

TRADE | CAPITAL MARKETS

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2019



The Disclosure and Market Discipline Report for the year 2019 has been prepared by Trade Capital Markets (TCM) Ltd as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DI144-2014-14 issued by the Cyprus Securities and Exchange Commission. Trade Capital Markets (TCM) Ltd states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position. Trade Capital Markets (TCM) Ltd is regulated by the Cyprus Securities and Exchange Commission under License number 227/14.

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1 INTRODUCTION, SCOPE AND PURPOSE OF THIS DOCUMENT

Trade Capital Markets (TCM) Ltd (previously Leadcapital Markets Ltd; “TCM” or the “Company”) is an investment firm, incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC” or the “Commission”) under license number 227/14 for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions and by the Financial Sector Conduct Authority (“FSCA”) in South Africa as a foreign Financial Services Provider under license number 47857.

In accordance with the operating license granted by CySEC, the Company is permitted to undertake regulated investment services consisting of the reception and transmission of orders in relation to one or more financial instruments, the execution of orders on behalf of clients, dealing on own account and investment advice. As of 4 March 2020, the Company is authorized to provide the investment service of portfolio management. The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments, credit granting and foreign exchange services in relation to the investment services provided, as well as investment research and financial analysis.

TCM is focused on offering investment services to retail and professional clients through a “Business-to-Consumer” (“B2C”) business segment representing online trading via the website www.trade.com and www.finexo.com.

In particular, TCM’s core operations entail offering to clients, through online trading platforms, complex financial instruments (“Contracts for Difference” or “CFDs”) on a number of underlying financial instruments such as FX, Commodities, Indices, Equities, ETFs and Bonds. The Company acts as principal (i.e. Matched Principal) to its transactions with clients and provides its service on a cross-border basis.

TCM is a wholly owned subsidiary of Trade Capital Holding (“TCH”), a well-established group with global reach, catering for the needs of professional and retail clients worldwide, by providing strong liquidity and secure access to trading platforms and investment products based on cutting edge technology and innovation.

In addition to CFDs, TCM offers its clients to trade in exchange traded instruments via Direct Market Access (“DMA”) services offered by Interactive Brokers, Thematic Portfolios and IPO offerings.

1.1 Regulatory Context

The Disclosure and Market Discipline Report (the “Report”) has been prepared in adherence to Articles 431 to 455 of Part Eight of Regulation (EU) 575/2013 of the European Parliament and of the Council on the Prudential Requirements for Credit Institutions and Investment Firms (hereinafter “Capital Requirements Regulation” or the “CRR”) and Paragraph 32(1) of Directive DI144-2014-14 for the Prudential Supervision of Investment Firms (the “Directive”). The CRR in conjunction with the Directive are collectively referred to as the “CRDIV Package”.

Legislative regime:

- The CRR contains the prudential requirements for investment firms outlining specifically the regulatory approach for the calculation of the Company’s capital base and risk weighted assets.

In addition the CRR outlines the minimum capital and leverage requirements, as well as characteristics of the Company's corporate governance including the remuneration structure.

- The Directive transposes into domestic legislation the provisions of EU Directive 2013/36/EU on the prudential supervision of credit institutions and investment firms.

The Report is updated and published annually with all disclosures included being made on a solo basis. Furthermore, the Report must be read in tandem with the Company's audited financial statements for the year ended 31 December 2019, whereby the said date is to be known as the "reference date".

1.2 Pillar III Disclosure Policy

The below information provide a summary in regards to important aspects of this Report.

Information Disclosed

All disclosure requirements relating to Pillar III as denoted in Part Eight of the CRR, including both quantitative and qualitative information, are met to a standard befitting to the Company's particular characteristics such as to its nature, size, scope and complexity of operations and the internal organization.

Publication Frequency

All required disclosures in regards to Pillar III within the Report are published on an annual basis in adherence to the Company's obligations towards Part Eight of the CRR and Paragraph 32(1) of the Directive.

Publication Location

The Report is published on the Company's websites www.tradecapitalmarkets.com and www.trade.com.

Publication Verification

The Company's External Auditors are tasked with verifying the contents of the Disclosure and Market Discipline Report and in addition to the Company being obliged to publish the said document on an annual basis, the Company must provide to CySEC within five months from the end of the financial year, a copy of the External Auditors report.

2 GOVERNANCE AND RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1 The Board of Directors

The Company's Board of Directors (the "BoD" or the "Board") along with the Senior Management is required, under Article 17(2) of the Investment Services and Activities and Regulated Markets Law of the Republic of Cyprus (the "Law"), as well as Article 25(1) of European Commission Delegated Regulation (EU) 2017/565 regarding organisational requirements and operating conditions for investment firms ("Regulation 2017/565"), to:

- Establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company’s activities, processes and systems and set the level of risk tolerated by the Company;
- Adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company’s activities, processes and systems, based on the acceptable level of risk tolerance; and
- Monitor the adequacy and effectiveness of such arrangements and to take necessary measures to address any deficiencies identified.

Furthermore, Paragraph 6 of the Directive and Circular CI144-2014-23 with respect to the Supervisory Function, Governance Arrangements and Risk Management of Cyprus Investment Firms (“CIFs”), sets out the governance, control and reporting procedures and requirements that CIFs are required to implement with respect to the treatment of risks. Most notably, Paragraph 6 of the Directive stipulates that CIFs must ensure that the Board:

- Approves and periodically reviews the strategies and policies;
- Manages, monitors and mitigates the risks the CIF is or might be exposed to; and
- Devotes sufficient time to the consideration of risk issues.

As at the reference date the Company’s Board of Directors was constituted by two Executive Directors and four Non-Executive Directors.

2.2 Recruitment Policy for the Selection of Members of the Management Body

Members of the Board are stipulated according to Article 9(14) of the Law to be individuals that are of sufficiently sound reputation and in possession of both necessary and sufficient knowledge, skills and experience to perform their duties. Furthermore, the Members of the Board are required to successfully combine both technical capabilities and competency expertise in an effort to fulfil their responsibilities.

In adherence to Article 46(2) of the Law, irrespective to the personal characteristics, technical and competency skills each proposed individual (hereinafter “**Nominee**”) may exhibit, there is also a prerequisite whereby the Nominee must also fulfil the requirement pertaining to the number of directorships held simultaneously by each Director of a significant CIF.

Contingent on the Board approving a Nominee after the latter has fulfilled all aforementioned criteria, regulatory approval must be obtained from CySEC and all coordination of the said approval is conducted by the Chief Compliance Officer (“**CCO**”).

In accordance with Articles 9(14) and 42(2) of the Law, the Company has established a dedicated recruitment policy for selecting and reviewing Nominees to be accepted as Members of the Board. In addition to the Company taking into consideration all aforementioned qualities that a Nominee must possess and all regulatory standards having been satisfied, the ultimate objective is for the Board to be comprised of Members that offer diversified knowledge and expertise, with each individual’s characteristics collectively maximising the Board’s capabilities in achieving the Company’s strategic plans.

2.3 Diversity Policy for the Selection of Members of the Management Body

The Company acknowledges the importance of diversity in all levels of the corporate structure and the subsequent integral part it has in achieving commercial success. A balance of the plethora of factors including but not limited to age, skills, experience, background, race and gender are all instrumental in achieving any Company's strategic plans and as such TCM is no exception by considering all abovementioned factors and striving to find an optimum composition.

In addition to seeking diversification through an individualistic approach, the Company is comprehensively committed to creating and maintaining an inclusive and collaborative workplace culture that will in turn provide sustainability for future endeavors.

2.4 Number of Directorships Held by Board Members

The following table, as at the reference date of 31 December 2019, depicts the amount of directorships held by each Member of the Board.

Table 1: Position and number of directorships of the Board Members

Name	Position in the Company	Executive Directorships	Non-Executive Directorships
Roei Gavish	Executive Director	1	1
George William Rodger	Executive Director	1	1
Christiana Vasiadou	Non-Executive Director	1	1
Marios Hadjiyiannakis	Non-Executive Director	1	2
Michalis Philippou	Non-Executive Director	1	2
Mark Lauterstein	Non-Executive Director	1	1

Notes on Directorships:

- a. Executive or non-executive directorships held within the same group shall count as a single directorship, as per the provisions of Section 9(5) of the Law.
- b. Under the provisions of the Law, any Director can hold up to:
 - i) one executive directorship with two non-executive directorships; or
 - ii) four non-executive directorships

2.5 Risk Management Policy

Functional risk management takes place on a consolidated Group-wide basis, with the legal entity ensuring compliance with local regulatory requirements for risk management.

Risk organization and governance within TCH comprises of three main elements:

- Organizational structure for effective risk management;
- Risk standards (policies, procedures, methodologies); and
- Risk Reporting.

Risk management at Group level is therefore depicted as follows:



Risk is prevalent and arises due to the Company's business activities. Subsequently as a response to the risks posed, a risk strategy has been implemented that aims to ensure substantial growth of the Company in combination with a moderate risk profile through the establishment of an effective risk management framework.

The Company has proceeded to establish, implement and maintain an Internal Procedures Manual (hereafter "IPM"), which includes all policies, procedures, regulations and mechanisms that the CIF maintains in compliance with the Law.

The Risk Management Policy is present within the IPM and it highlights the procedures and mechanisms that have been established in order to ensure that internal controls are set within the Company in relation to appropriate measures in place in adherence to the notion of establishing an effective framework to manage risk. Moreover the Risk Management Policy includes the roles and duties of the Risk Manager and the Risk Management Committee, as well as reporting and internal control procedures in place.

The Company aims to follow a continuous, active and systematic risk management process of well-defined steps in order to understand, manage and communicate risks from a firm-wide perspective. This is achieved through the effective identification, assessment, treatment and reporting of internal and external risks.

2.6 Risk Management Committee

The Company has established a Risk Management Committee (the "Committee") that acts independently and its constitution includes three Members of the Board that are non-executive directors, including the Chairman. The Committee was established with the overall aim to have in place a risk management and governance function which is:

- Appropriate to the nature, scale and complexity of the Company's business and organisational structure;
- Adequate to promote the sound and prudent management of the Company's business; and
- Aimed at protecting the interests of clients and stakeholders.

The members of the Committee must have sufficient knowledge, skills and experience in order to fully understand and monitor the risk strategy, the risk appetite and the risk management policies and practises of the Company. During 2019 the Risk Management Committee formally met on one occasion.

The Committee in its entirety has the following duties and responsibilities:

- To continuously promote risk management ideals and appropriate risk management approaches to all departments of the Company;
- To review the Company's current and future risk appetite;
- To oversee the implementation of appropriate risk limits to effectively manage the different kinds of risks;
- To provide an overview of the Company's current risk management arrangements and identify any deficiencies with the purpose of establishing remedial procedures;
- To assess reports prepared by the Risk Management Function and recommend remedial procedures; and
- To collaborate in a harmonious fashion with all relevant departments with the sole purpose of managing risk and ensuring capital and liquidity levels are at satisfactory standings.

2.7 Risk Management Function

The Company has established a Risk Management function and to this effect has appointed a dedicated Risk Manager in order to implement the Company's Risk Management Policy, as set by the Board and by the Committee. Furthermore, the Committee must conduct a duly and continuous supervision of the activities relating to the proper operation of the Risk Management function and ensure that the said function identifies, measures and reports all risks faced by the Company.

The Risk Management function has the following duties and responsibilities:

- To adopt prudent policies on risk management and internal control;
- To identify and evaluate all the fundamental risks faced by the Company;
- To implement remediation measures to the fundamental risks faced that arise due to the Company's operations in respect to the levels of risk tolerance;
- To provide adequate information in a timely and proper manner to the Committee on the status of risks and controls in place;
- To compile all required risk related reports as stipulated by the Law and ensure distribution of the said reports to CySEC; and
- To conduct effectiveness reviews on the existing risk management policies and internal control mechanisms and providing a report to the Committee.

The Risk Manager has direct access to the Board.

2.8 Compliance and Money Laundering Compliance Functions

The Compliance function of the Company designs an annual risk-based plan that takes into consideration areas of acute importance, such as material business activity or business and regulatory risk, with the reasoning behind this being for the Company to consistently be regulatorily compliant.

The Compliance function covers the areas of:

- Anti-Money Laundering and Financial Crime;
- Monitoring and Surveillance;

- Governance, Code of Conduct and Regulatory Compliance; and
- Regulatory Counselling.

The CCO and the Money Laundering Reporting Officer (“**MLRO**”) both have direct access to the Board.

2.9 Internal Audit Function

The Internal Audit function’s main objectives include continuously monitoring and evaluating the Company by taking into consideration the nature, scale and complexity of the business operations, as well as providing judicious advice, knowledge and recommendations to ensure compliance with relevant legal and regulatory frameworks. The Internal Audit function operates independently from other functions of the Company.

The Internal Audit function has the following duties and responsibilities:

- To establish, implement and maintain an audit plan which will aim to examine and evaluate whether the Company’s systems, internal control mechanisms and agreements are adequate and effective;
- To issue recommendations based on the evaluation of the audit plan’s examinations and subsequently assist the Board on the effectiveness of existing control arrangements;
- To verify compliance with any potential recommendations on matters including corporate governance and management;
- To provide an impartial and independent appraisal on all Company activities;
- To compile and distribute, in a timely and accurate manner, the Annual Internal Audit Report to the Board; and
- To ensure that relevant records are kept with respect to all internal audit activity conducted.

The Internal Audit function has direct access to the Board.

2.10 Risk Management Strategies and Capital Management

The Company implements a plethora of risk management strategies in order to mitigate different types of risks, including metrics such as Key Risk Indicators (“**KRIs**”) and maximum tolerable exposure limits. A focal part of the Company’s capital management strategy lies in the continuous monitoring of the capital adequacy ratio and the assurance that the said ratio will be in exceedance of the regulatory minimum benchmark.

Management of the Company’s capital structure and any adjustments made are performed in accordance with the following objectives:

- To maintain financial solidity while respecting predetermined risk appetite targets;
- To preserve existing levels of financial flexibility to cultivate organic growth;
- To adequately allocate capital among the various business lines according to strategic objectives;
- To ensure the Company’s resilience in stress scenario events; and
- To meet the expectations of stakeholders including but not limited to debt and equity investors, External Credit Assessment Institutions (“**ECAIs**”) and shareholders.

Investment firms, in adherence to the requirement dictated by CySEC, must maintain a minimum Capital Adequacy Ratio of 8% at all times for Market, Credit and Operational risk. The three aforementioned risks are collectively referred to as “Pillar I Risks”. Moreover, investment firms may need to maintain additional capital buffers if applicable to them, in addition to further capital requirements for risks not covered in Pillar I.

2.11 Internal Capital Adequacy Assessment Process Report

The Internal Capital Adequacy Assessment Process Report (“**ICAAP Report**”) is published on an annual basis and is constructed based on the Guidelines GD-IF-02 issued by CySEC. These guidelines address the distinctive components and framework for the implementation of the ICAAP Report, which is a key component of Risk Management, providing the principles on how the provisions in terms of the ICAAP should be interpreted and applied in practice. The guidelines further prescribe how a CIF should develop an integrated and firm-wide risk culture based on a full understanding of the risks it faces and how they are managed, taking into account the levels of risk tolerance and risk appetite.

The ICAAP Report comprehensively highlights the additional risks that are not covered in Pillar I, with those risks including regulatory, compliance, business, reputational, concentration and liquidity risks. Further to the identification of the said risks, the ICAAP Report’s intention is to quantify the Company’s required capital in relation to these risks and in effect how this required capital is used for risk mitigation and control purposes.

A key notion that is captured within the ICAAP Report is the significance of the Company’s compliance with regulatory frameworks of jurisdictions in which the Company’s trading platform is accessible from. To this effect the Company monitors closely regulatory requirements and responds comprehensively to enquiries or industry-wide regulatory actions by regulators.

2.12 Information Flow on Risk Management to the Board of Directors

In line with the Law and subsequent Directives, the Company has established means by which to inform the Board via mediums which include frequent and timetabled reports. Furthermore the Board is also notified on matters deemed to be extraordinarily important, which have an impact on the overall operation of the Risk Management function.

The information flow is successfully implemented via the following means:

- Via the Annual Risk Management Report and should any other extraordinary material risks arise.
- Via the Annual Compliance, Annual Anti Money Laundering and Annual Internal Audit reports and should any other deficiencies or risks be identified.
- Via the presentation of the Annual Financial Statements by the Company’s Chief Financial Officer (“**CFO**”) and by the External Auditors.
- Via the ICAAP Report.
- Via the Suitability Report by the External Auditors.
- Via decisions of the Committee and any updates by Departmental Heads that are notified to the Board.

2.13 Declaration of Management Body

The Board of Directors has the ultimate responsibility of the proper evaluation of the Company's arrangements in place in respect to risk management and internal controls. The controls that are implemented aim to mitigate arising risks while not impeding business objectives and altering the Company's risk appetite, and to manage associated losses and potentially fraudulent activities.

Considering the current internal controls, procedures and risk management strategies in place, the Board is confident that the Company has established a firm position whose ultimate target is to minimise or avoid potential losses.

2.14 Board Risk Appetite Statement

The Risk Appetite Statement as dictated by the Board, indicates the level of risk that the Company is prepared to incur given its strategic and business objectives. The Risk Appetite Statement is defined using both qualitative and quantitative parameters and highlights the conditions by which the Company can operate under varying levels of singular or aggregated risks.

The Risk Appetite Statement is one of the main strategic oversight tools used by the Company's Board in tandem with several KRIs as well, in order to provide alerts in cases where set risk thresholds have been breached and require immediate attention. As a pre-emptive measure and for proper internal risk management controls to be in place, risk limits have been imposed to keep risks at manageable levels on a continuous basis.

The following risks have been highlighted by the Board as being of paramount importance and to this effect the Company has established internal controls to manage them:

- Credit & Counterparty Risk
- Operational Risk
- Liquidity Risk
- Regulatory Risk

The Risk Appetite Statement is regularly being revised by the Board in order to identify any stress events that may result in unfavourable developments on the Company's risk levels and will trigger the deployment of remedial action.

2.15 Levels of Defence

The Company's Board of Directors has deployed an overall governance, system and control framework based on a three-level defence model which distinguishes among:

- First Level: Functions that own and manage risks – Business Management and Operational Functions.
- Second Level: Functions that oversee risks – Compliance and Risk Management Functions.
- Third Level: Functions that provide independent assurance – Internal and External Audit Functions.

3 CAPITAL MANAGEMENT AND ADEQUACY

3.1 Capital Management

In adherence to regulatory requirements, the Company must perform a Capital Adequacy Report on a quarterly basis, whereby it quantifies and expresses as a percentage its capital in relation to its Pillar I risks. The Capital Adequacy Ratio that the Company is subject to and must pertain at all times is in excess of 10.50%, which is decomposed as follows:

Table 2: Decomposition of Regulatory Capital

Type of Capital	Percentage Amount	Description
Capital Conservation Buffer	2.50%	Extra cushion of CET1 Capital
Tier 2 Capital	2%	Basic regulatory requirements
Additional Tier 1 Capital	1.50%	
Common Equity Tier 1 ("CET1") Capital	4.50%	
Total	10.50%	

As at 31 December 2019, the composition of the Company's own funds is depicted in the following table:

Table 3: Own Funds Composition, in EUR'000

Own Funds	2019
Eligible Own Funds	
Share Capital	606
Share Premium	2,644
Reserves	(1,201)
Current Year Income	(469)
Own Funds Deductions	
Intangible Assets	-
Additional Deductions (Contribution to the Investor Compensation Fund)	(123)
Own Funds (CET1 Capital)	1,457
Risk Weighted Assets ("RWA")	
Credit Risk	2,847
Large Exposures	952
Market Risk	472
Operational Risk	8,869
Total RWA	13,140
Capital Adequacy Ratio	11.09%

The Company obtained a Capital Adequacy Ratio of 11.09% which is in excess of the regulatory minimum of 10.50%, and the Company's eligible capital is solely comprised of CET1 Capital.

The following table provides clear disclosure of the Company's own funds under the Transitional and Fully Phased-In definition:

Table 4: Own Funds Under the Transitional and Fully Phased-In Definition, in EUR'000

Own Funds	Transitional Definition	Fully Phased-In Definition
CET1 Capital: Instruments and Reserves		
Capital Instruments and Related Share Premium Accounts	3,250	3,250
Retained earnings	(1,670)	(1,670)
CET1 Capital Pre-Regulatory Adjustments	1,580	1,580
CET1 Capital Post-Regulatory Adjustments		
Intangible Assets	-	-
Additional Deductions (Contribution to the Investor Compensation Fund)	(123)	(123)
CET1 Capital	1,457	1,457
Additional Tier 1 ("AT1") Capital	-	-
Tier 1 Capital	1,457	1,457
Tier 2 Capital	-	-
Total Capital and RWA		
Total Capital	1,457	1,457
Total RWA	13,140	13,140
Capital Adequacy Ratio by Type of Capital		
CET1 Capital	11.09%	11.09%
Tier 1 Capital	11.09%	11.09%
Total Capital	11.09%	11.09%

Under the Basel III regulatory capital measurement methodology, as at the reference date, the Pillar I risks of the Company are identified as follows:

Table 5: Capital Requirements and RWA per Pillar I Risk, in EUR'000

Type of Risk	Capital Requirements	RWA
Credit Risk	228	2,847
Market Risk	38	472
Operational Risk	710	8,869
Total	976	12,188

The Company applies the Standardized Approach for calculating Pillar I requirements regarding Market Risk and Credit Risk, and the Basic Indicator Approach regarding Operational Risk.

3.2 Credit Risk Management

Credit risk is the risk of loss that is attributed to a counterparty's default or the inability of a counterparty to fulfill in full its financial obligations towards the Company. The Company's credit risk mainly arises from counterparties such as financial institutions where the Company holds its assets and funds, from debtors and also from its retail and professional clients.

Prior to commencing with trading, client accounts must hold enough equity in order to maintain the necessary margin requirements due to the leveraged trading facility offered. Moreover any profits and losses amassed by clients are either credited or debited to their account instantaneously.

The Company enforces Credit Risk Mitigation ("**CRM**") Strategies in order to minimize the probability of loss arising from credit risk. Examples of CRM Strategies include:

- Holding all client funds in segregated accounts, separate from the Company's funds;
- Cooperating with EU credit institutions that are highly rated by accredited **ECAIs** for the purpose of safekeeping of funds;
- Diversification of funds throughout several credit institutions to mitigate concentration risk;
- Monitoring of the Company's exposure to a single counterparty by managing the large exposure in the banking book metric;
- Exercising margin calls and liquidation of open positions when the market moves against the clients to prevent accounts going into deficit; and
- Setting limits at client level to ensure that clients can reach a pre-determined portfolio size.

The following table indicates the Company's credit risk capital requirements and RWA decomposed by asset class as at the reference date of 31 December 2019:

Table 6: Capital Requirements and RWA per Asset Class, in EUR'000

Asset Class	Capital Requirements	RWA
Institutions	54	670
Corporates	46	569
Retail	63	789
Equity	18	225
Other Items	47	593
Total	228	2,847

The following table segregates the RWA into pre and post CRM:

Table 7: Pre and Post CRM RWA per Asset Class, in EUR'000

Asset Class	Pre-CRM RWA	Post-CRM RWA
Institutions	670	670
Corporates	569	569
Retail	789	789
Equity	225	225
Other Items	593	593
Total	2,847	2,847

The following table provides a breakdown of the Company's total credit risk exposure net of provisions amount, classified into asset class:

Table 8: Exposure Amounts , in EUR'000

Asset Class	Exposure Amount
Institutions	4,191
Corporates	569
Retail	1,051
Equity	225
Other Items	593
Total	6,629

The following table classifies the Company's credit risk exposures into their respective residual maturities:

Table 9: Credit Risk Exposures by Residual Maturity, in EUR'000

Asset Class	Up to 3 Months	More than 3 Months	Total
Institutions	4,191	-	4,191
Corporates	569	-	569
Retail	1,051	-	1,051
Equity	225	-	225
Other Items	593	-	593
Total	6,629	0	6,629

The following table illustrates the Company's credit risk exposures by significant geographic area and material asset class:

Table 10: Credit Risk Exposures by Geographic Location, in EUR'000

Asset Class	Cyprus	Germany	United Kingdom	Gibraltar	Other	Total
Institutions	3,790	157	142	73	29	4,191
Corporates	369	-	4	-	196	569

Retail	1,051	-	-	-	-	1,051
Equity	225	-	-	-	-	225
Other Items	593	-	-	-	-	593
Total	6,028	157	146	73	225	6,629

The following table segregates the Company's credit risk exposure by industry:

Table 11: Credit Risk Exposures by Industry, in EUR'000

Asset Class	Financial Services	Other	Total
Institutions	4,191	-	4,191
Corporates	569	-	569
Retail	1,051	-	1,051
Equity	225	-	225
Other Items	-	593	593
Total	6,036	593	6,629

ECAI Utilization for the Calculation of Credit Risk Weights

Credit ratings from reputable ECAs are utilized in order to calculate and determine the risk weights that arise from the Company's credit risk exposures to counterparties and more specifically to institutions, excluding the situations where preferential treatment is applied in accordance with the CRR. Furthermore, all corporate counterparties are classified as being unrated.

The aforementioned ECAs include Moody's Investor Service, Fitch Ratings and Standard and Poor's Rating Service, with the following table illustrating the Credit Quality Steps ("CQS") used by the Company to perform the necessary credit assessments:

Table 12: ECAs Credit Quality Steps

CQS	Moody's Investor Service	Fitch Ratings	S&P Rating Service
1	Aaa to Aa3	AAA to AA-	AAA to AA-
2	A1 to A3	A+ to A-	A+ to A-
3	Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-
4	Ba1 to Ba3	BB+ to BB-	BB+ to BB-
5	B1 to B3	B+ to B-	B+ to B-
6	Caa1 and below	CCC+ and below	CCC+ and below

The following table segregates the credit risk exposures into the relative CQS and also classifies the exposures pre and post CRM:

Table 13: ECAI Credit Quality Steps, in EUR'000

CQS	Exposure Amount Pre-CRM	Exposure Amount Post-CRM
1	13	13

2	34	34
3	10	10
4	99	99
6	219	219
Unrated	6,024	6,024
N/A	230	230
Total	6,629	6,629

Large Exposure Limits

A large exposure is defined as having a total exposure to a single client or group of clients equaling to or in excess of 10% of the Company's eligible capital, which in the Company's case refers only to CET1 Capital.

In relation to the large exposure limits in the banking book, the exposure to a client or a group of connected clients must not exceed 25% of the Company's eligible capital. In the event that the client is an institution or a group of institutions, then the total exposure amount must not exceed 25% of the Company's eligible capital, or EUR 150 million, whichever is higher, under the condition that the total of the exposure amounts does not exceed 25% of the Company's eligible capital after taking into consideration the CRM strategies in place for all other connected clients that are not institutions.

The Company's exposures in relation to three of its counterparties exceeds the regulatory limits and as such the Company calculates additional capital requirements to the said exposures. Those exposure have an assigned risk weight of 200%.

Counterparty Credit Risk

The Company's retail and professional clients are the main source whereby counterparty credit risk arises from. In order to calculate the counterparty credit risk exposure amount, the Mark-to-Market ("MTM") methodology is employed. As at the reference date the Company successfully reduced its counterparty credit risk exposure by deploying the CRM strategy of using client trading margin to offset the said risk which arises from the open positions.

The following table provides an outline of the accumulated counterparty credit risk, segregated into pre and post CRM:

Table 14: Accumulated MTM Counterparty Credit Risk, in EUR'000

Exposure Amount Pre-CRM	Exposure Amount Post-CRM	Capital Requirements	RWA
5,373	1,051	63	789

Wrong-Way Risk Exposures

Wrong-way risk arises when the exposure to a counterparty is inversely correlated to that particular counterparty's credit quality and due to certain market events occurring, the probability of default of the counterparty increases. Market events include changes in interest rates and any other rates that might have an impact on the underlying financial instruments offered to clients. Due to the presence of trading margins for clients that significantly reduce the counterparty credit risk exposures via the CRM strategy implemented, wrong-way risk is not a prevalent risk for the Company.

Credit Risk Adjustments

The Company applies the definitions of past due and impaired exposures as outlined by the International Financial Reporting Standards (“IFRS”) and the CRR. As at the reference date there were no past due or impaired exposures to the Company.

Asset Impairment

The “Incurred Loss” model present in the International Accounting Standards (“IAS”) 39 has been replaced by the “Expected Credit Loss” (“ECL”) model in IFRS 9. Under the scope of IFRS 9, financial assets must be classified into assets that are measured at amortized cost, measured subsequently at fair value through other comprehensive income, and measured subsequently at fair value through profit or loss.

With the implementation of IFRS 9 and the introduction of the ECL model, loss allowances are quantified on the 12-month ECL basis and the Lifetime ECL basis, with the former including ECLs that result from potential default events not exceeding 12 months after the reporting date and the latter including ECLs that result from any default event over the expected lifetime of a financial instrument irrespective of when the default event occurred.

Furthermore, loss allowance measurement under the Lifetime ECL basis is applicable in the scenario when the credit risk of a financial asset has increased as at the reporting date. In contrast to the applicability of the Lifetime ECL, the 12-month ECL comes into effect when the credit risk of a financial asset has not increased as at the reporting date.

The Company continuously monitors and assesses that:

- The probability of expected credit losses from trade and other receivables is low;
- Cash and cash equivalents are held in a diversified manner in rated institutions within the European Union; and
- Credit rating updates issued by ECAs are catalogued and taken into consideration to adjust any changes which may affect financial positions due to market developments.

Adhering to stringent criteria set from within the Company to adequately manage its credit risk exposure, there has been an implementation of the scenarios under which a financial asset is considered to be in default. The two prevalent scenarios are bifurcated in the instances when the borrower is unable to fulfill its credit obligations in full and when the financial asset is past due for a period in exceedance of 90 days.

3.3 Market Risk Management

Market risk is the risk of loss that is attributed to a change in value of financial instruments that arise from factors including market fluctuations and instrument specific parameters such as volatility and correlations. The main market risk components include equity risk, commodity risk, interest rate risk and foreign exchange risk.

The Company has opted to implement the Matched Principal Trading approach and therefore is never exposed to market risk throughout the execution of financial instrument transactions, with both sides executed simultaneously, thus mitigating market risk emanating from clients’ open positions.

The following table outlines the Company’s market risk capital requirements and RWA decomposed by market risk type as at the reference date:

Table 15: Capital Requirements and RWA per Market Risk Type, in EUR'000

Market Risk Type	Capital Requirements	RWA
Equity Risk	-	-
Commodity Risk	-	-
Interest Rate Risk	-	-
Foreign Exchange Risk	38	472
Total	38	472

The following table analyses the foreign exchange risk capital requirements and RWA per exposure currency:

Table 16: Foreign Exchange Risk Capital Requirements and RWA, in EUR'000

Currency	Capital Requirements	RWA
GBP	12	151
PLN	1	12
USD	25	309
Total	38	472

The Company's exposure to market risk is mostly attributed to fluctuations in foreign exchange that affects the held amounts in financial institutions, with the said amounts being in foreign currencies other than in EUR. Furthermore the Company has not taken any proprietary positions on market movement expectations.

3.4 Operational Risk Management

Operational risk is the risk of loss corresponding to inadequacies or failures in internal procedures and external events, system failures or delays and people. In addition, operational risk arises from accounting, environmental, legal, fraud and physical risks. The Company is partially dependent on third parties for the provision of key technological systems, infrastructure and data.

The Company has developed processes, management tools and a control infrastructure in order to enhance and mitigate operational risks that are inherent in the conducted activities. Technology and the dependence of the Company on it plays a paramount role in the establishment and maintenance of the appropriate governance framework. Where possible the Company has the technology and expertise to mitigate the risk should a technology counterparty experience a failure and multiple providers are utilized in a failover scheme.

Several operational risk reporting, monitoring and mitigating actions have been established by the Company and include:

- KRIs being used to quantify potential operational risks and the said KRIs are constantly being refined in adhere to the adaptive nature that risks pose;
- The establishment of a complaints handling registry to monitor arising complaints; and

- The creation of an incidence and risk report portal whereby all operational risk oriented events are catalogued and evaluated.

Moreover the Company has developed a Business Continuity Plan (“BCP”) as stipulated by Paragraph 15 of the Directive, with the BCPs purpose being to provide guidance to all staff on how all critical processes operate in order for the provision of the Company’s seamless function in the event of an incident, adverse event or business interruption.

The Company uses the Basic Indicator Approach for calculating the amount of capital required for operational risk under Pillar I. The following table denotes the operating income over the past 3 years and the relative capital requirements. Capital requirements are defined as 15% of the relevant indicator, which is the average of the positive 3-year operating income.

The following table depicts the Company’s net income for the previous 3 years:

Table 17: Capital Requirements and RWA per 3-Year Average Net Income

Metric	Operating Income for the Year			Average	Capital Requirements	RWA
	2016	2017	2018			
Activities subject to the Basic Indicator Approach	2,203	5,539	6,449	4,730	710	8,869

3.5 Liquidity Risk Management

Liquidity risk is the risk of loss corresponding to the Company’s inability to meet its cash or collateral requirements as they arise, at a reasonable cost. The primary objective in managing liquidity risk is to ensure that the funding of activities is performed in the most cost-effective way while adhering to regulatory constraints.

The principles and standards applicable to the management of liquidity risk are defined by the established liquidity tolerance level as part of the Company’s risk appetite exercise. Furthermore regular analysis and reporting of liquidity risk is conducted, along with diversification practises to reduce concentration risk and prudent cash management is implemented.

Moreover client funds are held in segregated accounts, clearly separated from the Company’s funds. It is due to the aforementioned risk mitigating strategies that have been established and applied that liquidity risk is not considered to be a prevalent risk for the Company.

3.6 Regulatory Risk Management

Regulatory risk is the risk of loss corresponding from legal, administrative or disciplinary sanctions, or from the failure to comply with the provisions governing the Company’s activities. Regulatory risk emanates from legal or regulatory changes that may be imposed by regulatory or supervisory bodies that could potentially have an adverse effect on the Company’s financial position.

The Company, being a licensed CIF, entails that it is regulated and supervised in the conduct of its business by CySEC and is further required to comply with the requirements of the Cyprus legislation, as well as with the regulatory framework of the Commission, in addition to EU regulatory frameworks.

Furthermore the Company ensures it is acting in the highest levels of compliance at all times in accordance with all applicable regulatory stipulations and strives to operate in a professional, ethical and honest manner to ensure that the Company's reputation is intact as well as that all counterparties, employees and clients are protected.

The Company employs several risk mitigating strategies in order to manage regulatory risk, including keeping abreast with regulatory developments, participating in material regulatory consultations, aiming to anticipate regulatory issues and providing necessary and relevant advice to the Company's Board of Directors on an ongoing basis. The Risk Management and Compliance Departments continuously monitor issued notifications by regulatory authorities and report these to Senior Management and to the Risk Management Committee.

4 LEVERAGE RATIO

The leverage Ratio is a measure of the eligible capital, which in the Company's case is comprised solely of CET1 Capital, in relation to its exposure amounts. The intention of the said ratio is to restrict the leverage level and to subsequently ascertain that the assets are more in line with the respective capital amounts to ensure appropriate risk mitigation of a downturn scenario that may destabilize the deleveraging process.

The Company calibrates its leverage effect in accordance to the rules stipulated by the CRR, by adjusting its eligible capital and managing the leverage exposure in order to achieve the desired ratio levels that have been established as being optimal.

The following table discloses the Company's exposure measure by type and depicts the achieved leverage ratio as at the reference date:

Table 18: Leverage Ratio Decomposition, in EUR'000

Common Disclosures	CRR Leverage Ratio Exposure Amount
Leverage Ratio Exposures	
On-Balance Sheet Exposures (Excluding Derivatives and SFTs)	6,629
Derivative Exposures	-
Other Off-Balance Sheet Exposures	-
Exempted Exposures (In accordance with CRR Article 429(7) and (14))	-
Leverage Ratio Determination	
CET1 Capital	1,457
Total of Leverage Ratio Exposures	6,629
Leverage Ratio	21.97%

The Company obtained a Leverage Ratio of 21.97% which is in excess of the recommended amount of 3%, and the Company's eligible capital is solely comprised of CET1 Capital.

The following table segregates the on-balance sheet exposures, excluding derivatives and SFTs:

Table 19: On-Balance Sheet Exposures, in EUR'000

On-Balance Sheet Exposures	CRR Leverage Ratio Exposure Amount
Trading Book Exposures	-
Banking Book Exposures, of which to:	-
Institutions	4,191
Retail	1,051
SME	569
Corporates (other than SME)	225
Other	593
Total On-Balance Sheet Exposures	6,629

Excessive leverage is mitigated by the Company via constant monitoring of the leverage ratio value for it to be continuously in excess of the 3% benchmark. In addition, margin limits are incorporated as to not hinder and interfere with the established risk appetite of the Company. Leverage ratio fluctuations are primarily caused due to the change in the volume of client positions on financial instruments, which in turn also affects the respective measure of exposure.

5 REMUNERATION

The remuneration system that is implemented by the Company incorporates elements such as fixed remuneration, variable remuneration and other benefits such as bonuses that an employee or executive receives during employment taking into consideration the provisions stipulated in the Law. Where applicable, severance payment also constitutes remuneration as well. The remuneration levels applied and practiced are appropriate to the Company's size, internal organization, nature, scope and complexity of pertained activities in adherence to the provisions of the Directive.

The Company has established a Remuneration Policy which applies to all employees, service providers and affiliates, with the Board of Directors having the overall responsibility to implement, monitor and review the said policy and with Senior Management ensuring that all persons remunerated by the Company have knowledge of and understand the Remuneration Policy. The said policy's philosophy is to promote sound and effective risk management, as well as long-term perspective by discouraging excessive risk-taking by employees and external business partners, as well as providing sufficient incentives for personnel to achieve the Company's business targets. Furthermore the Remuneration Policy has been constructed in a way that promotes an appropriate code of conduct that ensures avoidance of potential conflicts of interest that may negatively impact the Company as well as its clients.

The two main remuneration structures incorporated by the Company within the established remuneration system, are the fixed and variable remuneration types.

Fixed Remuneration

The remuneration system consisting of fixed remuneration, is structured on the basis of employee compensation being attributed to metrics such as skills, experience and competencies that are

commensurate with the requirements, size and scope of the position. Remuneration is aimed to be competitive to attract and retain employees as well as giving the Company the capability to achieve its strategic objectives.

Fixed remuneration is payable to employees in fixed monthly instalments.

Variable Remuneration

The remuneration system consisting of variable remuneration, is predicated on the industry objective of retaining cost flexibility while attracting and retaining employees. It has the advantage of being able to differentiate performance outcomes and drive behaviours through appropriate incentive systems that can also positively influence culture.

The Company's variable remuneration system availability is bifurcated in the following categories:

- To all employees by means of a performance related bonus.
- To employees of certain departments via commissions on client deposits and/or spreads.

This remuneration system reflects sustainable and risk adjusted performance as well as performance in excess of what is required to fulfil the employee's job description as part of the terms of employment, and does not exceed 100% of the fixed component of the total compensation for each individual.

The existing remuneration system utilised is concerned with practices relating to categories of members of staff whose professional activities have a material impact on the Company's risk profile, such as the Members of the Board of Directors, individuals involved in control functions, as well as other material risk takers.

The following table serves to disclose the remuneration of the aforementioned parties, whilst segregating the remuneration figures into fixed and variable:

Table 20: Accumulated Remuneration per Classification Type, in EUR'000

Classification	Number of Persons	Fixed	Variable	Total Remuneration
Executive & Non-Executive Directors	6	335	11	346
Control Functions	4	227	5	232
Other Material Risk Takers	5	311	-	311
Total	15	873	16	889

6 APPENDIX

Specific references to CRR Articles:

Table 21: CRR Articles References

CRR Reference	High Level Summary	Compliance Reference
Scope of disclosure requirements		
431(1)	Requirement to publish Pillar III disclosures.	Section 1.1
431(2)	Disclosure of Own Funds Requirements for Operational Risk.	Section 3.4
431(3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	Section 1.2
431(4)	Explanation of ratings decisions to SMEs upon request.	N/A
Non-material, proprietary or confidential information		
432	Non-material, proprietary or confidential information.	Compliance with this provision is covered throughout the Report
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum.	Section 1.2
Means of disclosures		
434(1)	Provide disclosures in an appropriate medium.	Section 1.2
434(2)	Equivalent disclosures made under other requirements (i.e. accounting) can be used to satisfy Pillar III if appropriate.	Section 1.1
Risk management objectives and policies		
435(1)(a) 435(1)(b) 435(1)(c) 435(1)(d)	Disclosure of information on strategies and processes, organizational structure of each risk management function, reporting and measurement systems and risk mitigation / hedging policies.	Section 2, 3.2, 3.3, 3.4
435(1)(e)	Declaration approved by the Board on adequacy of risk management arrangements.	Section 2.13
435(1)(f)	Concise risk statement approved by the Board describing the Company's overall risk profile associated with the business strategy.	Section 2.13
435(2)	Information, including regular, at least annual updates, regarding governance arrangements.	Section 2
435(2)(a)	Number of directorships held by Members of the Board.	Section 2.4
435(2)(b)	Recruitment policy of Members of the Board, their experience and expertise.	Section 2.2
435(2)(c)	Policy on diversity of Members of the Board, its objectives and the extent to which these objectives and targets have been achieved.	Section 2.3

435(2)(d)	Disclosure on whether a separate risk committee is in place, and number of meetings in the year.	Section 2.6
435(2)(e)	Description of information flow on risk to the Board.	Section 2.12

Scope of application

436(a)	Name of institution and scope of application.	Section 1
436(b)	Outline of the differences in the basis of consolidation of accounting and prudential purposes.	N/A
436(c)	Any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.	N/A
436(d)	The aggregate amount by which the actual own funds are less than the required minimum in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries.	N/A
436(e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	N/A

Own funds

437(1)	Information regarding the Company's Own Funds.	Section 3.1
437(2)	EBA shall develop implementation standards for article above.	Section 3.1

Capital requirements

438(a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 2.11, 3.1
438(b)	Result of ICAAP on demand from competent authority.	N/A
438(c)	Credit Risk Capital requirement amounts per Standardized Approach exposure class (8% of risk-weighted exposure).	Section 3.2
438(d)	Capital requirements amounts for credit risk for each Internal Ratings Based approach exposure class.	N/A
438(e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	Section 3.3
438(f)	Capital requirement amounts for operational risk, separately for the Basic Indicator Approach, the Standardized Approach, and the Advanced Measurement Approaches as applicable.	Section 3.4

Exposure to counterparty credit risk (CCR)

439(a)	Information of the methodology used to assign internal capital and credit limits for counterparty credit exposures.	Section 3.2
439(b)	Discussion of policies for securing collateral and establishing credit reserves.	N/A
439(c)	Discussion of policies as regards wrong-way risk exposures.	Section 3.2
439(d)	Discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating.	N/A

439(e)	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposures.	N/A
439(f)	Exposure values for mark-to-market, original exposure, Standardized and Internal Model methods as applicable.	Section 3.2
439(g)	Notional value of credit derivative hedges and current credit exposure by types of credit exposure.	N/A
439(h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A
439(i)	The estimation of alpha if the institution has received the permission of the competent authorities to estimate alpha.	N/A

Capital buffers

440(1)(a)	Geographical distributions of credit exposures relevant for the calculation of its countercyclical capital buffer.	Section 3.2
440(1)(b)	Amount of the institution specific countercyclical buffer.	N/A
440(2)	EBA issue the Regulatory Technical Standards on countercyclical capital buffer.	N/A

Indicators of global systemic importance

441	Indicators of global systemic importance.	N/A
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Credit risk adjustments

442	Information regarding the institution's exposure to credit risk and dilution risk.	Section 3.2
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Unencumbered assets

443	Disclosures on unencumbered assets.	N/A
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Use of ECAIs

444(a)	Names of the nominated ECAIs used in the calculation of Standardized Approach RWAs, and reason for any changes.	Section 3.2
444(b)	Exposure classes associated with each ECAI.	Section 3.2
444(c)	Description of the process used to transfer the issuer and issue credit assessments onto items in the banking book.	Section 3.2
444(d)	Mapping of external rating to credit quality steps.	Section 3.2
444(e)	Exposure values pre-credit risk mitigation and post-credit mitigation, by credit quality step.	Section 3.2

Exposure to market risk

445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Section 3.3
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Operational risk

446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 3.4
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Exposures in equities in the banking book

447	Information on exposure in equities in the banking book, including differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used, recorded at fair value, and actual prices of exchange traded equity where it is materially different from fair value, types, nature and amounts of the relevant classes of equity exposures, cumulative realized gains and losses on sales in the period and total unrealized gains or losses, latent revaluation gains or losses and amounts included in Tier 1 capital.	N/A
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Exposure to interest rate risk on positions in the banking book

448(a)	Nature of interest rate risk and key assumptions in measurement models.	N/A
448(b)	Variation in earnings, economic value, or other measures used form upward and downward shocks to interest rates, by currency.	N/A

Exposure to securitization positions

449	Exposure to securitization positions.	N/A
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Remuneration disclosures

450	Remuneration policy.	Section 5
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Leverage

451(1)	Leverage ratio and analysis of total exposure measure.	Section 4
451(2)	EBA shall develop implementation standards for points above.	Section 4

Use of the IRB Approach to credit risk

452	Use of the IRB Approach to credit risk.	N/A
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Use of credit risk mitigation techniques

453(a)	Policies and processes, and an indication of the extent to which the Company makes use of on-balance sheet and off-balance sheet netting.	Section 3.2
453(b)	Policies and processes for collateral valuation and management.	N/A
453(c)	Description of types of collateral used by the Company.	N/A
453(d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A
453(e)	Information about market or credit risk concentrations within the credit mitigation taken.	N/A
453(f)	For exposures under either the Standardized or the Foundation IRB Approach, disclosure of the exposure covered by eligible financial collateral and other eligible collateral.	N/A
453(g)	For exposures under either the Standardized or the Foundation IRB Approach, disclosure of the exposure covered by guarantees or credit derivatives.	N/A

Use of the Advanced Measurement Approaches to Operational Risk

454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	N/A
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Use of Internal Market Risk Models

455	Use of Internal Market Risk Models.	N/A
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