Teletrade DJ International Consulting Ltd

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2021

Regulated by the Cyprus Securities and Exchange Commission License no. 158/11

DISCLOSURE

The Disclosure and Market Discipline Report for the year 2021 has been prepared by Teletrade DJ International Consulting Ltd as per the requirements of Regulation (EU) 2019/2033 issued by the European Commission.

Teletrade DJ International Consulting 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.

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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.

The Board of Directors 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.

Teletrade DJ International Consulting Ltd

APPENDIX

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Abbreviation	**Full description**
BoD	Board of Directors
CAR	Capital Adequacy Ratio
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CIF	Cyprus Investment Firm
CRD IV	Capital Requirements Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
ECB	European Central Bank
EMIR	European Market Infrastructure Regulation
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
FATF	Financial Action Task Force
FOH	Fixed Overheads
GDPR	General Data Protection Regulation
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICF	Investors Compensation Fund
IF	Investment Firm
IFD	Investment firm Directive
IFR	Investment Firm Regulation
IFRS	International Financial Reporting Standards
IOM	Internal Operations Manual
MIFID II	Markets in Financial Instruments Directive 2014
OECD	Organisation for Economic Co-Operation and Development
OTC	Over the Counter
PRIIP	Packaged Retail and Insurance-based Investment Products
PSP	Payment Service Provider
RAG	Red-Amper-Green
RAS	Risk Appetite Statement
RBS-F	Risk Based Supervision Framework
RMF	Risk Management Framework
RWA	Risk Weighted Assets
SME	Small and Medium-sized Enterprise
CySEC	Cyprus Securities and Exchange Commission

1. Introduction

1.1 Investment Firm

Company's Information	
CIF Authorization date	14/12/2011
CIF License number	158/11
Company Registration Date	01/09/2010
Company Registration Number	HE 272810

Services

Investment Services:

- **Reception and transmission of orders in relation to one or more financial instruments**
- **Execution of Orders on Behalf of Clients**
- **Dealing on Own Account**
- **Portfolio Management**
- **Provision of Investment Advice**

Ancillary Services:

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

Table 1: Company information

1.2 Purpose

The present report is prepared by Teletrade DJ International Consulting Ltd (the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 158/11 and operates in harmonisation with the Markets in Financial Instruments Directive ("MiFID II").

In accordance with Regulation (EU) No. 2019/2033 (the "Investment Firms Regulation", "IFR") and Regulation (EU) No. 2019/2034 ("Investment Firms Directive", "IFD"), introduced in 2019 (which replaces the Regulation (EU) 575/2013 (the "Capital Requirements Regulation", "CRR"), Teletrade DJ International Consulting LTD ("the Company" or "Teletrade") which was introduced in June 2021, the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants. The core aim of the IFR is to introduce more proportionate rules for all MiFID II investment firms in relation to capital, liquidity and other risk management requirements, while ensuring a level-playing field between large and systemic financial institutions.
Each IF class will be subject to a different set of prudential requirements, with some systematically important and larger firms remaining under the current Basel-derived CRR/CRD regime. In particular, IFs will now be categorized into the following classes:

- Class 1 IFs (remain subject to CRR and CRD): Large IFs that exceed certain criteria and need to be reclassified as credit institutions, plus:
    - Class 1a: Not reclassified as credit institutions, but above certain criteria and/or are categorized Systemically important IFs to the country ("O-SIIs") and subject to CRR.
    - Class 1b: Not-Systemic Large IFs, but which elect to be subject to the CRR (if they are part of a group containing a bank that is subject to consolidated supervision under CRR).
- Class 2 IFs (subject to new IFR/IFD): IFs exceeding the categorization thresholds for Small and Non-interconnected Investment Firms.
- Class 3 IFs (subject to new IFR/IFD, BUT with exemptions): Small and Non-interconnected Investment Firms.

Teletrade falls into the Class 2 category and will be subject to the new IFR/IFD framework. The new minimum regulatory capital requirement for Teletrade will be the greatest of:

- A Permanent Minimum Capital Requirement of EUR 750,000;
- A Fixed Overhead Requirement at 25% of the firm's fixed overheads in the previous year; and
- A K-factors Requirement, which is based upon nine risk exposure indicators ("K-factors") which are designed to measure operational risk to customers, counterparty credit risk, trading book market risk, and concentration risk (in the trading book and securities financing type of transactions including REPOs).

This document is updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities, etc.). CySEC is responsible for implementing and enforcing the European Capital Requirements legal framework, a capital adequacy framework consisting of three 'pillars':

- Pillar I sets minimum capital requirements comprising of base capital resources requirements
- Pillar II requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all the which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP")
- Pillar III complements pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and pillar I capital requirements, risk exposures and their risk management framework

The 2021 Pillar III Disclosures Report sets out both quantitative and qualitative information required in accordance with part six of the IFR and articles 46 to 53, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Firm's external auditors and published on the Company's website at www.teletrade.eu on an annual basis. Further domains of the company are the following; www.teletrade.es; www.teletrade.hu; www.teletrade.bg; www.teletrade.co.uk; www.teletrade-dj.it; www.teletrade-dj.ro; www.teletrade-dj.de; www.teletrade-dj.lv; www.teletrade-dj.cz; www.teletrade-dj.gr; www.teletrade-dj.lt; www.teletrade.pt; www.teletrade-dj.pl; www.teletrade-dj.sk.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of capital adequacy assessment and they have established effective processes to ensure that the full spectrum of risks faced by the Company is properly identified, measured, monitored, and controlled to minimise adverse outcomes.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

The Company is making the disclosures on a solo basis. This report has been prepared using the Audited Financial Statements.

1.3 The Company

Teletrade DJ International Consulting Ltd, as a CIF, operates in Cyprus, offering Contracts for Difference ("CFD") products and has 20 employees located in Cyprus.

The Company has a stable business model and this is reflected in a well-balanced capital allocation between the Company's operations.

The Company's growth strategy focuses on its existing areas of expertise and the quality of its customer base. The Company strives for sustainable profitability consistent with its cost of capital and a balanced business model. To this end, the Company:

- Seeks to contain the volatility of its results
- Calibrates its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements
- Monitors the stability and diversification of its funding sources
- Ensures sufficient resilience in scenarios of liquidity shortages
- Tightly controls its foreign-exchange risks

The Company ensures that compliance rules are rigorously respected, especially in the area of anti-money laundering and counterterrorism financing. The Company monitors the loyalty of the behaviour of its employees with regard to customers and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company's operating practices. The Company's reputation is protected by making its employees aware of the values of responsibility, ethical behaviour, and commitment.

1.4 Regulatory Supervision

The minimum capital requirements as at 31 December 2021 were calculated in accordance with the Investment Firm Regulation. All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter "the Law")
- Regulation (EU) No. 2019/2033 – Investment firm Regulation (IFR)
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation
- Directive (EU) 2019/2034 – Investment firm Directive (IFD)
- Directive (EU) 2019/878 – amending the Capital Requirements Directive IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (CRD V)
- Directive 2013/36/EU on 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 – Capital Requirements Directive IV

1.5 Coronovirus Outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including: requiring self-isolation/quarantine, social distancing and controlling or closing borders and ''locking-down'' cities/regions or even entire countries. These measures are gradually being lifted in many jurisdictions including Cyprus but the uncertainties over the broader economies remain as the pandemic still evolves.

1.6 Russian-Ukrainian conflicts

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household incomes and business operating costs.

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.
Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary

pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.
Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely.

1.7 Investment Policy & Environmental, Social and Governance Risks

The Company is not considered as significant CIF given that its total on and off-balance sheet assets are on average less than EUR 100 million over the four-year period immediately preceding the given financial year. Therefore, the Company has no obligation to disclose any information relating to IFR Article 52 (Investment Policy) and Article 53 (Environmental, Social and Governance risks).

2. Governance and Risk Management

Implementing a high-performance and efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates, as are maintaining a strong risk culture and promoting good corporate governance. The Company's risk management supervised at the highest level is compliant with the regulations enforced by CySEC and the European regulatory framework.

The Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that it identifies and manages its risk adequately. Responsible for the Company's internal control system and the management of its risks are the following:

- Board of Directors
- Senior Management
- Risk Manager (outsourced)
- Anti-Money Laundering Compliance Officer
- Compliance Officer
- Internal Audit Function (outsourced)

2.1 Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk Appetite is defined using both quantitative and qualitative criteria.

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP, which is also used to ensure capital adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk will be analysed and approved by the BoD. The Company's risk appetite strategy will be implemented by the Senior Management in collaboration with the BoD and applied by all divisions through an appropriate operational steering system for risks, covering:

- Governance (decision-making, management and supervisory bodies)
- Management (identification of risk areas, authorisation and risk-taking processes, risk management policies through the use of limits and guidelines, resource management)
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits)

Essential indicators for determining the Risk Appetite and their adaptations will be regularly supervised over the year in order to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

2.2 Internal Capital Adequacy Assessment Process

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.

2.3 Stress Tests

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the company
- The evaluation of the company's capital adequacy in absorbing potential losses under stressed conditions: this takes place in the context of the company's icaap on an annual basis
- The evaluation of the company's strategy: senior management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows senior management to determine whether the company's exposures correspond to its risk appetite
- The establishment or revision of limits: stress test results, where applicable, are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and portfolios

The ultimate responsibility and ownership of the Company's stress testing policy rests with the Board of Directors. If the stress testing scenarios reveal vulnerability to a given set of risks, the management should make recommendations to the Board of Directors for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning
- Review limits
- Reduce underlying risk positions through risk mitigation strategies
- Consider an increase in capital
- Enhance contingency planning

The Company performs financial modelling and stress analysis on a frequent basis especially when year-end financial results are available or when it revises its business plan.

The Company has performed a qualitative analysis of the material Pillar II risks, as well as weighted them against the Company's future development. By doing so, it has been deduced that in the future, whilst the probability of occurrence of any material risk is likely to remain the same, the associated/respective financial cost is likely to increase in light of the future enlargement of the organisation. The Company has thus, reached the decision that in planning its projected Capital for Pillar II purposes for the 3 years projected period, it shall maintain the same assumptions as it did in the first year's Risk Register calculations in terms of the probability of risk occurrence and probability/impact Matrix, while it will only amend the financial impact element of each risk.

2.4 Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how 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 practises in the Corporate Governance Code of many EU countries.

2.5 Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities.

Factors considered in the review of potential candidates include:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject
- Knowledge of and experience with financial institutions ("fit-and-proper")
- Integrity, honesty and the ability to generate public confidence
- Knowledge of financial matters including understanding financial statements and financial ratios
- Demonstrated sound business judgment
- Risk management experience

The Company has established a dedicated recruitment policy in relation to the BoD.

2.6 Remuneration

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the relevant Laws and Regulations.

During 2021, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors and the Heads of the Departments; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

Total remuneration of staff in previous years consisted of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. Within 2021 there was no variable remuneration.

Figures in EUR (thousands)	No. of people	Fixed (cash)	Variable (cash & non-cash)	Total
Senior Management & Directors	7	347	-	347
Other staff whose actions have a material impact on the risk profile of the Institution	5	141	-	141
Total	**12**	**488**	**-**	**488**

Table 2: Aggregate Quantitative Information on Remuneration

2.7 Performance Related Pay

The Company shall ensure that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the assessment of the performance of:

- The individual
- The business unit concerned
- The overall results of the company

Examples of qualitative criteria include compliance with regulatory requirements (especially conduct of business rules) and internal procedures, fair treatment of clients and client satisfaction.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of Key Performance Indicators and Targets, developed for each department.

The remuneration Committee ensures that any forms of performance related pay schemes do not give rise to any potential conflict of interest between the firm and the employees or the firm and the clients.

2.8 Directorships held by Members of the Management Body

In 2021, the members of the Management body of the Company, given their industry experience, have been taking seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds:

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Inna Leonova	Executive Director	1	-
Lev Vasilishin	Executive Director	1	-
Nikolas Leventis (*)	Executive Director	1	-
Giannakis Georgiou	Non-Executive Director	-	3
George Constantintides	Non-Executive Director	-	3

Table 3: Directorships held by Members of the Management Body

(*) Nikolas Leventis has resigned on 31 May 2021

2.9 Reporting and Control

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/ Extension*
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	**30/04/2022**
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	**30/04/2022**
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	**30/04/2022**
Pillar III Disclosures (Market Discipline and Disclosures)	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	**30/04/2022** **30/06/2022**
Independent Auditors Verification on the Pillar III Report	The verification of the Pillar III Disclosures (Market Discipline and Disclosures) Report by the Independent Auditor	External Auditor	BoD, CySEC	Annual	**31/05/2022** **31/07/2022**
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC	Annual	**30/06/2022**
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	**11/02/2022** **12/05/2022** **11/08/2022** **11/11/2022** **31/05/2022** **31/07/2022**
ICAAP (Pillar II) Report	The Internal Capital Adequacy Assessment Process, relating to the monitoring and assessment of the risks that are not fully covered by Pillar I	Risk Manager	BoD, CySEC	Annual	**N/A**

***It Is noted that CySEC has granted an extension to all annual reports mentioned above for 2022 submissions.**

Table 4: Periodic Reporting Summary

3. Principal Risks

This section sets out the Company's objectives and policies to manage each key risk that arises from its activities and operations, as well as the strategies and processes it has put in place in order to manage and mitigate each such risk

3.1 Risk to Client

Risk to Client ("RtC") is the risk that an investment firm poses to its clients in the event where it fails to properly carry out the services being offered to them. It reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors through which some of the core aspects of RtC are being captured and measured, and which act as proxies that cover the specific business areas that are referred to above. These K-factors consist of the following:

- **K-AUM (Assets Under Management) –** K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice. As the Company did not provide portfolio management or investment advice services during the year ending 31 December 2021, the Company was not subject to the risk relating to this K-factor.

- **K-CMH (Client Money Held) –** K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. As part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.

- **K-ASA (Assets Safeguarded and Administered) –** K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own balance sheet or in third-party accounts. During the year under review, the Company offered safeguarding services in relation to the real equity positions of its clients, and was therefore subject to the risk relating to K-ASA for these client trades. We note that the safeguarding of clients' positions in CFD products is captured under K-CMH in consideration of the nature of CFD products.

- **K-COH (Client Orders Handled) –** Captures the potential risk to clients of an investment firm which executes orders in the name of the client. The Company executes its clients' orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply.
  Failure to carry out its services or operations correctly will be a key risk that the Company would need to manage. The negative impact on clients of this failure could be substantial if not managed appropriately.

3.1.1 K-COH (Client Orders Handled)

Execution of orders on behalf of clients means acting to conclude agreements to buy or sell one or more financial instruments on behalf of the clients.

Only the Company's employees who have the certificates of competency for execution of orders should perform these duties, otherwise, relevant certificate should be obtained within two examination sittings from the date of employment.
Unless otherwise instructed by the client, the order shall follow the Company's execution policy. All accepted orders shall be executed on the basis of equal terms for the clients and of the client's interest priority over the Company's interests at the execution of transactions.
In the cases when the Company has discretion as to when and how to submit incoming clients' orders for execution, the Company shall not be permitted to carry out a client order in aggregation with another client's order unless it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated.
In the cases when the Company has discretion as to when and how to submit incoming clients orders for execution, the Company shall develop an order allocation policy which establishes precise terms for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions where the Company aggregates an order with one or more other client orders and the aggregated order is partially executed, it allocates the related trades in accordance with its order allocation policy.

3.2 Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk) –** This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) No. 575/2013 ("CRR"). Therefore, K-NPR captures the Market Risk, which is defined as the risk that changes in market prices will affect the Company's income or the value of its holding of financial instruments. The Company's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The Company is subject to Market Risk as a result of its trading activities where it acts as a counterparty to its clients' CFD and real equity transactions. The Company is therefore exposed to losses in the case where adverse market movement cause the value of its open positions to decline.

- **K-CMG (Clearing Margin Given) –** This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Bearing in mind the Company's size of relevant operations during 2021, this K-factor is not applicable to the Company.

3.2.1. K-NPR (Net Position Risk)

As of 31 December 2021, the Company's total market risk requirements amounts to EUR 502,222 which are covered adequately enough by Company's own funds level. One of Company's primary objectives is to ensure that the exposure through market volatility does not lead to unacceptable losses outside of its risk appetite. The Risk Manager frequently and closely monitor any deviations from the current risk capacity.

Foreign Currency Risk

Foreign Currency Risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to Foreign Currency Risk arising from various currency exposures (mainly USD, PLN, CZK, SEK, NOK, HUF and AED). Furthermore, funds deposited by clients may not always be maintained in the clients' user currency, which represents the currency at which the Company has an obligation to repay clients' account balances, but may be converted instead to other currencies on the basis of the Management's decisions. This may expose the Company to Foreign Currency Risk. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Market Interest Rate Risk

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to Interest Rate Risk in relation to deposits with banks, however bank balances are held in current accounts, bearing insignificant interest. The Company's management nevertheless monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 Risk to Firm

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

There are three K-factors that capture the key aspects of RtF, namely:

- **K-TCD (Trading Counterparty Default) –** K-TCD captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties. In particular, it looks at the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions, and includes positions with both clients and liquidity providers.

- **K-DTF (Daily Trading Flow) –** K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name (and not on behalf of the client as an agent).

- **K-CON (Concentration Risk)** – K-CON seeks to apply additional own funds to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties / issuers to which a company incurs Trading Book exposures.

3.3.1. K-DTF (Daily Trading Flow)

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

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.

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

3.4 Other Risks

3.4.1. Liquidity risk

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.

The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity system aims at providing a balance sheet framework with assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- The assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure
- The liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the company to sustainably raise financial resources on the markets, in accordance with its risk appetite

The principles and standards applicable to the management of liquidity risks are defined by the Company's governing bodies, whose duties in the area of liquidity are listed below:

- The company's board of directors (i) establishes the level of liquidity risk tolerance as part of the risk appetite exercise, (ii) meets regularly to examine the company's liquidity risk situation, on a quarterly basis
- The senior management (i) sets budget targets in terms of liquidity (ii) allocates liquidity to the pillars

To minimize its exposure to liquidity risk, the cif implements the below liquidity risk mitigation strategies:

- Regular reporting to the board of directors on the funding needs of the company
- Monitoring of the company's exposures and diversification to avoid rise of concentration risk as per the internal policies
- Cash management

The Company has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. As at 31/12/2021, the Company held enough capital in its bank accounts, to meet its short-term obligations.

Furthermore, the Company is taking due care in safeguarding the client assets held in fiduciary capacity (in segregated accounts) and performs the following mitigation strategies:

- These assets are held by the company in a fiduciary capacity and are not included in the company's funds nor its financial statements
- The funds are held in client segregated bank accounts

Frequent reconciliations are performed internally

In addition to the Own Funds Requirements, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. As at 31 of December 2021 the Company satisfied the Liquidity Requirement. The Company monitors the level of its liquid assets on a monthly basis.

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all of its counterparties, employees, and the various regulatory authorities to which it reports.

3.4.2. Compliance System and Department

Independent compliance structures have been set up within the Company's different business lines around the world to identify and prevent any risks of non-compliance.

The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational risk and provides expertise for the Company performs controls at the highest level and assists with the day-to-day operations. The Compliance Officer is responsible for:

- The company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions)
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing company regulatory projects
- Coordinating a compliance control mechanism within the company (second-level controls), overseeing a normalised compliance process, oversight of personnel operations and, finally, managing large it projects for the function
- Preventing and managing conflicts of interest
- Proposing ethical rules to be followed by all company employees
- Training and advising employees and raise their awareness of compliance issues
- Building and implementing steering and organisational tools for the function: compliance and reputational risk dashboards, forums to share best practices, meetings of functional compliance officers
- Generally monitoring subjects likely to be harmful to the company's reputation

Compliance Transformation Programme

In light with the changes arising from MiFID II, which came into force since January 1st, 2018, the Company launched a programme to transform and improve the Compliance function, in particular to raise the monitoring standards and better fulfil the increasing requirements of regulatory authorities.
Among other things, this programme strengthened governance and increased the resources made available to the function, both by recruiting additional resources and by investing in streamlining the Compliance function's existing IT applications and strengthening alert controls and management.

It targets the continued enhancement of priority functions, the central tools for monitoring regulatory application (including training, harmonisation, and regulatory oversight), financial security, constant oversight, customer protection, market integrity (including preventing conflicts of interest), and reporting quality.

Prevention of Money Laundering and Terrorism Financing

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

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

- The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the money laundering and terrorist financing risks faced by the company
- The adoption of adequate client due diligence and identification procedures in line with the clients' assessed money laundering and terrorist financing risk
- Setting certain minimum standards of quality and extent of the required identification data for each type of client (e.g. Documents from independent and reliable sources, third party information)
- Obtaining additional data and information from clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular business relationship or an occasional transaction
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries
- ensuring that the company's personnel receive the appropriate training and assistance

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

4. Own funds

As of the 26th of June 2021, the capital adequacy and overall risk management requirements that applied to the Company, as well as the majority of EU investment firms, under the Capital Requirements Regulation & Directive ("CRR & CRDIV") prudential framework, have been replaced by amended prudential rules. In particular, EU Regulation 2019/2033 on the prudential requirements of investment firms ("'Investment Firm Regulation" or "IFR") and EU Directive 2019/2034 on the prudential supervision of investment firms ("Investment Firm Directive" or "IFD") - harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(1)/2021) have been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements.

4.1. Calculation of Capital Adequacy Ratio

The new rules introduce several changes to the methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process ("ICAAP") which is replaced by the Internal Capital & Risk Assessment ("ICARA") Process, a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement and many more.

Specifically, for the Capital Adequacy ratio, it is calculated as the capital base divided by the capital requirements. The capital base may consist of Common Equity Tier I ("CETI"), additional Tier I and/or Tier 2 capital. The capital requirements for the Firm are measured by obtaining the maximum of the Firm's Fixed Overhead Requirement, the Permanent Minimum Capital Requirement ("PMCR") and the k-factor capital requirements.

4.2 Minimum Capital Adequacy Ratio

As per the new rules, investment firms are required to maintain own funds consisting of the sum of their Common Equity Tier I capital, Additional Tier I capital and Tier 2 capital, and shall meet all the following conditions at all times:

a. Common Equity Tier I Capital of at least 56% of Own Funds Requirements.
b. Common Equity Tier I Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
c. Common Equity Tier I Capital, Additional Tier I Capital and Tier 2 Capital of at least 100% of Own Funds Requirements

Table 5 below presents the composition of the Company’s Own Funds as at 31 December 2021, while Table 6 indicates how these Own Funds reconcile with the Company’s audited Balance Sheet as of this date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As shown below, the Company’s Own Funds as at 31 December 2021 amounted to EUR 4.093k.

Template EU IF CC1			
Ref	**(€'000)**	**31 Dec 2021 (€'000)**	**Source Based on reference numbers/letters of the Balance Sheet in the audited Financial Statement**
1	**OWN FUNDS**	**4.093**	
2	**TIER 1 CAPITAL**	**4.093**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**4.093**	
4	Fully paid up capital instruments	341	Ref. 1 (Shareholder's Equity)
5	Share premium	3.060	Ref. 2 (Shareholder's Equity)
6	Retained earnings	674	Ref. 3 (Shareholder's Equity)
7	Accumulated other comprehensive income	155	Ref. 3 (Shareholder's Equity)
8	Other Reserves	(4)	Ref. 3 (Shareholder's Equity)
10	Adjustments to CET1 due to prudential filters	(9)	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(30)	Ref. 1(Assets)
27	CET1: Other capital elements, deductions and adjustments	(94)	Ref. 2(Assets)
28	**ADDITIONAL TIER 1 CAPITAL**	**-**	
40	**TIER 2 CAPITAL**	**-**	

Table 5: Template EU IF CC1.01 - Composition of Regulatory Own Funds

Template EU IF CC2			
Ref	**31 Dec 2021 (€'000)**	**Balance sheet as in published/audited financial statements**	**Cross reference to EU IF CC1**
1	Equity investments at fair value through other comprehensive income	9	Ref 27
2	Deferred tax assets	30	
3	Financial assets at fair value through profit or loss	79	Ref 27
4	Other non-current assets	62	
5	Trade and other receivables	789	
6	Other current assets	3.378	
	Total Assets	**4.347**	
	Liabilities		
1	Non-current liabilities	-	
2	Current liabilities	122	
	Total liabilities	**122**	
	Shareholders' Equity		
1	Share capital	341	Ref 4
2	Share premium	3.060	Ref 5
3	Non-refundable shareholders' contribution & Reserves	824	Ref 6 & Ref 7
	Total Shareholders' Equity	**4.225**	

Table 6: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

5. Capital Management and Adequacy

5.1. Regulatory Capital

According to the International Financial Reporting Standards (IFRS), the Company's regulatory capital consists of Common Equity Tier 1 and Tier 2 Capital.

Common Equity Tier 1 Capital (CET1 Capital)

According to IFD/IFR, Common Equity Tier 1 capital is made up primarily of the following:

- Ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts
- Retained earnings
- Other reserves

Funds for general banking risk
Deductions from common equity tier 1 capital essentially involve the following:

- Losses for the current financial year
- Goodwill and intangible assets
- Deferred tax assets that rely on future profitability
- All investments in own cet1 instruments, whether held directly or indirectly
- Non-significant & significant holdings of cet1 capital of financial sector entities - FSEs
- Investors' compensation fund ('ICF) & the additional cash buffer of ICF

Tier 2 Capital

Tier 2 capital includes:

- Capital instruments including subordinated loans as that qualify as tier 2 instruments
- Share premium resulting from the issue of instruments included in the tier 2 capital
- General credit risk adjustments of up to a maximum of 1.25% of credit risk RWAs calculated under the standardised approach

Deductions of tier 2 capital essentially apply to the following:

- All investments in own t2 instruments, whether held directly or indirectly
- Non-significant holdings of t2 capital of FSEs (only bb holdings)
- Significant holdings of t2 capital of FSEs

5.2. Capital Management

Capital management is implemented by the Senior Management. As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the risk appetite targets
- Preserving its financial flexibility to finance organic growth
- Adequate allocation of capital among the various business lines according to the company's strategic objectives
- Maintaining the company's resilience in the event of stress scenarios
- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders

The Company determines its internal solvency targets in accordance with these.

In line with the above, the Company is obligated to calculate and report on a quarterly basis (see section on Reporting and Control), under IFR, its capital requirements, which is the higher of the Permanent minimum capital requirement, fixed overhead requirement and the K-Factor requirement, the result of which, i.e. solvency/capital ratio, needs to be above 100% (Calculated based on the section above) at all times.

5.3. Minimum Capital Requirements

The new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

5.3.1 Fixed Overheads Requirement (“FOR”)

The Company’s policy is to monitor its FOR at least on a quarterly basis. The Company calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31 December 2021 amounted to EUR 597K.

5.3.2 Permanent Minimum Capital Requirement (“PMCR”)

The Company’s policy is to monitor on a continuous basis its Own Funds and ensure that they remain above the Permanent Minimum Capital Requirement of EUR 750K, which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD.

5.3.3 “K-factor” Capital Requirement

The Company calculates its overall “K-factor” capital requirement on a continuous basis which is the sum of “K-factor requirements” grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM), Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 3). The total K-Factors as at 31st December 2021 amounted to EUR 482K.

Table 7 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2021.

Minimum Capital Requirements		
K-Factor Requirement		**31 December 2021 (€'000)**
Risk-to-Client (RtC)	k-AUM	-
	k-CMH	13
	k-ASA	-
	k-COH	-
Risk-to-Market (RtM)	k-NPR	467
	k-CMG	-
Risk-to-Firm (RtF)	k-TCD	-
	k-DTF	2
	k-CON	-
Total K-Factor Requirement		**482**
Fixed Overhead Requirement – FOR		**597**
Permanent Minimum Capital Requirement – PMCR		**750**

Table 7: Minimum Capital Requirements Table

Table 7 shows that Permanent Minimum Capital Requirement - PMCR is the highest amount of minimum capital that it must hold at all times.

Table 8 below indicates that the Company has excess capital of EUR 3.352K above the minimum it is required to hold. This is reflected by a Capital Adequacy Ratio of 546,98%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

(€'000) - 31 December 2021	**Fully-phased in**	**Reference**
Capital		
Common Equity Tier 1	4.102	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	***4.102***	***a***
Own Funds Requirement		
K-factor Requirement	482	*b*
Fixed Overhead Requirement	*597*	*c*
Permanent Minimum Capital Requirement	*750*	*d*
Minimum Own Funds Requirement	**750**	***e = (higher of b, c, d)***
Capital Excess/Ratio		
Capital Excess	**3.352**	***a-e***
Capital Ratio	**546,98%**	***a/e***

Table 8: Capital Excess/Ratio

Appendix

Appendix I – Main Features of Own Funds

Template EU IF CCA		
	Common Equity Shares	
1	Issuer	Teletrade - DJ International Consulting Ltd
2	Unique identifier (Legal Entity Identifier)	5493004XYMPINHKGCM47
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
	Regulatory Treatment	
6	Amount recognised in regulatory capital	3.401.200 EUR
7	Nominal amount of instrument	341.200 EUR
8	Issue price	1 EUR
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	301.200 shares on 31/12/2011 & 40.000 shares on 30/09/2016
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A
(1) Insert 'N/A' if the question is not applicable		