



NOTELY TRADING LTD

Disclosure and Market Discipline Report (Pillar III)

Made in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms

Based on audited accounts as at 31 December 2021

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Deloitte Limited

July 2022

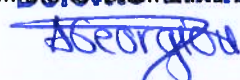
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Notely Trading Limited

Pillar III Disclosures 2021

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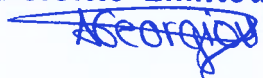
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1. Introduction and Scope of Application

The purpose of this report is to inform the public and other market participants of the key components, scope and effectiveness of the Company risk measurements, risk profile and capital adequacy.

The scope of this report is to promote market discipline and to improve transparency of market participants as per the regulation Regulation (EU) 2019/2033, the Investment Firm Regulation (the "IFR") of the European Parliament and of the Council on the prudential requirements of investment firms.

The Report has been prepared in accordance with the new regulatory regime for investment firms the European Parliament has adopted, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 "The Prudential Supervisions for Investment Firms Law of 2021" (the "Law") and the Law 164(I)/2021, amending Law 97(I)/2021, "The Capital Adequacy Investment Firms Law of 2021".

The information contained in this report is audited by the Firm's independent External Auditors and published on the Company's website on an annual basis. The Company is making the disclosures on a solo basis. This document is based on and published along the Audited Financial Statements on an annual basis.

According to Basel III regulations, there are three pillars, which are designed to promote market discipline through the disclosure of important financial information regarding the risk exposures of the Company and of the risk management process followed.

The current regulatory framework consists of three pillars:

Pillar I: Covers minimum capital and liquidity requirements

Pillar II: Regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a 'SREP decision'.

Pillar III: Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

The Board of Directors and Senior Management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar III disclosures.

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1.1 Reporting Details

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

1.2 Non-Material, Proprietary or Confidential Information

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

Definitions:

- Notely Trading Ltd: the “Company”,
- Cyprus Securities and Exchange Commission: “CySEC”
- Regulation (EU) 2019/2033: “the Investment Firm Regulation” or “IFR”
- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU: “the Investment Firms Directive” or “IFD”
- Frequency: The Company will be making these disclosures annually.
- Media and Location: The disclosures are published on our website: www.errante.eu
- Scope of report: The Pillar III Disclosures Report (the “Report”) is prepared on an individual (solo) basis in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, practices and governance standards. The disclosures are in accordance to the audited financial statements of the Company for the year ended 31 December 2021.

2. Business Background

The Company was incorporated in Cyprus on the 13th February 2019 with registration number HE 394425, as a limited liability company under the Cyprus Companies Law, Cap. 113. The Company is a licensed Cyprus Investment Firm regulated by the Cyprus Securities & Exchange Commission (CySEC) with license number [383/20](#).

2.1 Group Structure

The Company does not have any subsidiaries and thus there is no need for consolidated supervision. These disclosures apply to Notely Trading Ltd on a solo basis.

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2.2 Services offered by the Company / Operating Model

License Number	383/20
CIF Authorization date	3 rd February 2020
Company Registration Number	HE 394425

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of Orders on Behalf of Clients
- Dealing on own account
- Portfolio Management

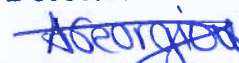
Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Foreign exchange services where these are connected to the provision of investment services

Control Functions

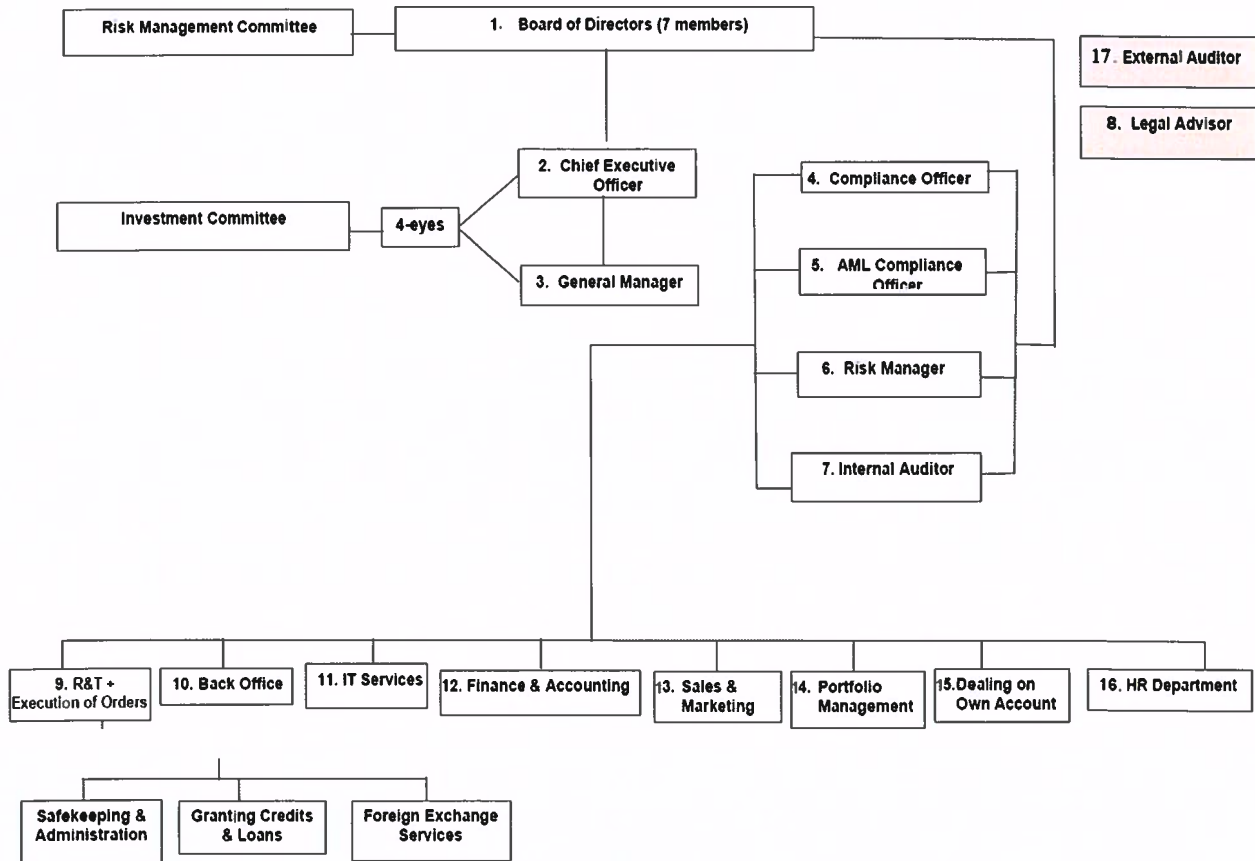
- | | |
|-----------------------------------|------------|
| ○ Compliance Function | In house |
| ○ AML Function | In house |
| ○ Accounting Function | In house |
| ○ Risk Management Function | In house |
| ○ Internal Audit Function | Outsourced |
| ○ External Audit Function | Outsourced |

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3. Corporate Governance of the Company
 3.1 Corporate Governance

Diagram of Organizational Structure as at 31st of December 2021



3.1.1 Board of Directors

The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies, set the strategy of the Company. The Board is responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management and Internal Audit) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body. In addition, the Risk Management and Investment Committees are communicating their suggestions and findings to the Board, as and if necessary.

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Director Name	Position/Title / Capacity	Country
Lenas Thoma	Executive Director, "4 eyes"	Cyprus
Parthenios Charalambous (resigned 30/04/22)	Executive Director, "4 eyes"	Cyprus
Ioannis Kossidas	Non-executive Director	Greece
Andreas Charalambides	Non-executive Director	Cyprus
George Lyssiotis	Non-executive Director	Cyprus
Alexis Michalias	Independent Non-executive Director	Cyprus
Constantinos Papazafeiropoulos	Independent Non-executive Director	Greece

3.1.2 Risk Management Function

The Risk Manager ensures that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager shall report to the Senior Management of the Company.

As an addition to the above, the Company is operating a Risk Management Committee, which is responsible for monitoring and controlling the Risk Manager in the performance of his duties. Also is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients as well as the risks underlying the operation of the Company.

3.1.3 Compliance Function

The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer are to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

3.1.4 Internal Audit Function

The Internal Auditor review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

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3.1.5 Anti-Money Laundering Compliance Officer

Anti-Money Laundering Officer reports directly to the Board of Directors and is responsible for:

- Ensuring implementation of the procedures described in the Company's AML Procedures Manual;
- Ensuring that Company employees attend training sessions on anti-money laundering and terrorist financing procedures;
- Ensuring that all clients' accounts must be opened only after the relevant pre-account opening due diligence and identification measures and procedures have been conducted, according to the principles and procedures set in the AML Manual;
- Compliance with high standards of anti-money laundering (AML) practice in all markets and jurisdictions in which the Company operates;
- Ensuring the implementation of the "know your client" procedures of the Company;
- Gathering information with regards to the new customers of the Company;
- Analysing the customers' transactions;
- Continuous improvement of the existing control procedures;
- Providing a written annual report to the Board of Directors on the matters of own responsibility, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The corporate governance of the Company regarding risk management is considered adequate through the establishment of an effective risk oversight structure. The internal organisational controls are in place to safeguard that the Company accelerate the ability to identify, assess and mitigate the relevant risks. Also, the aim of the Company and in general the risk management function is to quickly recognize potential adverse events, be more proactive and forward looking and establish the appropriate risk responses were deemed necessary and at all times to comply with the relevant legislation.

3.2 Recruitment Policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework. It seeks to resource the specific experience and skills needed to ensure the optimum blend (diversity) of individual and aggregate capability having regard to the Company's long-term strategic plan.

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The persons proposed for appointment to the Board should commit the necessary time and effort to fulfil their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty;
- High business acumen and judgment;
- Knowledge of financial matters including understanding of financial statements and important financial ratios;
- Knowledge and experience relevant to financial institutions;
- Risk Management experience; and
- Specialized skills and knowledge in finance, accounting, law, or related subject.

3.3 Number of Directorships held by members of the Board

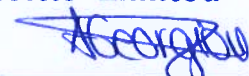
As per Article 9(4) of the Law, the numbers of directorships which may be held by a member of the Board of Directors at the same time shall take into account individual circumstances and the nature, scale and complexity of the CIF's activities. Unless representing the Republic, members of the Board of Directors of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- a) One executive directorship with two non-executive directorships;
- b) Four non-executive directorships

In addition to the above, the following shall count as a single directorship:

- a) executive or non-executive directorships held within the same group;
- b) executive or non-executive directorships held within:
 - (i) institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 as amended are fulfilled; or
 - (ii) undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

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The Board members of the Company hold the following directorships (including the Company):

Director Name	Position / Title / Capacity	#Executive	#Non-Executive
Lenas Thoma	Executive Director, "4 eyes"	1	2
Parthenios Charalambous (resigned 30/04/22)	Executive Director, "4 eyes"	1	-
Alexis Michalias	Non-Executive Director, Independent	6	1
Constantinos Papazafeiropoulos	Non-Executive Director, Independent	1	1
Andreas Charalambides	Non-Executive Director	-	5
George Lyssiotis	Non-Executive Director	1	3
Ioannis Kossidas	Non-Executive Director	1	1

3.4 Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how we do business and imperative to commercial success. The Company recognizes the value of a diverse and skilled workforce and is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future.

The Company recognizes the benefits of having a diverse Board of Directors which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences will be considered when determining the optimum composition of the Board of Directors.

3.5 Risk Management Committee

The Company, due to its size, scale and complexity has established a Risk Management Committee in order to better handle the risks that arise from its operations.

The Risk Management Committee is a committee appointed by the Board of Directors to review the Company's system of risk management. The Risk Management Committee is formed with the purpose of ensuring the efficient management of the risks inherent in the provision of the investment services to Clients as well as the risks underlying the operation of the Company.

The Risk Management Committee, which reports directly to the Board of Directors, consists of 3 participants and during 2021 two meetings were held.

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The role of the Risk Management Committee is essential to:

- ensure the efficient management of the risks inherent in the provision of the investment services to clients;
- monitor the risks underlying the operation of the Company;
- be responsible for monitoring and controlling the associated risks;
- identifying additional risks that the Company is/may exposed to;
- sets and monitors risk limits and other mitigation measures;
- evaluates the adequacy and effectiveness of controls in place for managing the risks;
- adopts necessary actions;

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

3.6 Reporting and Information Flow

The Company has established a risk-related informational flow to the Board of Directors to be in line with the requirements set out in the Law and subsequent Directives. Details of the major reports submitted to the Board are presented in the table below:

Report Name	Responsible Person	Recipient	Frequency
Annual Compliance Report	Compliance Officer	BoD, CySEC	Annual
Annual Internal Audit Report	Internal Auditor	BoD, CySEC	Annual
Annual Risk Management Report	Risk Manager	BoD, CySEC	Annual
Annual AML Compliance Report	AMLCO	BoD, CySEC	Annual
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	BoD, CySEC, Public	Annual
Financial Reporting	External Auditor	BoD, CySEC	Annual
Capital Adequacy Reporting	Risk Manager / Accounting	Senior Management, CySEC	Quarterly
Quarterly Risk Statistics	Risk Manager / Accounting	CySEC	Annual
Risk Based Supervision Framework	Risk Manager / Accounting	CySEC	Annual
Prudential Supervision Information	Risk Manager / Accounting	CySEC	Quarterly

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4. Risk Management

Risk Management is "the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating".

It is an iterative process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact. There is a formal structure for monitoring and managing risks across the Company comprising of detailed risk management frameworks and independent governance and oversight of risk.

To ensure effective risk management the Company has adopted the "three lines of defense" model of governance with clearly defined roles and responsibilities.

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


Second line of defense: the Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them.

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

4.1 Risk Management Process

The Company adopted and implemented its risk management process to create a robust and standardized procedure to manage each identified risk. The risk management process is an on-going and cyclical process which enables the Risk Management function to set the risk tolerance levels and how the risks will be identified, assessed, controlled, and managed.

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The risk management cyclical process of the Company contains six steps which every one of them has its significance. All the steps need to be considered, in order to apply an appropriate and effective risk management process for each risk exposure.

Continuous Risk Management Process



Step 1 - Set Strategy/Objectives

At the board level, strategic risk management is a necessary core competency. The Company should set, approve and establish risk management strategy/objectives regarding its risk appetite/tolerance levels in order to proceed with the appropriate action for each identified risk exposure. The Senior Management and the Board of Directors should take a proactive approach in order to achieve the Company's goal to further develop the risk management capabilities. By establishing appropriate strategies and objectives regarding risk exposures, the Company will avoid unpleasant events which may harm its operations.

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Step 2 - Risk Identification

Without clear objectives it is impossible to identify events that might give rise to risks that could impede the accomplishment of a particular strategy or objective. Risk identification is the most important process in the risk management planning. Risk identification determines which risks might affect the operations of the Company. While each risk captured, it is important for senior management and the Board of Directors to focus and prioritize on the key risks. This prioritization is accomplished by performing

the risk assessment. The risk identification process is performed on an-ongoing basis in order to safeguard the operations of the Company to upcoming disrupting events. There are some techniques for identifying risk such as the brainstorming, SWOT analysis, scenario analysis, facilitated workshops etc. The risks that may be identified, include, but are not limited to, credit, market, operational, conduct, reputational and compliance risk.

Step 3 - Risk Assessment

The first activity within the risk assessment process is to develop a common set of assessment criteria to be deployed across business units and corporate functions. Assessing risks consists of assigning values to all the identified risk exposures of the Company. Thus, the risk assessment is performed by considering the probability of a risk occurrence and the impact of this risk on the achievement on the set objectives.

However, risks do not exist in isolation. Often there are risk interactions, which at the beginning a risk exposure may can be seen as insignificant, but as they interact with other events and conditions, they may cause great damage to the Company's operation.

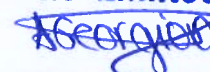
Step 4 - Risk Response

The results of the risk assessment process then serve as the primary input to risk responses whereby response options are examined according to the risk appetite of the Company. The main objective of the Company is to mitigate the risk exposures affecting its operations, whatever their risk category. For example, if the impact of a risk is considered as high, then an immediate action should be taken. For each risk category, there is an appropriate response. Each risk and related response should be assigned to the manager who is responsible for the area affected by the risk. The action taken to respond to a risk exposure should be determined and documented which is an essential part of the risk response process.

Step 5 - Risk Control

Having identified the risk exposures of the Company, assessed them and the appropriate response has been determined, then the Risk Manager has to review the existing controls and all hazards must be managed before harm the operations of the Company. The management of risks in the Company requires mitigating risks so far as reasonably practicable. All risk exposures that have been assessed should be dealt with, in order of priority. The most effective control options should be selected to mitigate risks. The hierarchy of controls is determined by the category of each risk exposure according to the Risk Matrix of the Company. This should be used to determine the most effective controls.

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An essential component of the risk assessment is to first set a benchmark for the Company's Risk Appetite. The Company's risk appetite is governed firstly by the regulatory requirements imposing the Company to have at least an 100% Total Capital Ratio, and in all cases to have own funds more or equal to the sum of its capital requirements, and more than the Company's initial capital.

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.

Step 6 - Communicate and Monitor

Risk identification, risk assessment, risk response and control are an on-going process. Therefore, regularly review the effectiveness of Company's risk assessment and control measures is an essential part of the risk management function. The Risk Manager has to ensure that the significant risks remain within the acceptable risk levels that emerging risks and gaps are identified and that risk response and control activities are adequate and appropriate. Indicators that fall outside of acceptable risk levels should be escalated with appropriate action plans to bring the risk back within established risk levels. Those risks that still remain above acceptable risk levels should be considered by the Board for their approval of any necessary resolution strategies. This activity will form the basis for reporting to the Board and on-going monitoring by management.

The monitoring process is an essential part of the risk management activities, which creates a "safety net" on the operations of the Company. Thus, the Risk Management Committee and the Internal Audit of the Company play an important oversight role in confirming that management is monitoring and managing risks in accordance with established levels. The Risk Manager shall communicate to the senior management and the Board of Directors, the findings of each committee regarding the risk exposures in order to mitigate them which is the main objective of the Company.

The level of risk is analyzed by combining estimates of likelihood and consequences, to determine the priority level of the risk.

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4.2 Risk Appetite

The Risk Appetite of the Company is the level of risk, by type and by business that the Company is prepared to incur given its strategic targets and is one of the strategic oversight tools available to the Management body. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events, and outcomes.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the Risk appetite framework. The Risk appetite framework should consider material risks to the financial institution, as well as to the institution's reputation.

Essential indicators for determining the Risk Appetite are regularly monitored over the year to detect any events that may result in unfavorable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of a recovery plan in the most severe cases.

The Company is assessing its risk appetite in respect to investing and to managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors. The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

Once IFR came into force in 2021, we have revised our regulatory appetite levels as per the below tables taking into consideration the revised capital requirements:

Revised Risk Appetite levels in response to IFR changes

	Total Capital Ratio	Own Funds	Common Tier 1 Ratio	Additional Tier 1 Ratio
Well Above the limit	> 150%	>€1m	> 80%	> 100%
At the limit	100% - 150%	€750k - €1m	56% - 80%	75% - 100%
Below the limit	< 100%	<750k	< 56%	< 75%

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5. Prudential requirements / Classification

The IFD and IFR entered into force on 26 July 2021, introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified as Class 1, 2 or 3 Investment Firms.

Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly and they will fall entirely under the Regulation (EU) No 575/2013 ("CRR").

Investment Firms categorized as Class 2 and Class 3 will have the most impact from the new prudential framework as, the capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all of the below criteria are categorized as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorized as Class 2 Investment Firms.

Control Functions	Thresholds
- Assets Under Management	< €1.2 billion
- Client orders handled - cash trades	< €100 million per day
- Client orders handled - derivative trades	< €1 billion per day
- Assets safeguarded and administered	zero
- Client Money Held	zero
- On and off-balance sheet total	< €100 million
- Total annual gross revenue from investment services and activities	< €30 million

Further to the above, the Company is categorized as a Class 2 Investment Firm since it does not meet all of the above criteria and as such it should maintain own funds of at least the higher between:

A. Permanent minimum capital requirement

The permanent minimum capital requirement of the Company is €750k since it is authorized to provide the investment service of "dealing on own account" and "reception, transmission and execution of orders".

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B. Fixed overhead requirements

The Fixed Overheads Requirement is calculated as one quarter ($\frac{1}{4}$) of the previous year fixed expenses (based on audited figures).

C. K-Factors requirement

The new K-Factors are quantitative indicators that reflect the risk that the new prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

Pillar I

The Company meets the capital requirements, reporting requirements and it has internal governance policies as per the new prudential framework.

In line with the above and according to Article 9 of the Regulation 2019/2033, a CIF shall at all times satisfy the below own funds requirements. Also, Company's capital adequacy ratios as of end-2021 based on managerial financial statements were as shown in the table below.

	Minimum requirements (%)	NOTELY TRADING LTD %
Tier 1 Ratio	56	154%
Additional Tier 1 Ratio	75	154%
Tier 2 Ratio	100	154%

The Company did not breach any of the minimum capital ratios mentioned above.

The Board of Directors, as well as the Head of Risk Department, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

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ICAAP - Pillar II

The Company has in place an Internal Capital Adequacy Assessment Process (ICAAP). Together with this ICAAP Report and the subsequent Supervisory Review and Evaluation Process (SREP) from CySEC, fall within the scope of the Pillar 2 rule as set and

discussed in the Basel III Capital Accord of the Bank of International Settlements (BIS) and also in CySEC's Directive DI144-2014-14 for the Prudential Supervision of Investment Firms (hereinafter, the "Directive").

The ICAAP ensures that the Company:

- appropriately identifies, measures, aggregates and monitors the risks incurred by the Company,
- keeps a capital coverage determined by internal regulations that is sufficient for the fundamental risks the Company is exposed to,
- has an adequate risk management system, which continuously improves in accordance with the risk factors identified.

The Company's ICAAP can be described as the foundation of the Company's operations, which comprises as well as aligns:

- the Company's Risk Management System (Risk Management Committee, Risk Management systems and processes in place, such as limits as well as ways to monitor their implementation, regulatory Pillar 1 capital adequacy calculations and subsequent reporting to CySEC, etc.),
- the Company's overall Corporate Governance Framework, Board of Directors of the Company (hereinafter, the 'Board'), Senior Management (4-Eyes Principle), a well-defined and updated organizational structure, documented reporting lines between the various departments, etc.),
- the Company's Internal Control system (an independent Internal Auditor performing a constructive inspection with the outcome of its reported findings and recommendations to the Board, at least annually),
- the definition of the Company's financial budget and corporate strategy, and their alignment with the Company's available capital and the risks faced.

The Company during 2021 has chosen to follow the Pillar 1 plus, minimum capital requirement approach, i.e. the Company takes as a starting point the minimum capital calculated under Pillar 1, re-assesses the overall risk environment to identify and quantify uncontrolled/material risks, and subsequently decides on the allocation of additional capital or the imposing of additional controls, or a combination of both.

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The Company's ICAAP, as defined within the applied Pillar 1 plus minimum capital requirement approach, has revealed that the Company has the additional regulatory capital which is considered adequate for the risks that the company incurs within its business and organizational processes, as defined within the Pillar 2 allocations.

The Risk Manager is in the process of replacing the Company's existing ICAAP with the new ICARA based on the latest available Audited Financial Statements by establishing new assessment with respect to the liquidity adequacy of the Company, designing new financial projections and stress tests to reflect the new K-Factors requirement and drafting a new report which reflects all provisions under the new regulation.

Disclosure & Market Discipline under Pillar III

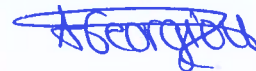
Enhancing the capital requirements framework, the Pillar III introduces the obligation to provide to the public a market disclosure and discipline report. The purpose of this report is to inform the public and other market participants of the key components, scope and effectiveness of the Company risk measurements, risk profile and capital adequacy. The scope of Market Disclosure and Discipline report is to promote market discipline and to improve transparency to market participants.

6. Own Funds and Own fund requirements

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6.1. Own Funds

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The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is required to report on a quarterly basis its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is at 100%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The Senior Management and the Accounting Department monitor the reporting obligation and put in place policies and procedures in order to meet the relevant regulatory requirement.

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements.

The total Capital Requirements as at 31 December 2021 are shown in the table below:

Capital Adequacy/Own Funds Requirements

	31st December 2021 (Audited) Amount € 000
CET1 Capital	1,155
Tier 1 Capital	1,155
Total Capital	1,155
Permanent Minimum Capital (PMC)	750
Fixed Overhead Requirement (FOR)	115
K-Factor Requirement (KFR)	57
Requirement Used	PMC
Total Own Fund Requirement	750
Total Ratio	154%
CET1 Ratio	154%

The Capital Adequacy ratio of the company for the year ended 31 December 2021 is 154% which is higher than the minimum required (100%).

Composition of regulatory own funds

Composition of regulatory own funds	Amounts (€'000)
OWN FUNDS	1,155
TIER 1 CAPITAL	1,155
COMMON EQUITY TIER 1 CAPITAL	1,155
Fully paid-up capital instruments	1,300
Share premium	0
Retained earnings	-505
Accumulated other comprehensive income	0
Other reserves	603
Minority interest given recognition in CET1 capital	0
Adjustments to CET1 due to prudential filters	0
Other funds	0
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-243
(-) Own CET1 instruments	0
(-) Direct holdings of CET1 instruments	0
(-) Indirect holdings of CET1 instruments	0
(-) Synthetic holdings of CET1 instruments	0
(-) Losses for the current financial year	-243
(-) Goodwill	0
(-) Other intangible assets	0

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Composition of regulatory own funds	Amounts (€'000)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	0
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	0
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	0
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	0
(-) CET1 instruments of financial sector entities where the institution has a significant investment	0
(-) Defined benefit pension fund assets	0
(-) Other deductions	0
CET1: Other capital elements, deductions and adjustments	0
ADDITIONAL TIER 1 CAPITAL	0
Fully paid up, directly issued capital instruments	0
Share premium	0
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0
(-) Own AT1 instruments	0
(-) Direct holdings of AT1 instruments	0
(-) Indirect holdings of AT1 instruments	0
(-) Synthetic holdings of AT1 instruments	0
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	0
(-) AT1 instruments of financial sector entities where the institution has a significant investment	0
(-) Other deductions	0
Additional Tier 1: Other capital elements, deductions and adjustments	0
TIER 2 CAPITAL	0
Fully paid up, directly issued capital instruments	0
Share premium	0
(-) TOTAL DEDUCTIONS FROM TIER 2	0
(-) Own T2 instruments	0
(-) Direct holdings of T2 instruments	0
(-) Indirect holdings of T2 instruments	0
(-) Synthetic holdings of T2 instruments	0
(-) T2 instruments of financial sector entities where the institution does not have a significant investment	0
(-) T2 instruments of financial sector entities where the institution has a significant investment	0

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Composition of regulatory own funds	Amounts (€'000)
Tier 2: Other capital elements, deductions and adjustments	0

6.2 IFR Risks and related requirements

The introduction of IFR, brought significant changes in the way investment firms calculate their capital requirements. As such our Firm has created a separate policy in avoid mixing risks arising from the Company's operations (i.e. Enterprise risks as these are presented in the section above) with risks arising from the revised capital requirements framework, presented below alongside, the rest of the "non-risk" capital requirements.

In line this this, the risks under IFR are collectively refer to as K-Factors. K-Factor requirements (KFR) is a methodology recommended by the European Banking Authority, in order to capture the range of risks which an investment firm is exposed to.

The K-factors essentially replace the CRR credit, market and operational risk approach in order to better calibrate the capital needed to meet the risks of the investment firm.

Total K-Factor Requirement calculations:

Item	Factor amount (€'000)	K-factor requirement (€'000)
TOTAL K-FACTOR REQUIREMENT		57
Risk to client		1
Assets under management (AUM)	-	-
Client money held (CMH) - Segregated	133	1
Client money held (CMH) - Non - segregated	-	-
Assets safeguarded and administered	241	0
Client orders handled (COH) - Cash trades	-	-
Client orders handled (COH) - Derivatives Trades	812	0
Risk to market		40
K-Net positions risk requirement		40
Clearing margin given	-	-
Risk to firm		16
Trading counterparty default (TCD)		15
Daily trading flow (DTF) - Cash trades	-	-
Daily trading flow (DTF) - Derivative trades	697	0
K-Concentration risk requirement (K-CON)		1

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Broadly speaking, K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market/liquidity and the firm itself. There are three K-factor groups:

Risk-to-Client (RtC)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

As at 31/12/2021, our firm was exposed to:

	K-factor Requirement
K-AUM	0
K-CMH	1
K-ASA	0
K-COH	0

Risk-to-Market (RtM)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm’s clearing member (K-CMG).

As at 31/12/2021, the Company was exposed to:

	K-factor Requirement
K-NPR	40
K-CMG	0

Market risk capital requirements based on NPR

	K-factor Requirement
Position risk	0
Foreign exchange risk	17
Commodity risk	23
Total (NPR)	40

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Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

As at 31/12/2021, our firm was exposed to:

	K-factor Requirement
K-TCD	15
K-DTF	0
K-CON	1

Liquidity Requirement

Liquidity requirement corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise. The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints (such as the requirement of always holding a minimum of one third of their fixed overheads requirement in liquid assets). The table below shows the Firm's liquidity requirement as at 31/12/2021.

IFR Liquidity Requirement, as at 31/12/2021

	Amount € '000
Liquidity Requirement	38
Client guarantees	-
Total liquid assets	341
Unencumbered short-term deposits	-
Total eligible receivables due within 30 days	-
Level 1 assets	341
Coins and banknotes	-
Withdrawable central bank reserves	-
Central bank assets	-
Central government assets	-
Regional government/local authorities assets	-
Public Sector Entity assets	-

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	Amount € '000
Recognisable domestic and foreign currency central government and central bank assets	-
Credit institution (protected by Member State government, promotional lender) assets	341
Multilateral development bank and international organizations assets	-
Extremely high-quality covered bonds	-
Level 2A assets	-
Regional government/local authorities or Public Sector Entities assets (Member State, RW20 %)	-
Central bank or central/regional government or local authorities or Public Sector Entities assets (Third Country, RW20 %)	-
High quality covered bonds (CQS2)	-
High quality covered bonds (Third Country, CQS1)	-
Corporate debt securities (CQS1)	-
Level 2B assets	-
Asset-backed securities	-
Corporate debt securities	-
Shares (major stock index)	-
Restricted-use central bank committed liquidity facilities	-
High quality covered bonds (RW35 %)	-
Qualifying CIU shares/units	-
Total other eligible financial instruments	-

Fixed Overhead Requirement (FOR)

Under IFR, the Firm is required to report its Fixed Overhead requirement, essentially substituting the CRR operational risk, calculated as a quarter of the fixed overheads of the preceding year. The table below indicates the calculations used for our reporting:

Fixed Overhead Requirement, as at 31/12/2021

	Amount € '000
Fixed Overhead Requirement	115
Annual Fixed Overheads of the previous year after distribution of profits	461
Total expenses of the previous year after distribution of profits	461
(-) Total deductions	-

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(-) Staff bonuses and other remuneration	-
(-) Employees', directors' and partners' shares in net profits	-
(-) Other discretionary payments of profits and variable remuneration	-
(-) Shared commission and fees payable	-
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	-
(-) Fees to tied agents	-
(-) Interest paid to customers on client money where this is at the firm's discretion	-
(-) Non-recurring expenses from non-ordinary activities	-
(-) Expenditures from taxes	-
(-) Losses from trading on own account in financial instruments	-
(-) Contract based profit and loss transfer agreements	-
(-) Expenditure on raw materials	-
(-) Payments into a fund for general banking risk	-
(-) Expenses related to items that have already been deducted from own funds	-
Projected fixed overheads of the current year	468
Variation of fixed overheads (%)	1.52%

Permanent Minimum Capital Requirement (PMC)

The Permanent Minimum Capital Requirement is the initial capital required for authorization to conduct the relevant investment services set in accordance with the Investment Firm Directive (IFD).

As at 31/12/2021, the Firm's PMC was EUR750,000 for offering the services refer to in the Scope section of this report.

7. Company's main risks (other than IFR related Risks)

7.1 Operational Risks

Operational risk is defined as the risk of a direct or indirect impact resulting from human factors, inadequate or failed internal processes and systems, or external events. Operational risk includes, inter alia, actual and/or potential losses caused from deficiencies in the Company's set-up of operations, including but not limited to, system integrity and reliability, employee fraud, weaknesses in personnel appointment, organizational structure and internal communication inefficiencies.

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The Company's exposure to operational risk is limited to the extent of its current scale and complexity. The Company has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized, however, most operational risks are managed within the departments in which they arise.

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

7.2 Market Risk

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

- Equity market prices;
- Real estate market prices;
- Interest rates; and
- Currency exchange rates.

The Company manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Company's risk tolerance as well as regulatory constraints.

The Company is not exposed to any risks resulting from price fluctuations on equity securities, real estate or capital markets. Additionally, it is not exposed to any interest rate risk. It may, however, be exposed to Currency risk, that is, the risk of loss resulting from changes in the exchange rates of various currencies in three ways:

- a. It may receive income in a currency other than Euro, which is its base currency;
- b. It may have expenses denominated in a currency other than Euro; and
- c. It may have deposits denominated in another currency other than Euro.

However, considering the current nature, scale and complexity of the Company's operations, the said risk is deemed insignificant and any adverse movement in exchange rates is not expected to materially impact the Company's financials. It will however, be regularly monitored and if deemed necessary corrective actions such as currency hedging will be taken to minimize the effect.

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7.3 Credit Risk

Credit Risk arises when counterparties fail to discharge their obligations towards the Company, thus reducing the amount of future cash inflows from the financial assets at hand on the Company's balance sheet. In particular, the Company has specific credit risks arising from its current banking and/or brokerage accounts with credit and other financial institutions, as well as other credit risks stemming from financial (i.e. corporate) assets and assets held under the Investor Compensation fund.

Counterparty credit risk arises from credit exposures arising from open trading positions and is the principle driver of the total credit risk exposure.


Risk Mitigation Policies:

- Ensures that client's and own funds are well diversified;
- Regularly assesses the appropriateness of reallocation of funds where a credit institution fails in quality and there is a lack of belief in its reliability; the company monitors and reviews on systematic basis credit ratings from bond credit rating institutions like Moody's Investors Service;
- Due diligence procedures are followed for all credit institutions, investment firms and payment service providers with whom the Company maintains accounts and ensures that the said providers are licensed/regulated by a competent authority of a Member State or a third country;
- Ensures that clients fund their accounts prior to the commencement of trading in financial instruments and that sufficient cash margin has been deposited before a market position is opened. Also, it monitors all trading accounts through an automated process that highlights trading accounts approaching or entering into a Margin Call and Stop-out.

7.4 Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Company is subject to liquidity risk however it takes all necessary steps to mitigate this risk and meet all its obligations which currently is achieved.

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7.5 Strategic Risk

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

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

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

7.6 Reputation Risk

Reputational risk can arise from direct Company actions or by actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

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

7.7 Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

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7.8 Capital Risk

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 100%. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements, however this is not achieved at all times on time but at a later stage.

7.9 Regulatory Risk

This may arise as a result of negligent actions by the Company's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, the Company's reputation will be adversely affected.

The Company maintains strong compliance / internal audit departments, which perform frequent inspections on the Company's processes and procedures. Should a non-compliance issue arise, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained, and remain abreast with any new regulatory developments. The potential of such risk arising is considered low.

7.10 Legal and Compliance Risk

The Company may, from time to time, become exposed to this type of risks, which could manifest because of non-compliance with local or international regulations, contractual breaches or malpractice.

The probability of such risks manifesting is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the compliance officer. Additionally, the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance

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are implemented by management. From the Company initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Company is always compliant with them.

7.11 Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc. No such concentration risk exists.

7.12 Information technology Risk

Information technology risk could occur because of inadequate information technology security, or inadequate use of the Company's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques. Materialization of this risk has been minimized to the lowest possible level given the Company's current complexity of its operations and the services it offers to its clients.

7.13 Anti-Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Company has in place policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company

The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk

Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information)

Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a Business Relationship or an Occasional Transaction

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Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries
ensuring that the Company's personnel receive the appropriate training and assistance

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure top level compliance with the applicable legislation.

8. Disclosure regarding the remuneration policy and practices

The Company's Board of Directors is responsible for the adoption, periodic review and implementation of the Company's Remuneration Policy.

The Company's Remuneration Policy fulfils the Company's obligation under Part Eight of Regulation (EU) No 575/2013 of the European Parliament. Responsible body for the implementation of the Company's Remuneration Policy shall be the Board of Directors. The responsibility of the Board is to prepare the decisions regarding the Remuneration Policy, including those which have implications for the risk and risk management of the Company and to table the said decisions or proposals for final deliberation. Additionally, the Compliance Officer of the Company is advising the Board regarding remuneration matters in order to ensure that any developments in the regulation will be implemented by updating the remuneration policy of the Company accordingly to comply with the provisions of the relevant legislation.

During the year 2021, the remuneration of staff consisted of a fixed component only (no variable element). The remuneration of each individual varies and depending from position, education, experience, performance, accountability and responsibility.

The company's information for the year is presented below:

a) Aggregate quantitative information on remuneration, broken down by business area

Remuneration by Business Area

Business Area	No. of Beneficiaries	Fixed Remuneration €'000	Variable Remuneration € '000
Control Functions	2	96	-

b) Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investing firm, indicating the following: **Signed for identification purposes only**

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Remuneration by Position/Role

Position/Role	No. of Beneficiaries	Fixed Remuneration € '000	Variable Remuneration € '000
Senior Management (Executive and Non-Executive Directors incl. the General Manager, CEO and Department Heads)	11	257	-
Other Staff whose actions have a material impact on the risk profile of the institution	-	-	-
Total	11	257	-

The year 2022 will be a year that the company is expected to face additional risks as the overall future economic outlook of the economy remains unstable due to the recent developments in Ukraine / Russia and the possible consequences of the war in Europe. The Company has already taken the required measures to ensure that the operations of the Company will not be negatively affected.

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