market discipline): seeks to improve market discipline by requiring regulated firms to publish certain required disclosures to allow market participants to have a better picture of the risk profile of the Firm, the Firm's risk assessment processes and hence the capital adequacy of the Firm.

The Regulation contains certain provisions that allow a regulated firm to omit one or more disclosures if the Firm believes that the information omitted is immaterial. The Regulation also permits a regulated firm to omit one or more required disclosures if the Firm believes that the information is confidential and/or proprietary.

3. Basis of the Report

As a Cyprus Investment Firm ('CIF'), Notely is obliged, pursuant to Article 433 of Part Eight of the CRR to publish, at least on an annual basis, these disclosures.

The external auditors of Notely, Deloitte Ltd provide limited level of assurance on the fair presentation of the disclosures annually as required by Paragraph 32(1) of Part II of DI2014-144-14 for the Prudential Supervision of Investment Firms.

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The following Report is published pursuant to the above obligations as well as in accordance with the circulars issued by CySEC. It should be noted that any disclosures described herein apply to the Firm on a solo basis. The Report is available online at the Firm's site.

4. Interpretation of Terms

Unless indicated to the contrary, the defined terms included in this **'Pillar 3 Disclosures 2020'** (the 'Report' or 'the Disclosure and Market Discipline Risk Management Report 2020') shall have a specific meaning and may be used in the singular or plural, as appropriate.

'Board of Directors' means the executive and non-executive directors of the Firm.

'Client' means the 'Client' as defined in the 'Client Agreement' available online at https://errante.eu/.

'Notely Employee' means an individual who has entered into a contract with Notely as a permanent employee (full-time and/or part-time basis). For the purposes of this Report, reference to a Notely Employee shall also include an independent contractor, secondee or external consultant.

'Mark to Market' means valuation at market rates, as of the balance sheet date, of securities and derivatives held for trading purposes.

'Material Non-Public Information' means information that is not in the public domain and if disclosed such information could have an impact on the price of the security involved. If Material Non-public Information is disclosed to a reasonable investor this could determine his buying or selling behaviour. Material Non-public Information includes but is not limited to information regarding:

- changes in the control or management;
- mergers, acquisitions, tender offers and restructurings;
- client contracts;
- partner contracts;
- pending litigation;
- change in an issuer's credit rating by a rating agency;
- non-performing loans;
- imminent bankruptcy;
- changes in earnings and dividends (or estimates of same);
- securities' offerings;

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- changes in operating or financial circumstances, for example cash-flow reductions, major write-offs, changes in accounting methods; and
- other developments that could reasonably affect the financial markets.

'Need-to-know' basis' means the basis on which confidential information is disclosed by a Notely Employee to a recipient who requires such information in order to complete their duties and responsibilities. Justification of disclosing confidential information does not exist simply because the information is helpful to the recipient.

'Non-Public Information' means information that is not in the public domain and is only deemed to be public once such information is announced or disseminated to investors in general.

5. Risk Management Objectives and Policies

5.1. Risk Governance Framework

Notely is committed to having corporate governance, risk management and a control framework appropriate to the size of its business. To achieve this, a comprehensive risk management framework for the identification, assessment, monitoring and control of risks has been implemented. The Board of Directors ('BoD') has the ultimate responsibility for the risk appetite of the Firm and the monitoring of risks on a regular basis. The BoD has reviewed, assessed and approved the adequacy of the risk management arrangements of the Company.

The BoD of the Firm is assisted in their oversight function by permanent committees (collectively 'the Committees' and individually 'the Committee'), namely:

- the Investment Committee; and
- the Risk Management Committee;

The Firm's BoD is satisfied that these arrangements are appropriate given the risk profile of the Firm.

5.2. Organisational Structure

The BoD is responsible for setting the Firm's strategic objectives, the tone for a risk aware culture and its appetite for risk. The internal Governance structure plays a significant role in the success of the risk management effort as it can promote accountability and transparency. It also defines the reporting lines and information flow within the Firm.

An overview of the Organisational Structure is outlined in the following chart:

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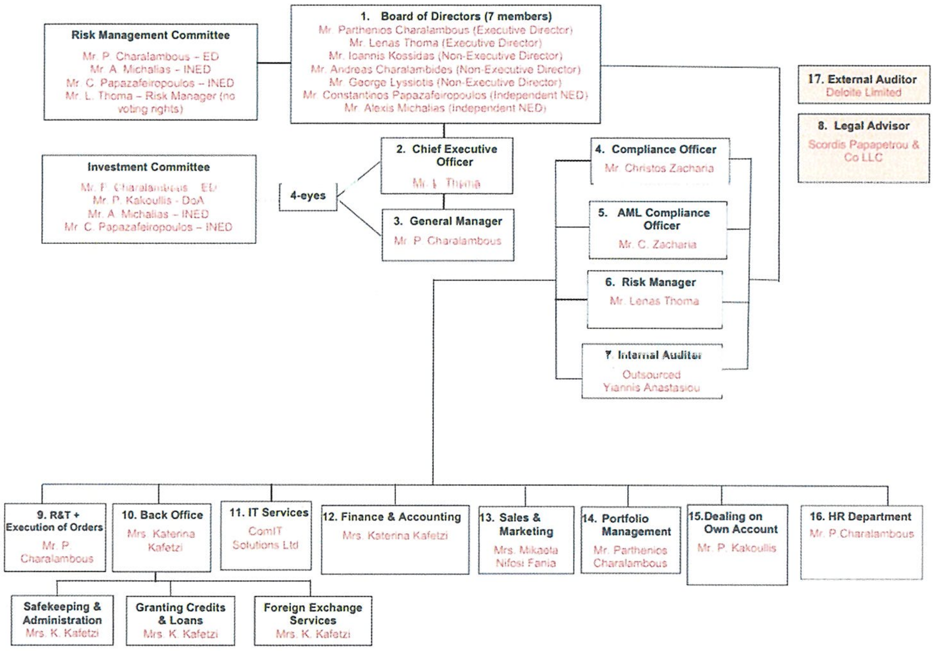

5.3. Reporting and Information Flow

The Firm has established a risk-related informational flow to the BoD. Details of the major reports submitted to the board are presented in the table below:

Report Name	Report Description	Owner	Recipient	Frequency
Compliance Report	Annual Compliance review	Compliance Officer	BoD, CySEC	Annual
AML Compliance Report	Annual AML Compliance Review	AML Compliance Officer	BoD CySEC	Annual
Internal Audit Report	Annual Internal Audit review	Internal Auditor	BoD, CySEC	Annual
Risk Management Report	Annual Risk Management report	Risk Manager	BoD, CySEC	Annual
Pillar III Report	Disclosures regarding the risk management, capital structure, capital adequacy and risk exposures of the Firm	Risk Manager	BoD, CySEC, Public	Annual

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Financial Statements	Audited financial statements of the Firm	Chief Executive Officer	BoD, CySEC	Annual
ICAAP Report	Assessment of the level of capital that adequately supports all relevant current and future risks of our business	Risk Manager	BoD, CySEC	Annual
Capital Adequacy Report	Capital requirement calculation	Risk Manager	Senior Management, CySEC	Quarterly

5.4. Risk Management Committee

The primary objective of the Committee is to oversee the overall management of all Risks. It also has the responsibility to review, recommend and implement the risk management policies, set the risk tolerance limits and ensure that infrastructure, resources and systems are in place for proper risk management.

The Committee comprises of two (2) non-executive directors and one (1) Executive Director. During 2020 the Committee held one (1) meeting.

The Risk Management Committee:

- Establishes a Risk Management Policy and other relevant procedures governing the control of the risks arising within the Firm and recommends, if required, amendments;
- Reviews, modifies and oversees the application of risk controls;
- Reviews and if appropriate, challenges the processes undertaken by the business in setting the overall risk appetite of the business;
- Collects information of risk exposures and risk events occurred across the Firm;
- Evaluates the adequacy and effectiveness of controls in place for managing the Risks; and
- Adopts remedial action.

The Risk Management Committee establishes the required parameters and applicable market risk limits and the Dealing Department monitors the positions of the proprietary book to ensure that Notely's exposure to market risk is within the defined limits.

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5.5. Risk Appetite

The risk appetite defines the amount and type of risk that the Firm is able and willing to accept in pursuing its business objectives. These risks include, among others, credit risk, market risk, operational risk, reputational risk and compliance risk. The risks and controls around them and the risk appetite set by the BoD for each risk, are set out in the sections further below. The risk management arrangements, which are in place, are considered to be adequate.

5.6. Number of Directorships held by members of the Board

The number of directorships held by members of the Board of Directors, including Notely are shown in the table below. Directorships within the same group of companies are counted as one.

No	Name	Position	Number of Directorships
1	Lenas Thoma	Executive Director	4
2	Parthenios Charalambous	Executive Director	1
3	Alexis Michalias	Independent Non-Executive Director	6
4	Constantinos Papazafeiropoulos	Independent Non-Executive Director	1
5	Andreas Charalambides	Non-Executive Director	5
6	George Lyssiotis	Non-Executive Director	4
7	Ioannis Kossidas	Non-Executive Director	2

5.7. Recruitment Policy

The Recruitment Policy of the Company outlines the measures and procedures to be followed for the recruitment of persons employed by the Company, taking into consideration the provisions of CySEC's Circular C025. In this respect, persons employed by the Company will have integrity, morals and credibility. The Company's staff shall be adequately trained, possess the skills, knowledge and expertise necessary to assess the needs and circumstances of each client. They should have sufficient expertise in financial markets to understand the financial instruments to be sold and to determine when the features of the product match the needs and circumstances of the client.

The members of the Board of Directors need to have demonstrated sound business judgment and act with independence of mind during decision-making, acting to the best interest of the Company as a whole. It is also essential that they will be able to devote the necessary time and effort to fulfil their respective responsibilities. The recruitment and appointment of the members of the Board of Directors is subject to the approval of CySEC, following their assessment as "Fit and Proper".

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6. Capital Risk

6.1. Overview

Capital risk is defined as the risk that the Firm has a sub optimal amount of capital to fulfil its capital requirements.

The objectives of Errante when managing its capital are:

- safeguarding the Firm's ability to continue as a going concern;
- maintaining an optimal capital structure in order to reduce the cost of capital; and
- ensuring sufficient capital is available to meet the usual business activities and any unforeseen contingencies.

The legal and regulatory framework under which Notely operates, stipulates that, the Firm must maintain a minimum capital adequacy ratio of 8%. The method of calculation is determined by CySEC based on the international capital standards set out in Basel III. On a quarterly basis, Notely reports to CySEC its capital adequacy ratio as described by the applicable directive.

Notely is also subject to the countercyclical capital buffer set by the Central Bank of Cyprus which was zero per cent (0%) of the investment firm's risk exposure amount on exposures in Cyprus for the whole year under consideration.

The capital adequacy ratio per quarter for 2020 is presented in the table below:

Quarter	Capital Adequacy Ratio
Q1 2020	30.82%
Q2 2020	29.53%
Q3 2020	24.15%
Q4 2020	26.01%

The Firm's total capital resources and total capital requirements as at 31 December 2020 are shown in the table below. The Firm's Capital Resources consist of Tier 1 Capital only.

Capital Resources Summary	
	EUR '000
Own Funds (Tier 1 Capital)	
Share Capital	1,300
Audited Reserves	(505)
Other Reserves	208

Deductions from Common Equity Tier 1 Capital	
Intangible Assets	-
Deductions to CET1 Capital	-
Total Eligible Own Funds (Tier 1 Capital)	**1,003**
Capital Requirements	
Credit and Counterparty risks	268
Market Risk (Position, Foreign Exchange and Commodity Risk)	435
Operational Risk	3,155
Total Capital Requirements	**3,858**
Total Capital Adequacy Ratio (regulatory minimum 8%)	**26,01%**

In order to manage its capital risk, Notely monitors, constantly, its capital adequacy ratio to ensure that this remains, at all times, at a level well above the regulatory limit. The Firm uses forecasts to assess its capital position, based on its operating plan, so as to ensure that no capital deficiencies will arise and accumulates additional capital through the accumulation of profits over time.

6.2. Internal assessment of capital requirement

An Internal assessment of capital requirements (ICAAP) is conducted at least annually. The results of the assessment are used to calculate the amount of any risk-based capital resources requirement (Pillar II) in addition to the Pillar I requirements.

6.3. Leverage Ratio

The Company steers its leverage effect according to the CRR leverage ratio rules (article 429), as amended by the delegated act of 10th October 2014. Steering the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Company's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Company sets for itself.

The Company aims to maintain a leverage ratio that is significantly higher than the 3% minimum in the Basel Committee's recommendations. The leverage ratio is in an observation phase in order to set the minimum requirements. Once they have been set, the Company's target will be adjusted as needed.

As at 31 December 2020, the leverage ratio of the Firm was equal to 64.05%, well above the 3% minimum ratio set by the Basel Committee.

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Reconciliation of accounting assets and Leverage ratio exposures as at 31 December 2020	
	EUR '000
Total assets as per audited financial statements	1,131
Adjustments for derivative financial instruments	400
Intangible assets	-
Other adjustments	35
Leverage ratio exposure	**1,566**
Tier 1 Capital	**1,003**

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

On-balance sheet exposures (excluding derivatives and SFTs) as at 31 December 2020	
	EUR '000
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,166
(Asset amounts deducted in determining Tier 1 capital)	-
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**1,166**
Derivative exposures	
Replacement cost associated with all derivatives transactions	400
Add-on amounts for PFE associated with all derivatives transactions	-
Exposure determined under Original Exposure Method	-
Total derivatives exposures	**400**
Other Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	-
(Adjustments for conversion to credit equivalent amounts)	-
Other off-balance sheet exposures	**-**

Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off-balance sheet))	-

Capital and total exposure measure	
Tier 1 capital	**1,003**
Total Leverage ratio exposures	**1,566**
Leverage ratio	
Leverage ratio	**64.05%**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	-
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

Split-up of on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)	EUR '000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	
Trading book exposures	-
Banking book exposures, of which	**1,131**
Covered bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
Institutions	1,079
Secured by mortgages of immovable properties	-
Retail exposures	
Corporate	1
Exposures in default	-
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	51

7. Market Risk

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7.1. Overview

Market risk is the risk that changes in market prices will affect the Firm's income or the value of the Firm's financial instruments.

Notely is exposed to market risk that arises from fluctuations in the market price of foreign currencies, commodities, indices, precious metals, commodities and equity securities due to the open positions on CFDs in the underlying financial instruments.

Market risk also includes foreign exchange risk which arises from non CFD recognised assets and liabilities held in a currency other that the Firm's functional currency (€).

The Firm's exposure to market price and foreign exchange risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. Notely acts, at all times, as the principal to the Clients' trades. The Firm does not take proprietary positions based on an expectation of market movements.

Notely follows the Standardised Approach (as defined by applicable legislation) for Market Risk. Market Risk Capital requirements are calculated with respect to Foreign Exchange Risk, Commodities Risk and Equity Risk.

The market risk capital requirements of the Firm as of 31 December 2020, were as follows:

Analysis of market risk capital requirements as at 31 December 2020		
		EUR '000
Type of Market Risk	**RWA Total**	**Capital Requirements**
Equity Risk	-	-
Foreign Exchange	435	35
Commodities	-	-
Total	**435**	**35**

7.2. Market risk mitigation

The operating model adopted by the Firm, in conjunction with the risk management framework in place, means that not all client exposures are hedged, hence the Firm may have a residual net position in any of the CFDs it offers up to the pre-set level of market risk limits.

To manage its market price risk, a formal risk policy approved by the Board of Directors is in place, which includes limits, or a methodology for setting limits, for every single financial instrument which the Firm offers CFDs for its clients to trade in, as well as certain groups of financial markets and groups of financial instruments. These limits determine the net exposure arising from client activity and hedging which the Firm is prepared to carry.

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The Risk Management Function monitors in real time the Firm's exposure against these limits. If the Firm's exposure exceeds these limits, the policy requires that sufficient hedging is carried out to bring the exposure back within the defined limits or, if the market is closed, as soon as it re-opens.

The Firm maintains trading (hedging) accounts with other regulated financial institutions for engaging in hedging activities in financial instruments when a need to hedge arises.

8. Credit Risk

8.1. Overview

Credit risk (including counterparty credit risk) is the risk of loss that Notely may incur if the Firm's counterparty in a transaction fails to perform its contractual obligations; which would result in a financial loss for the Firm.

Credit risk arises from the Firm's deposits with financial institutions (including banking institutions and amounts held with brokers) as well as outstanding receivables. Notely follows the Standardised Approach (as defined by applicable legislation) for Credit Risk. In calculating the capital requirements, this involves determining the exposure value, allocating each exposure value to the exposure class depending on the counterparty and applying a risk weight based on the exposure class and the credit quality.

Counterparty credit risk arises from credit exposures arising from open trading positions. Counterparty credit risk is measured using the mark-to-market method. According to this method, the current replacement cost of all derivatives with positive amounts is calculated and an add-on is applied to this amount for potential future credit exposure, based on specific factors that depend on the type of the transaction and its duration.

The table below presents the total amount of credit exposures before and after credit risk mitigation by exposure class and by Geographic distribution as at 31 December 2020.

Credit exposures per asset class by region before Credit Risk Mitigation as at 31 December 2020

EUR '000

Regulatory Exposure Asset Class	Europe	Asia	Rest of the World	Exposure Total	RWA Total
Corporates	1	-	-	1	1
Retail	-	-	-	-	-
Other items	51	-	-	51	51
Institutions	971	-	108	1,079	216
Total	**971**	**-**	**108**	**1,131**	**268**

Exposures by residual maturity as at 31 December 2020	Up to 3 months	More than 3 months	Total
	EUR '000	EUR '000	EUR '000
Corporates	1	-	1
Retail	-	-	-
Other items	51	-	51
Institutions	1,079	-	1,079
Total	**1,131**	**-**	**1,131**

External Credit Assessment Institutions (ECAIs) used for calculating Risk-weighted Assets under the Standardised Approach

For the purposes of applying the Standardised Approach, the Firm uses Moody's external credit ratings. Exposures which do not have an available Moody's credit rating are considered to be unrated. The ECAIs are not taken into account when relevant exceptions as per the CRR apply.

It should be noted that the Firm does not transfer issuer risk arising in the trading book to the Banking Book, as all exposures are either rated directly or the country of incorporation in which an exposure is incorporated is used.

The analysis of the exposure values before and after credit risk mitigation as well as the credit exposure amount by Exposure Class are shown on the tables below.

Exposures before and after Credit Risk Mitigation as at 31 December 2020	
	EUR '000
Credit Quality Step *	**Institutions**
1	-
2	-
3	-
4	-
5	620
6	-
Unrated*	459
Total	**1,079**

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Please refer to table below for the Mapping of Ratings to Credit Quality Step.

ECAI Association with each credit quality step					
Credit Quality Step	Moody's Rating	Institutions Risk Weight		Sovereigns Risk Weight	Corporate Risk Weight
		Residual Maturity up to 3 months	Residual Maturity more than 3 months		
1	Aaa to Aa3	20%	20%	0%	20%
2	A1 to A3	20%	50%	20%	50%
3	Baa1 to Baa3	20%	50%	50%	100%
4	Ba1 to Ba3	50%	100%	100%	100%
5	B1 to B3	50%	100%	100%	150%
6	Caa1 or lower	150%	150%	150%	150%

8.2. Credit risk mitigation

In order to manage its credit risk, the Firm accepts as a counterparty, for the purposes of depositing both own and Clients' funds, only European or equivalent jurisdictions' investment grade financial institutions and local financial institutions which has internally assessed as sufficiently healthy and economically stable.

To diversify its exposure, Notely holds most of its own funds as well as clients' funds with European based investment grade banking institutions. Clients' funds, which are held in segregated accounts in a fiduciary capacity, as well as own funds are distributed across deposit institutions. The credit standing of current banking counterparties is constantly being monitored for early signs of stress or deterioration of their financial position.
With respect to clients' funds specifically, the Firm makes all necessary arrangements so as to safeguard the clients' ownership rights and to prevent the use of clients' funds for its own account. In addition, as an extra measure of comfort for clients' funds, the Firm uses its own funds to cover any clients' funds that are in transit (held with payment service providers), to mitigate any residual risk.

Before any trading activity takes place, client accounts must first be funded and enough equity for the margin requirements must be available. The Firm has established minimum margin levels below which all positions are automatically closed at market prices in order to prevent the account from going into deficit. Automated processes are in place in each trading platform that monitor Client Margin level and automatically begin closing positions at market price when levels fall below the corresponding Stop Out limit.

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8.3. 'Past due' and 'Impaired' Receivables

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The Company has adopted IFRS 9. Adoption of IFRS 9 did not have any significant impact on the capital adequacy and capital requirements, and transitional arrangements had not been applied.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Impairment losses on trade receivables are presented within operating profit. For all other financial assets at amortised cost, amounts receivable from clients, amounts held with brokers, cash and cash equivalents and bank deposits with original maturity over three months, the Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forward-looking information.

Especially the following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of the counterparty in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due

The Firm did not have any 'past due' or 'impaired' assets during or as at 31 December 2020. This is ordinary since, as Notely holds clients' funds in a fiduciary capacity before any trades are executed, combined with the provision of negative balance protection where clients cannot lose more than the funds they have at risk with Notely, the risk of default on outstanding receivables is very low.

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9. Operational Risk

9.1. Overview

Notely is exposed to operational risk resulting from inadequate or failed internal processes and procedures, people and systems, or from external factors. Operational risk is measured using the Basic Indicator Approach as defined by applicable legislation. As at 31 December 2020 the operational risk capital requirements in thousands were EUR 3,155.

The main groups of Operational risk the Firm faces are as follows:

- Technological, Systems and Data;
- Fraud (Internal or External);
- Legal and Compliance;
- Strategic Risk; and
- Reputational Risk.

9.2. Mitigation of Operational risk

A strong internal control governance framework is designed and implemented. The Firm has a four-eye structure and Board oversight. This structure ensures the separation of power and authority regarding vital functions of the Firm. The Board of Directors assesses the adequacy and effectiveness of internal systems and controls, based on data and information produced by the internal and external auditors or other competent authorities.
Each department documents risk related data on the list of identified operational risks. The mitigating measures and controls as well as the estimated residual risk is evaluated by the Risk Management Function.

9.3. Technological, Systems and Data

The Firm's systems are evaluated, maintained and upgraded continuously. Data recovery programs and backup systems ensure continuity in the Firm's core operations.

The Firm mitigates any risk from failure of third-party providers such as data suppliers, market information, telephone and internet access by ensuring it has multiple providers for each service.

A Disaster Recovery Plan and a Business Continuity Plan (BCP) is in place such that:

- Key personnel and management can physically relocate and carry out business, as normal;
- The BCP centre is appropriately equipped in order for Notely to maintain its competitive advantage and systems integrity, including but not limited to internet connectivity from multiple service providers;

- The Business Continuity Centre (BCC) is equipped with a fast, secure and stable telephony and network connectivity and has extended provisions for power supply to prevent loss of services during any power outages; and
- A Disaster Recovery Plan that details the recovery process of the IT infrastructure in the event of a disaster has been developed, documented and frequently tested.

9.4. Fraud

Regular internal audit reviews are performed to ensure that employees comply with the Firm's internal procedures. An Anti-fraud policy facilitates the development of controls for the prevention and detection of fraud against the Firm.

9.5. Legal and Compliance

In-house corporate lawyers are employed on a full-time basis that prepare any contractual agreements and other documentation prone to legal risk. Third party legal experts are employed on a contract basis as needed internationally. All written material, such as marketing and other published form of communication is reviewed by the Legal and Compliance department before is released.

The Compliance department is responsible for the Firm's compliance with the applicable laws and regulations. The department has drafted policies based on the requirement of relevant Laws and Directives and updates them as necessary. These Policies are assessed regularly by the Internal Audit department.

Notely has appointed a Money Laundering Compliance/Reporting Officer ("MLRO") who acts as the central point of contact both with the law enforcement agencies and internally, in relation to all matters relating to money laundering.

9.6. Strategic Risk

Notely is exposed to strategic risk that could result due to poor strategic business decisions taken and implemented by the Firm. Strategic risk can also be a result of changes in the sector the Firm operates in or the business environment in general.

The Firm assesses, as often as required, the Firm's strategic direction taking into account its objectives and updates the Firm's budget accordingly. The Board approval is required for any projects that might have an impact to the Firm's short and long term-business plans. The Board is updated on milestones and other goals achieved/ not achieved so that actual results can be measured in comparison to forecasts.

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9.7. Reputational Risk

Notely is exposed to reputational risk that arises due to a number of factors including but not limited to negative publicity, pending or concluded litigation, poor performance or any legal or regulatory violations.

To mitigate this risk, the Firm ensures that all regulatory requirements are adhered to and emphasises the importance of proper risk management across the organization. The Internal Audit and Compliance departments ensure that the policies and procedures are enforced at all times.

10.Exposure to Interest Rate Risk

The Firm has no material interest rate risk exposure to positions not included in the trading book.

11.Liquidity Risk

11.1. Overview

Liquidity risk is the risk that the Firm will not be able to meet its financial obligations and arises when the maturity of assets and liabilities does not match.

The Firm has robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of time horizons, including intra – day, so as to ensure that they maintain adequate levels of liquidity buffers; tailored to the business lines, foreign currencies and other traded financial instruments, which includes adequate allocation mechanisms of liquidity costs, benefits and risks. The Firm has no long-term debt.

11.2. Risk Management Process

In order to manage its liquidity risk, the Chief Financial Officer of Notely, the Board as a whole and the Risk Management Committee monitor rolling forecasts of the Firm's liquidity requirements based on expected cash flows in order to ensure that the Firm has sufficient cash to meet its operational needs, under normal and abnormal (stressed) market conditions.

The Firm ensures that sufficient cash is available on demand to meet any operational expenses that arise. An internal system is available for monitoring in real time liabilities due to client trading activity. No client funds are used to fund broker margin requirements or any other financial obligations.

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12.Remuneration Policy and Practices

12.1. General

Errante has established a remuneration policy. The purpose of the remuneration policy is to set out the remuneration practices of the Company taking into consideration the salaries and benefits for certain categories of employees, in accordance with the provisions of CySEC's Directive DI144-2014-14, for the prudential supervision of Investment Firms, Circulars 031, C138 and C145, as well as with ESMA/2016/904 where these shall comply with specific principles in a way and to the extent that is appropriate to their size, internal organization and the nature, the scope and the complexity of their activities.

For the purpose of this policy, "Remuneration" means all forms of payments or benefits provided directly or indirectly by the Company to relevant persons in the provision of investment and/or ancillary services to clients. It can be either financial (such as cash, shares, options, cancellations of loans to relevant persons at dismissal, pension contributions, remuneration by third parties e.g. through carried interest models, wage increases) or nonfinancial (such as career progression, health insurance, discounts or special allowances for car or mobile phone, generous expense accounts, seminars in exotic destinations, etc.).

Remuneration Committee

It is noted that the Company has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a Remuneration Committee.

The design of the remuneration policies and practices has been approved by the Board of Directors after taking advice from the compliance function. In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.

Fixed Remuneration

The employees' total remuneration currently consists of a fixed component while variable components may also occur. Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels, which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. The Remuneration Policy is also set in comparison with standard market practices employed by the other market participants/competitors.

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The Company's Remuneration policy is to provide an attractive fixed remuneration to its employees so to ensure good and stable performance. The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees. Benefits provided to the Company's employees, such as medical and indemnity insurance protection are not employee performance-related and are considered part of the Fixed Remuneration.

The Company determines only fixed remuneration for third parties which provide MiFID Compliance, AML and Internal Audit as well as IT support services based on the work performed and market conditions.

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Variable Remuneration

Errante does not guarantee any variable remuneration. Nevertheless, the Company is dedicated to recognizing the contribution of the employees to its success by payment of bonuses whenever it is financially appropriate and depending on the performance of the Company as a whole. Moreover, the variable remuneration is also allocated to employees based on the individual performances.

For the year under consideration the Company has not provided any variable remuneration to any employee nor any remuneration is payable under deferral arrangements (with vested or unvested portions), nor there are any severance payments.

The Board of Directors for the payment of any variable remuneration to employees takes into consideration and reviews the current financial position and performance of the Company, the development plans, liquidity, operational and capital risks. Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the credit institution and when assessing individuals' performance, financial as well as non-financial criteria are taken into account.

Remuneration Policy Review

The Company shall periodically review the Remuneration Policy, as and when applicable, to adjust should the need arise for remuneration to include any other possible sources of additional variable components.

In this regard, it is understood that if the Remuneration Policy should incorporate additional variable components in the future, then the fixed and variable components should be appropriately balanced and the fixed component shall always represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible Remuneration Policy on variable remuneration components (even to allow for zero variable component to be offered).

Further to the above, variable remuneration should be designed to ensure that the total remuneration remains in competitive levels thus rewarding the staff for its performance whilst remaining aligned with the department's and/or the Company's performance and long-term targets.

12.2. Fees and Emoluments

Fees and emoluments of members of the Board of Directors and other key management personnel

The remuneration of the personnel of the Firm for the year ended 31 December 2020, consisted of fixed monthly salaries as well as employer's contributions for social insurance etc., is analysed as follows:

Fees and emoluments of members of the Board of Directors and other key management personnel			
			EUR'000
	No of members	Fixed Emoluments	Variable Emoluments
Executive Members of the Board[1]	4	159	-
Non-Executive Members of the Board	2	4	-
Other key management personnel	1	42	-
Total	**7**	**205**	**-**

For the year 2020, the Firm did not offer variable remuneration to people whose professional activities had a material impact on the risk profile of the Firm, as defined by Article 94(l)(g) of Directive 2013/36/EU.

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[1] *Includes the emoluments of 2 Executive Directors that resigned during 2020 and of 2 appointed during 2020.*