

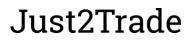
# AUDITED PILLAR III DISCLOSURES

# FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2017

Published 25/05/2018

# **Table of Contents**

DECLARATION REGARDING THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS	2
RISK STATEMENT	2
CORPORATE INFORMATION	2
PILLAR III REGULATORY FRAMEWORK OVERVIEW	2
RECENT DEVELOPMENTS	4
COMPLIANCE	5
RISK MANAGEMENT OBJECTIVES AND POLICIES	5
DISCLOSURES REGARDING THE COMPANY'S BOARD OF DIRECTORS	7
CAPITAL REQUIREMENTS	8
OWN FUNDS	9
EXPOSURE TO CREDIT RISK AND DILUTION RISK	10
EXTERNAL RATINGS	12
DISCLOSURE ON OPERATIONAL RISK INFORMATION	13
MARKET RISK: POSITION RISK, COUNTER-PARTY RISK, SETTLEMENT RISK, COMMODITY RISK, FOR	₹EIGN
EXCHANGE RISK	14
REMUNERATION POLICY	15
LEVERAGE	16
DIRECTORSHIPS HELD BY THE MANAGEMENT OF THE COMPANY	18
RECRUITMENT POLICY FOR THE MEMBERS OF THE BOARD OF DIRECTORS	18



#### DECLARATION REGARDING THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS

The Board of Directors of **JUST2TRADE ONLINE LTD** (the "Company" or the "Firm") approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

#### **RISK STATEMENT**

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

#### **CORPORATE INFORMATION**

The Company was incorporated on 13/03/2015 and registered with the Companies Registrar of the Republic of Cyprus under number HE 341520 as a private limited liability by shares company. The Company has been authorized by the Cyprus Securities and Exchange Commission (the "CySEC") under license number 281/15 to operate as a Cyprus Investment Firm ("CIF") and provide investment and ancillary services to its clients.

The Company is licensed to provide to its Clients the investment services of:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Portfolio Management
- Dealing on Own Account (\* this authorization was not activated in 2017)

In addition to the main investment services listed above, the Company provides the below ancillary services to its Clients:

- Safekeeping and administration of financial instruments for the account of customers, including custodianship and related services such as cash/collateral management.
- Granting credits or loans to an investor to allow him to carry out a transaction in 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.
- Investment research and financial analysis or other forms

## PILLAR III REGULATORY FRAMEWORK OVERVIEW

In 2013, Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter referred to as 'European Directive') and Regulation (EU) No.575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (hereinafter referred to as 'Regulation (EU) No.575/2013') were issued.

Regulation (EU) No.575/2013 is binding in its entirely and directly applicable in all Member States. However, a number of discretions are included in Regulation (EU) No. 575/2013 and for this purpose, CySEC drafted a new Directive with number DI144-2014-15 on the discretions of the Regulation, which states how CySEC has exercised these discretions. These regulations comprising new CRD IV package

are intended to implement the Basel III agreement in the EU. This includes enhanced requirements for the quality and quantity of capital, a basis for new liquidity and leverage requirements, new rules for counterparty risk and new macro prudential standards including a countercyclical capital buffer and capital buffers for systemically important institutions. CRD IV also makes changes to rules on corporate governance, including remuneration, and introduces standardised EU regulatory reporting.

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV). The CRR and CRD IV establish the prudential requirements for capital, liquidity and leverage that entities need to abide by. CRD IV governs access to internal governance arrangements including remuneration, board composition and transparency. CRR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019.

The current regulatory framework comprises of three pillars:

- Pillar I requires the Company to establish minimum capital requirements. It covers the calculation of risk weighted assets for credit risk, counterparty risk, market risk and operational risk.
- Pillar II requires the Company to assess whether its Pillar 1 capital is adequate to meet risk exposures and to calculate the amount of capital that should be held against those exposures. This process forms the basis of the Internal Capital Adequacy Assessment Process ("ICAAP") required by the CYSEC.
- Pillar III covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

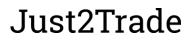
The Pillar III Disclosures for the year ended 31<sup>st</sup> December 2017 (the "Report") of the Company sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the CRR specify the Pillar III framework requirements. The CRD allows the institution to choose between different approaches to risk management and how capital requirements are calculated: simple, standardized approaches and more complex approaches on the basis of internal estimates. The principle applicable to all approaches is: the lower the risk, the lower the capital requirement. Special consideration is given to credit risk mitigation.

For calculation of capital requirements for credit risk an institution shall apply either the Standardized Approach or, if permitted by the competent authorities in accordance with relevant provisions of Regulation (EU) No.575/2013, the Internal Ratings Based Approach to calculate their risk-weighted exposure amounts. The Company applies the Standardised Approach for calculation of capital requirements for credit risk as provided in Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013.

Three methods are available for calculating the capital requirement for operational risk, marked by increasing complexity and sensitivity:

- 1. the Basic Indicator Approach;
- 2. the Standardized Approach, and
- 3. the Advanced Measurement Approaches.

The Basic Indicator Approach and the Standardized Approach both rely on one and eight indicators, respectively. These indicators are three-year averages of observations of net interest income and net non-interest income. On that basis, a capital requirement is calculated using fixed percentages. The Advanced Measurement Approaches rely on internal models. Financial institutions must meet conditions to qualify for use of one of the above approaches. Institutions may use any approach



provided that all legislative requirements are satisfied and a combination of approaches provided that they obtain permission from the competent authorities.

From 1 January 2016, as per DI144-2014-14 of the Cyprus Securities and Exchange Commission for the prudential supervision of investment firms (the 'Directive'), paragraph 66 (transitional provisions for capital buffers), CIFs that are authorised to provide a) dealing on own account and b) underwriting of financial instruments and/or placing of financial instruments on firm commitment basis (Paragraph 51 of the Directive), will be required to maintain a Capital Conservation buffer and an institution specific Countercyclical Capital Buffer (CCyB) (Paragraph 52 of the Directive). According to paragraph 52(2) of the Directive, the Macroprudential Authority (that was designated to be the Central Bank of Cyprus) may exempt small and medium sized CIFs, as these are defined by the Macroprudential Supervision Law from holding an institution specific CCyB.

The Report is published annually and in conjunction with the Company's Annual Financial Report.

## **RECENT DEVELOPMENTS**

**19 October 2017:** CySEC published Circular C246 "European Banking Authority "Opinion on the design of new prudential framework for investment firms". Announcing that the European Banking Authority (EBA) issued on the 29th of September 2017, its Opinion on the design and calibration of a new prudential framework for investment firms (the 'Opinion'), which is specifically tailored to the needs of investment firms' different business models and inherent risks.

**29 September 2017**: The European Banking Authority (EBA) published its Opinion on the design and calibration of a new prudential framework for investment firms, which is specifically tailored to the needs of investment firms' different business models and inherent risks. The Opinion includes a series of recommendations aiming to develop a single and harmonised set of requirements that are reasonably simple, proportionate and relevant to the nature of investment firms authorised to provide MiFID services and activities.

**1 August 2017** : The CySEC published Circular C232 "Capital instruments that can be qualified as Common Equity Tier 1" providing Cyprus Investment Firms ('the CIFs') with clarifications regarding the capital instruments that can be qualified as Common Equity Tier I ('CET 1'). C232 clarifies that In case where an increase of share capital is paid through contribution in kind (i.e. by pledging other assets as contribution instead of going via the route of 'paying-up' with cash), these assets cannot be qualified as CET 1 instruments as they do not seem to meet the requirements of article 28(1)(b) of CRR.

**7 July 2017:** The CySEC published Circular C222 "Decision of the Cyprus Macroprudential Authority (Central Bank of Cyprus) concerning Recommendation ESRB/2016/4 of the European Systemic Risk Board with regard to the adoption, via reciprocity, of a macroprudential measure adopted by Estonia" which informs Cyprus Investment Firms ('the CIFs') on the decision of the Cyprus Macroprudential Authority (Central Bank of Cyprus, 'the CBC') with regard to the adoption of a macroprudential measure adopted by Estonia.

**17 May 2017:** The CySEC published Circular C209 "European Banking Authority "Revised guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" informing the Cyprus Investment Firms that the European Banking Authority (EBA) published on the 14th of December 2016, the final Guidelines (EBA/GL/2016/11) on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 Of The European Parliament And Of The Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

**14 December 2016**: The European Banking Authority (EBA) published guidelines on the disclosure requirements under Part Eight of Regulation (EU) No 575/2013. The Report includes, to a large extent,

new tables prepared in line with the Guidelines which have been early adopted for the purposes of this Report.

**10 October 2016**: The CySEC published Circular C162, regarding Capital adequacy requirements - Change in the treatment of the Investors Compensation Fund Contribution. This circular informs all the CIFs that the treatment of the ICF contribution, for capital adequacy purposes, is changing. From now on, CIFs must deduct the ICF contribution presented in their records from Common Equity Tier 1 Capital and must no longer risk weight the relevant amount, when total risk exposure amount is calculated. The ICF contribution must be presented in Form 144-14-06.1, Sheet CA1, Row 524, ID 1.1.1.27 (Additional deductions of CET1 Capital due to Article 3 CRR). In case the own funds and/or capital adequacy ratio of a CIF fall below the minimum allowable limits as a consequence of the above change, the CIF must take all necessary measures so as to comply with CRD requirements, immediately and not later than December 31, 2016.

**1 January 2016:** The Macroprudential Oversight of Institutions Law of 2015 came into force. The Central Bank of Cyprus (CBC) is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV for all Cyprus Investment Firms which are authorized to provide the investment services according to paragraphs 3 and 6 of section I of Annex Three of the Investment Services and Activities and Regulated Markets Law, as amended.

# COMPLIANCE

This report has been prepared in accordance with the requirements of Regulation (EU) No.575/2013, Directive DI144-2014-14 for the prudential supervision of investment firms and Directive DI144-2014-15 on the discretions arising from Regulation (EU) No.575/2013 issued by the Cyprus Securities and Exchange Commission.

Just2Trade Online Ltd (previously named as Click2trade Investment Group Limited) complies with the obligations laid down in Article 13 of Regulation (EU) No.575/2013. The Company's Pillar III disclosures below have been prepared using 31 December 2017 data in accordance with Regulation (EU) No.575/2013. Article 433, Title I, Part Eight of Regulation (EU) No.575/2013 requires the Company to publish the Company the present Disclosures at least annually; however the Company must assess the need to do it more frequently in light of the relevant characteristics of its business.

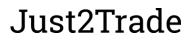
Regulation (EU) No.575/2013 also sets a deadline for publishing the Disclosure. Pursuant to Article 433, Title I, Part Eight of Regulation (EU) No.575/2013 annual disclosures shall be published in conjunction with the date of publication of the financial statements, i.e. before 30 April of the year following the reporting year in accordance with Section 114 of Investment Services and Activities and Regulated Markets Law 144(I)/2007 of the Cyprus Securities and Exchange Commission. There is also a requirement to publish the disclosures either as a part of the financial statements, or on the website.

We shall comply with this requirement as follows: we assessed the need to publish the disclosures more frequently than annually and decided that, in light of present business operations, current economic environment and taking into account its annual development plans, there is no reason to publish the information more often than annually. This decision shall be reviewed regularly and in case there shall be a development which would be considered material and requiring disclosure, the Company will take necessary steps accordingly.

We shall make the disclosure public by publishing in on our web-site <u>https://just2trade.online/about/disclosures/</u>.

## **RISK MANAGEMENT OBJECTIVES AND POLICIES**

There is a requirement imposed by the MiFID, Law 144(I)-2007 and secondary legislation which requires the Company to establish and maintain an effective and continuous risk management function.



Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of unfortunate events. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attacks from an adversary.

The risk management process is scalable to ensure that the level, type, and visibility of risk management are commensurate with both the risk and the importance of the Company's major activities.

- A. Risk Identification Risks were identified.
- **B.** Categorize Risks The Risk Assessment groups the risks into categories. The Company will create additional categories, as required.
- **C. Risk Impact Assessment** For each department, the risks are identified, assessed the risk event in terms of likelihood of occurrence and its effect on Company objectives if the risk event occurs. This information is used to prioritize the risk using established threshold criteria.
- **D. Prioritize Risks** Risks that meet the threshold criteria will be recorded in the Risk Response Plan.
- E. Risk Response Planning this includes:

- For each risk, to determine the options and actions to reduce the likelihood or consequences of impact to the Company's objectives.

- Determine the response based on a cost/benefit analysis (cost vs. expected effectiveness).
- Describe the actions to be taken to mitigate the risk.
- Describe the actions to be taken when the risk event occurs (contingency plan).
- Assign responsibilities for each agreed upon response.
- Assigned a "due date" where risk responses are time sensitive.
- F. Risk Response Tracking this includes to:
  - Document the dates and the procedures taken to mitigate the risk.
  - Document the actions taken when the risk event occurred (contingency plan).
  - Document any subsequent actions taken.
- G. Monitor Risk this includes to:
  - Establish systematic reviews and schedule them in the Company schedule.
  - These reviews are to ensure:
  - All of the requirements of the Risk Management Plan are being implemented
  - Assess currently defined risks
  - Evaluate effectiveness of actions taken

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- Status of actions to be taken
- Validate previous risk assessment (likelihood and impact)
- Validate previous assumptions
- State new assumptions
- Identify new risks
- Risk Response Tracking
- Communications
- H. Control Risk this includes to:
  - Validate mitigation strategies and alternatives
  - Take corrective action when actual events occur
  - Assess impact on the Company of actions taken (money, time, and resources)
  - Identify new risks resulting from risk mitigation actions
  - Ensure change control addresses risks associated with the proposed change
  - Communications

The Risk Management function is undertaken by the Risk Manager, who reports directly to the Board of Directors and closely cooperates with the Managing Directors in the course of monitoring the effectiveness of procedures. Annual reporting and the ICAAP are the part of the process.

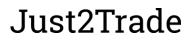
# DISCLOSURES REGARDING THE COMPANY'S BOARD OF DIRECTORS

The Board of Directors approves and periodically reviews the strategies and policies for taking up, managing, monitoring and mitigating the risks the Company is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle.

The Board of Directors devotes sufficient time to consideration of risk issues. The Board of Directors is actively involved in and ensures that adequate resources are allocated to the management of all material risks addressed in this Directive and in Regulation (EU) No 575/2013 as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks. The Company has established reporting lines to the Board of Directors that cover all material risks and risk management policies and changes thereof.

The Risk Management Committee advises the Board of Directors on the CIF's overall current and future risk appetite and strategy and assists the Board of Directors in overseeing the implementation of that strategy by senior management. The Board of Directors retains overall responsibility for risks.

The Risk Management Committee reviews whether prices of liabilities and assets offered to clients take fully into account the Company's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the risk committee shall present a remedy plan to the Board of Directors.



The Company ensures that the Board of Directors and the Risk Management Committee have adequate access to information on the risk situation of the Company.

The Company ensures that the risk management function ensures that all material risks are identified, measured and properly reported. The Company ensures that the risk management function is actively involved in elaborating the Company's risk strategy and in all material risk management decisions and that it can deliver a complete view of the whole range of risks of the institution.

The Company ensures that the risk management function can report directly to the Board of Directors, independent from senior management, and can raise concerns and warn that body, where appropriate, where specific risk developments affect or may affect the CIF, without prejudice to the responsibilities of the Board of Directors pursuant to this Directive and Regulation (EU) No 575/2013.

#### **CAPITAL REQUIREMENTS**

According to the Law 144(I)/2007 the Company must have own funds, which are at all times more than or equal to the sum of its capital requirements. For these purposes robust and adequate procedures must be maintained on ongoing basis by the Company to ensure that sufficient internal capital is sustained to cover the nature and level of the risks to which it might be exposed. Different methods are implemented for calculation of capital requirements in respect of various types of risks that can affect normal operations of the Company and consequent assessment of own capital.

The Company's total risk exposure amount is calculated as the sum of the capital requirements for credit risk, foreign exchange risk and operational risk multiplied by 12,5.

The capital requirements for credit risk are calculated using the Standardised Approach as provided in Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013. The threshold for credit risk is fixed at 8% of the aggregate risk-weighted amounts for all exposure classes.

The capital requirements as regards to the foreign-exchange risk are calculated according to the provisions of Article 351, Chapter 3, Title IV, Part Three of Regulation (EU) No.575/2013. The own fund requirement is equivalent to 8% of the net foreign exchange position if the sum of the Company's overall net foreign exchange position exceeds 2% of its total own funds.

The audited accounting information for the year ended 31<sup>st</sup> December 2017 was used to perform the calculations of the capital adequacy ratio as at year-end.

# TABLE 1: CAPITAL REQUIREMENTS AND ADEQUACY RATIOS

Ratio	Actual ratio 31.12.2017	Actual ratio 31.12.2016	Minimum ratio
CET1 Capital Ratio	26,68%	31,99%	4,50%
Tier 1 Capital Ratio	26,68%	31,99%	6%
TOTAL Capital Ratio	26,68%	31,99%	8%

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	31.12.2017	(EURO '000)	31.12.2016 (E	URO '000)
Original Own Funds		2 550		2 550
Paid up capital				
Share Premium				
Reserves		208		196
Investment Compensation Fund deduction		-69		-68
Intangible assets deduction		-9		-49
Total Eligible Own Funds		2 680		2 629
	Capital required – 8% Risk weighted exposure	Risk weighted exposure	Capital required – 8% Risk weighted exposure	Risk weighted exposure
Credit Risk	201	2 508	. 74	922
Position, Foreign Exchange and Commodities Risk	319	3 985	57	714
Operational Risk	284	3 550	-	-
Additional due to Fixed Overheads			526	6 581
Credit Valuation Adjustment Risk	-	-	-	-
Other Capital Requirements	-	-	-	-
Total	803	10 043	657	8 217
Capital Adequacy Ratio (Own Funds/Total Risk Weighted Exposure)		26,675%		31,995%
Minimum Capital Adequacy Ratio (including buffers)		9,250%		8,625%

The capital position is monitored on a regular basis by the Management of the Company in order to comply with regulatory obligations and act accordingly in case of emergencies, should the capital adequacy ratio fall below the prescribed minimums.

#### **OWN FUNDS**

The own funds which are to constitute the buffer for unforeseen losses in a financial institution consist of a number of different items.

Own funds include the sum of Tier 1 capital and Tier 2 capital. Tier 1 capital consists of the sum of the Common Equity Tier 1 capital and additional Tier 1 capital.

The Common Equity Tier 1 Capital (CET 1) primarily comprises shareholders' equity, less deductions for intangible assets including goodwill, formation and software expenses, balances with the Investment Compensation Fund and material losses of the current financial year as provided in Chapter 2, Title I, Part Two of Regulation (EU) No.575/2013.

As at 31<sup>st</sup> December 2017 the Company's eligible own funds are comprised of original own funds capital which include paid up share capital and reserves less any allowable deductions, particularly intangible assets and any balances with Investment Compensation Fund, as provided in Regulations (EU) No.575/2013.

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#### **TABLE 2: ELIGIBLE OWN FUNDS**

Description	31.12.2017	31.12.2016
	€ '000	€ '000
Paid up capital	2 550	2 550
Retained earnings	208	196
Deductions	-78	-118
Common Equity Tier 1 Capital	2 680	2 628
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	2 680	2 628
Tier 2 Capital	-	-
TOTAL ELIGIBLE OWN FUNDS	2 680	2 628

As at 31<sup>st</sup> December 2017 the share capital of the Company comprised of 2.550.000 ordinary shares with a nominal value of  $\in$ 1 each for the total amount of EUR 2.550.000. As at 31<sup>st</sup> December 2016 the share capital of the Company comprised of 2.550.000 ordinary shares with a nominal value of  $\in$ 1 each for the total amount of EUR 2.550.000. On the 14<sup>th</sup> April 2016 and 1<sup>st</sup> July 2016 the authorized share capital of the Company was increased to 550,000 and 2,500,000 shares respectively of  $\in$ 1 each. On 14<sup>th</sup> April 2016 and 1<sup>st</sup> July 2016 the Company issued 350,000 and 2,000,000 shares respectively of  $\in$ 1 each.

## EXPOSURE TO CREDIT RISK AND DILUTION RISK

#### **DEFINITION OF PAST DUE EXPOSURE**

Assets are being categorized as a past due exposure when a counterparty fails to meet its obligations when due.

The Cyprus Securities and Exchange Commission sets 180 days past due for exposure to corporate to counterparties situated in the EEA countries, the competent authorities of which have set higher number of days past due. This provision applies up the end of the calendar year 2017.

#### **DEFINITION OF IMPAIRED EXPOSURES**

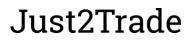
A financial asset or group of assets is impaired and recognized in the financial reports of the Company only if there is objective evidence exist to such an impairment as a result of events occurred after the initial recognition of the asset.

The Company is required at every year-end to access whether evidence exists to indicate the impairment of assets. If the assessment shows that impairment may have taken place, the Company must carry on a detailed impairment calculation to determinate whether impairment must be accounted for.

# APPROACHES AND METHODS ADOPTED FOR DETERMINING VALUE ADJUSTMENTS AND PROVISIONS

The Company assesses at each date of the financial year end, whether there is a an evidence to that the impairment may take place by assessment of the events which occurred after the initial recognition of the assets and that event has an impact on the estimated future cash flows of the financial assets or group of assets, and such loss can be reliably estimated. Losses are recognized in the Company's Financial Statements.

If, in the following reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized



impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the Income Statement to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

When the asset cannot be recovered, it is written-off in the Income Statement. Subsequent recoveries of amounts previously recognized as uncollectible, decrease the charge for impairment of financial assets in the Income Statement. At present the Company does not have any general or specific provision for the impairment of the financial assets based on its risk-oriented assessment of the current internal and external factors.

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The tables below show the analysis of total exposure as at 31<sup>st</sup> December 2017 with regard to the classes of exposure specified in Article 112, Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013 and risk-weighted exposures, analysis of total exposure by different types of exposure, geographic distribution of exposures and distribution by residual maturity.

#### TABLE 3: CREDIT RISK AS AT 31/12/2017

TYPE OF EXPOSURE	AMOUNT € '000	EXPOSURE AMOUNT € '000	CAPITAL REQUIREMENT € '000
Institutions	2 504	500	40
Corporates	661	640	51
Retail	1 380	788	63
Other Items	591	580	46
TOTAL	5 136	2 508	201

#### TABLE 4: TOTAL AMOUNT OF EXPOSURES AS AT 31/12/2017

Type	Institutions	Corporates	Retail	Other Items	Total
Туре	€ '000	€ '000	€ '000	€ '000	€ '000
Cash and cash equivalents	18	11			29
Trade receivables	482	629	788	284	2 183
Other receivables				110	110
Deposits and prepayments				176	176
Property, plant and equipment				10	10
Total	500	640	788	580	2 508

# TABLE 5: GEOGRAPHIC DISTRIBUTION OF EXPOSURES AS AT 31/12/2017

O a serie familie	Institutions	Corporates	Retail	Other Items	Total
Country	€ '000	€ '000	€ '000	€ '000	€ '000
Belarus			1		1
China		2			2
Cyprus	257	7		172	436
Hong Kong		455			455
Isle of Man		2			2
Ireland				122	122
Latvia	1				1
Malaysia		78			78
Republic of Seychelles		32			32
Russian Federation		54	787	286	1 127
Ukraine					0
United Kingdom	149				149
USA	94	9			103
Total	501	639	788	580	2 508

## TABLE 6: DISTRIBUTION OF EXPOSURES BY RESIDUAL MATURITY AS AT 31/12/2017

Туре	Institutions € '000	Corporates € '000	Retail € '000	Other Items € '000	Total € '000
<3 months	409	640	788	442	2 279
>3 months	91			128	219
Indefinite maturity				10	10
Total	500	640	788	580	2 508

## IMPAIRED EXPOSURES, PAST DUE EXPOSURES AND PROVISION

For the year ended 31<sup>st</sup> December 2017, the Company did not have any past due exposures.

## **EXTERNAL RATINGS**

For the purposes of credit risk calculation under the Standardised Approach an external credit assessment is used to determine the risk weight of an exposure as provided in Section 3, Chapter 2, Title II, Part Three of Regulation (EU) No.575/2013 only if the External Credit Assessment Institution which provides it has been recognized as eligible for those purposes by the Cyprus Securities and Exchange Commission. The Company uses Fitch ratings for the purposes of credit risk calculation under the Standardised Approach.

The table below provides an overview of frequently used risk weights based on ratings from rating agencies (in %).

Credit					Institutions (includes		les banks)	
Quality	Fitch's	Moody's	S & P	Cornorato	Sovereign	Credit Asse	ssment method	Sovereign
Step	assessments	assessments	assessments	Corporate	method	Maturity ≥3	Maturity 3	Sovereign
Step					method	methou	months	months or less
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	20%	20%	0%
2	A+ to A-	A1 to A3	A+ to A-	50%	50%	50%	20%	20%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	100%	100%	50%	20%	50%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	100%	100%	100%	50%	100%
5	B+ to B-	B1 to B3	B+ to B-	150%	100%	100%	50%	100%
6	CCC+ and below	Caa1 and below	CCC+ and below	150%	150%	150%	150%	150%

# TABLE 7: THE STANDARDISED APPROACH- LONG TERM MAPPING

Institutions may use credit assessments to determine the risk weight of an exposure only where the credit assessment has been issued or has been endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009. The conditions and procedure for recognition of a rating agency have been worked out in greater detail by the Committee of European Banking Supervisors (CEBS) in a document entitled Guidelines on the Recognition of ECAIs.

However, a bank or investment firm may be unable or unwilling to use an external rating for certain claims. This may be the case, for example, if no rating is available from a recognized rating agency or the use of external ratings is not considered cost effective.

For such cases the Standardized Approach provides fixed risk weights for all categories of claim (including off-balance sheet items), ranging from 0% for items with a very low credit risk to 150% for high-risk items.

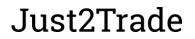
## DISCLOSURE ON OPERATIONAL RISK INFORMATION

Operational risks (including accounting and environmental risks) correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.



The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

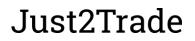
- The development of operational risk awareness and culture.
- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities.
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a "four-eye" structure and board oversight. This structure ensures the separation of
  power regarding vital functions of the Company namely through the existence of a Senior
  Management. The board further reviews any decisions made by the Management while
  monitoring their activities;
- Detection methods are in place in order to detect fraudulent activities;
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

# MARKET RISK: POSITION RISK, COUNTER-PARTY RISK, SETTLEMENT RISK, COMMODITY RISK, FOREIGN EXCHANGE RISK

Although authorized to, the Company did not perform trading on own account and has not yet activated this authorization as of 31<sup>st</sup> December 2017, therefore position risk and settlement risk as provided in Article 326, Section 1, Chapter 2, Title IV, Part Three and Article 378, Title V, Part Three of Regulation (EU) No.575/2013 respectively are not relevant. The Company has no investments in listed securities.



During the year ended 31<sup>st</sup> December 2017 the Company did not perform any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions and as such the counterparty credit risk is not applicable for the purposes of capital adequacy calculation.

The Company was exposed to foreign-exchange risk due to the fact that it holds cash reserved in material amounts in currencies other than its reporting currency, namely Russian Rubles and United States Dollars.

The Company monitors its business activities to determine if the Foreign Exchange risk will be exceeding the present level and require any action from the side of the Management.

#### TABLE 8: FOREIGN EXCHANGE RISK AS AT 31/12/2017

CURRENCY POSITIONS		SHORT
		€ '000
USD in EUR	4 277	410
RUR in EUR	905	787
CNY in EUR	466	1 884
CAD in EUR	-	-
CHF in EUR	-	-
GBP in EUR	412	418
TOTAL POSITIONS IN NON-REPORTING CURRENCIES	6060	3 499

#### **RISK CAPITAL CHARGE: 8.00%**

#### CAPITAL REQUIREMENTS in € '000: 319

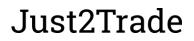
Commodities risk in respect of the own fund requirement should be calculated using the maturity ladder approach according to Article 359, Chapter 4, Title IV, Part Three of Regulation (EU) No.575/2013, where commodities are separated and separate maturity ladder applies. The Company does not trade for own account and does not have any positions subjected to the above mentioned risk. Therefore commodities risk is not relevant for identification of capital adequacy.

#### **REMUNERATION POLICY**

Following the introduction of amendments as regards to establishment and implementation of remuneration policies made by the Cyprus Securities and Exchange Commission the current remuneration policy of the Company was developed with provision for the nature, scale and complexity of the internal organization structure and the range of its investment services and activities.

The elaboration of remuneration policy was aimed to achieve the harmonization of the current remuneration practices with strategic goals, objectives, values and long-term prospects of the Company, to ensure that risk taking decisions exceeding the Company's level of tolerated risk are discouraged and enhanced measures are maintained to avoid conflict of interests.

The Company's remuneration policy concerns all staff categories, particularly senior management, employees whose activities are associated with risk taking, employees with management functions and any employees receiving total remuneration that takes them into the same remuneration brackets as



senior management and risk takers whose professional activities have a significant influence on the risk profile of the Company.

According to the provisions of the remuneration policy the employees with control functions are independent from the business units they supervise, and are rewarded based on achievements of goals related to their functions, independent of the performance of the business areas they control. The remuneration of the senior officers in the risk management and compliance functions is directly controlled by the Board of Directors.

The detailed analysis of the aggregated information on remuneration broken down by business area and employees categories as provided in Article 450, Title II, Part Eight of Regulation (EU) No.575/2013 is presented below respectively. The breakdown was prepared based on details provided in the audited Financial Statements for the year ended 31<sup>st</sup> December 2017.

#### TABLE 10: REMUNERATION BY BUSINESS AREA FOR THE YEAR 2016

	Year 2017	Year 2016
BUSINESS AREA	€ '000	€ '000
Directors' Remuneration	62	54
Senior Management	510	134
Brokerage Department	162	25
Asset Management Department	73	38
Other	599	187
TOTAL REMUNERATION	1 406	438

#### TABLE 11: REMUNERATION BY CATEGORY FOR THE YEAR 2016

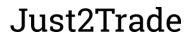
	Year 2017	Year 2016
CATEGORY	€ '000	€ '000
Directors' remuneration	62	54
Remuneration of employees with management functions	510	134
Remuneration of employees whose activities are associated with risk taking	135	92

The remuneration policy of the Company was adopted by the Board of Directors on the 1<sup>st</sup> of September 2016 and is binding on all individuals who work under employment contracts. The current remuneration policy and its application are subject to review by the Board on a regular basis, at least once per year, and in case of necessity more frequently to pass required amendments.

## LEVERAGE

Leverage means the relative size of an institution's assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of an institution, compared to that institution's own funds.

A leverage ratio was introduced as a supplementary measure to the risk-based capital requirements of the Basel III framework through bank-level reporting to national supervisors of the leverage ratio and its components from 1<sup>st</sup> January 2013. Further implementation of the leverage ratio requirements involve public disclosure starting from the 1<sup>st</sup> January 2015.



The leverage ratio as at 31 December 2017 was calculated in accordance with provisions of Article 429, Part Seven, Title III, Part Five of Regulation (EU) No.575/2013.

# TABLE 12: LEVERAGE RATIO

DESCRIPTION	€ '000	€ '000
On-balance sheet items	5 214	
Intangible assets	-9	
Contribution to Investment Compensation Fund	- 69	
TOTAL ON-BALANCE SHEET EXPOSURES		5 136
Tier 1 (fully phased-in)		2 680
Tier 1 (transitional)		2 680
LEVERAGE RATIO (using a fully phased-in definition of Tier 1)		52.20%
LEVERAGE RATIO (using a transitional definition of Tier 1)		52.20%

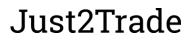
The breakdown of the total exposure measure and reconciliation of the total exposure measure with the relevant information disclosed in the audited Financial Statements for the year ended 31<sup>st</sup> December 2017 as provided in Article 451(1), Title II, Part Eight of Regulation (EU) No.575/2013 is presented below respectively:

#### TABLE 13: ANALYSIS OF TOTAL EXPOSURE AS AT 31 DECEMBER 2017

TYPE OF EXPOSURE	€ '000	€ '000
Institutions		2 504
Corporate		661
Financial	14	
Non-financial - SME exposure	74	
Non-financial - Corporate exposures other than SME	573	
Retail exposures		1 380
Other exposures		591
Total Exposure Measured		5 136

## TABLE 14: LEVERAGE TOTAL EXPOSURE MEASURE

	31.12.2017	31.12.2016
ITEM	€ '000	€ '000
Total assets as per audited Financial Statements	5 214	2 911
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		-
Adjustments for derivative financial instruments		-
Adjustment for securities financing transactions (i.e. repos and similar secured lending)		-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)		-
Other adjustments	-78	-118
Leverage Total Exposure Measure	5 136	2 793



The amount of other adjustments is due to the balance of intangible assets and balance with Investment Compensation Fund in the amounts of EUR 8.902 and EUR 69.319 respectively excluded from the calculation of the total exposure measure pursuant to Article 429(4), Part Seven, Title III, Part Five of Regulation (EU) No.575/2013. The Company is monitoring the level and changes in the leverage ratio as well as leverage risk as part of the internal capital adequacy assessment process (ICAAP).

#### DIRECTORSHIPS HELD BY THE MANAGEMENT OF THE COMPANY

EU Regulation No. 575/2013 requires that the Company disclose the number of directorships held by members of the management body. The term "management body" is defined in Directive 2013/36/EU and included an institution's body or bodies, which are appointed in accordance with national law, which are empowered to set the institution's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the institution; As at 31<sup>st</sup> December 2017, the number of Directorships held by the management body of the Company appear in Table 15 below:

#### TABLE 15: NUMBER OF OTHER DIRECTORSHIPS HELD BY THE MANAGEMENT OF THE COMPANY

Name	Management Position in the Company	Other Directorships
Kumar Dipak Singh	Executive Director	4
Georgios Argytakis	Executive Director	0
Sotiroulla Hadjikyriakou	Non-Executive Independent Director	1
Constantinos Zakheos	Non-Executive Independent Director	4
Sotirios Pittas	Non-Executive Director	44

## **RECRUITMENT POLICY FOR THE MEMBERS OF THE BOARD OF DIRECTORS**

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated recruitment policy in relation to the recruitment of members of the Board, their experience and expertise.

#### DESCRIPTION OF THE INFORMATION FLOW TO THE BOARD OF DIRECTORS

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Report Name	Report Description	Owner	Recipient	Frequency	Due Date
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	30.04.2018
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	30.04.2018
Annual Risk Management	Represents the work & activities undertaken by the Risk Manager	Risk Manager	BoD, CySEC	Annual	30.04.2018

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Report	during the year				
Pillar III Disclosures (Market Discipline and Disclosure)	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	30.04.2018
Financial Reporting	It is a formal record of the financial activities of the CIF External	Auditor	BoD, CySEC	Annual	30.04.2018
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management , CySEC	Quarterly	11.05.2017 11.08.2017 11.11.2017 11.02.2018

## POLICY ON THE DIVERSITY OF THE BOARD OF DIRECTORS

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated diversity policy in relation to the Management body.

#### **RESULTS FROM THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")**

The Internal Capital Adequacy Assessment Process ("ICAAP") requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICAAP as required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure.