



*Regulated by the Cyprus Securities and Exchange Commission License no. 337/17*

**DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2019**

*July 2020*

## DISCLOSURE

*The Disclosure and Market Discipline Report for the year 2019 has been prepared by **Wise Wolves Finance Ltd** as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DII44-2014-14 issued by the Cyprus Securities and Exchange Commission.*

*Wise Wolves Finance 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.*

*Wise Wolves Finance Ltd is regulated by the Cyprus Securities and Exchange Commission under Licence number 337/17.*

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## 1. SCOPE OF APPLICATION

### 1.1 Pillar III Regulatory Framework

The present report is prepared by Wise Wolves Finance Ltd (the “Company”), an independent investment company established in 2016 in Cyprus as part of Wise Wolves Group (“WWG”), providing Investment services in international stock markets with focus on European Union, Russia Federation and CIS countries. The Company is registered in Cyprus under registration number HE 361580 and licensed by the Cyprus Securities and Exchange Commission (“CySEC”), to operate as a Cypriot Investment Firm, under License number 337/17 dated 25/09/2017.

Since 14 December 2017, the Company is controlled by Wise Wolves Group Ltd, incorporated in Cyprus which owns 100% of the Company’s shares.

In accordance with Regulation (EU) No. 575/2013 (the “Capital Requirements Regulation”, “CRR”), which was introduced in 2014, the Company is required to disclose information relating to its risk management, capital structure, capital adequacy, its risk exposures 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 Capital Requirements Regulation introduced significant changes in the prudential regulatory regime applicable to banks and 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. The current regulatory framework comprises three pillars:

- **Pillar I** covers the calculation of Risk Weighted Assets for Credit Risk, Market Risk and Operational Risk.
- **Pillar II** covers the Supervisory Review and Evaluation Process (“SREP”), which assesses the Internal Capital Adequacy Assessment Process (the “ICAAP”) and provides for the monitoring and self-assessment of an institution’s capital adequacy and internal processes.
- **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 2019 Pillar III Disclosures report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR and in particular articles 431 to 455, which set the requirements of the disclosures.

The information disclosed in this report related to the year ended 31st December 2019 (based on audited management accounts) and is prepared on an individual (solo) basis.



The information contained in the Pillar III Market Discipline and Disclosure report is to be audited by the Firm's external auditors and published on the Company's website on an annual basis. The Pillar III Market Discipline and Disclosure report can be found at: <https://wise-wolves.finance/our-company/>.

The Pillar III Market Discipline and Disclosure report was approved by the Board of Directors, approving the adequacy of risk management arrangements of the Company and providing assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

The Company is making the disclosures on an individual (solo) basis.

Moreover, the Company is obliged to provide a copy of the external auditor's verification report to CySEC within 5 months after the end of each financial year.

## 1.2 Corporate Information

<b>Company Name</b>	Wise Wolves Finance Limited
<b>CIF Authorization Date</b>	25 September 2017
<b>CIF License Number</b>	337/17
<b>Company Registration Date</b>	25 October 2016
<b>Company Registration Number</b>	HE 361580

Financial instruments	Investment services and activities								Ancillary Services						
	I(1)	I(2)	I(3)	I(4)	I(5)	I(6)	I(7)	I(8)	II(1)	II(2)	II(3)	II(4)	II(5)	II(6)	II(7)
III (1)	√	√	√						√	√	√	√	√		
III (2)	√	√	√						√	√	√	√	√		
III (3)	√	√	√						√	√	√	√	√		
III (4)	√	√	√						√	√	√	√	√		
III (5)	√	√	√						√	√	√	√	√		
III (6)	√	√	√						√	√	√	√	√		
III (7)	√	√	√						√	√	√	√	√		
III (8)	√	√	√						√	√	√	√	√		
III (9)	√	√							√	√	√	√	√		
III (10)	√	√	√						√	√	√	√	√		
III (11)															



**Notation in regards to previous table:****I. Investment services and activities**

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Dealing on own account.

**II. Ancillary Services**

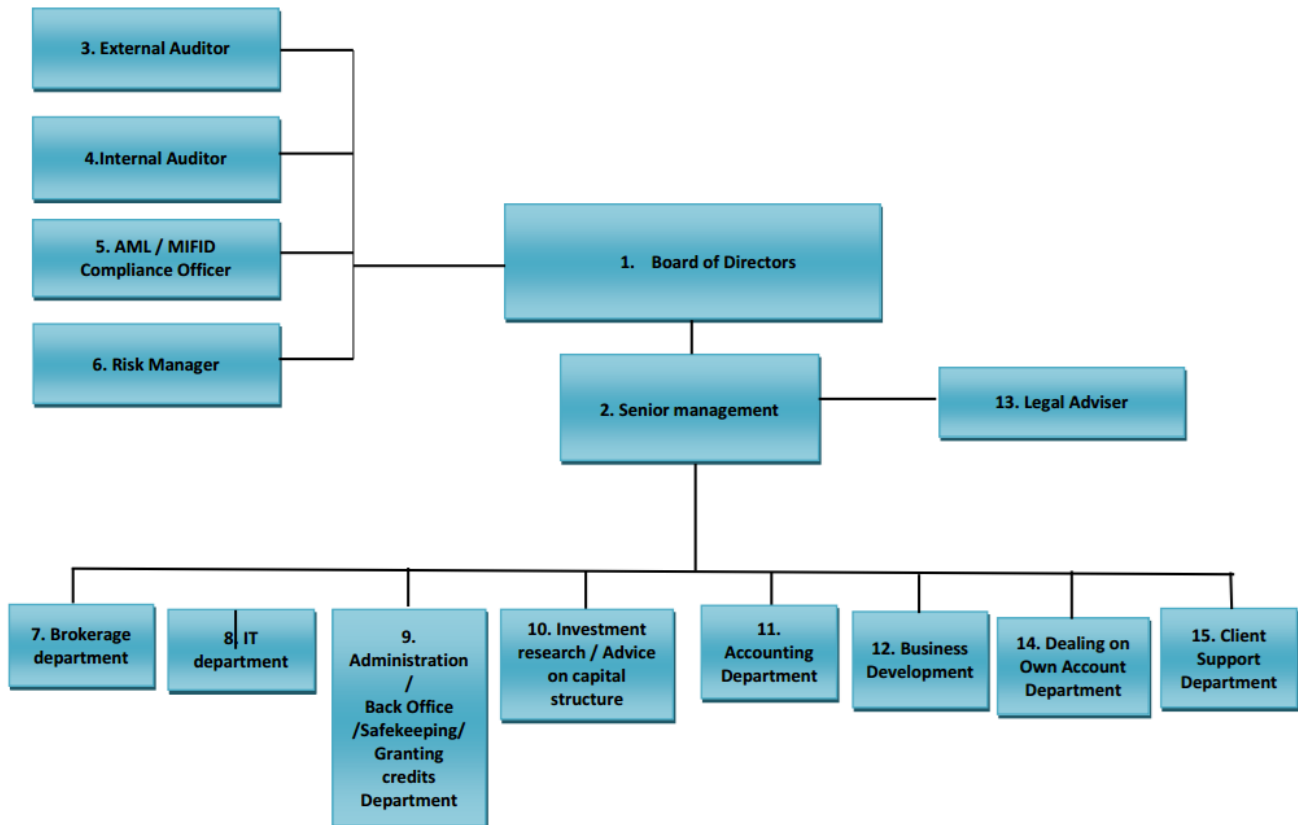
1. Safekeeping and administration of financial instruments, including custodianship and related services;
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
4. Foreign exchange services where these are connected to the provision of investment services;
5. Investment research and financial analysis or other forms.

**III. Financial instruments**

1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences (CFDs);
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter

alia, they are traded on a regulated market or an MTF, are cleared and settled through recognised clearing houses or are subject to regular margin calls.

### 1.3 Organisational Structure



### 1.4 Regulatory (Prudential) Supervision

The Laws and Regulations that govern the operations of Cyprus Investment Firms and set out the obligations and requirements that shall be met in the aspect of capital adequacy and market discipline, are comprised, inter alia, 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. 575/2013 – Capital Requirements Regulation (“CRR”);
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation (“EMIR”);
- 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 (“CRD IV”);
- Directive DI144-2014-14: For the prudential supervision of Investment Firms;

- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013;
- Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU – (“MiFiD II” Directive); and
- Regulation (EU) No. 600/2014 – Markets in Financial Instruments and amending Regulation (EU) No. 648/2012 (MiFiR);

## **2. CORPORATE GOVERNANCE**

### **2.1 Board of Directors**

The Board of Directors (“Board”) of the Company consists of two Executive Directors and two Non-Executive Directors.

The members of the Board of Directors exercise effective control on the company’s affairs and the non- executive members of the Board exercise control over the business carried out by the executive members of the Board.

The main responsibilities of the Board of Directors are:

- To establish, implement and maintain decision-making procedures and an organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities;
- To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities;
- To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the CIF;
- To employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- To establish, implement and maintain effective internal reporting and communication information at all relevant levels of the CIF;
- To maintain adequate and orderly records of its business and internal organization; and
- To ensure that the performance of multiple functions by its relevant persons does not and is no likely to prevent those persons from discharging any particular function soundly, honestly, and professionally.

Furthermore, the Board is responsible for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties.

The Chairman of the Board of Directors is responsible for the proper running of the Board and should ensure that all the issues on the agenda are sufficiently supported by relevant information. The Chairman also ensures that all directors are suitably informed on issues that arise during Board meetings.





At the compliance with the abovementioned requirements, the Company takes into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.

## **2.2 Recruitment Policy**

The purpose of this Policy is to set out the recruitment procedures and requirements for the staff of the Company, including the members of the Board of Directors. The Policy has been prepared taking into consideration what is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

### **Staff Recruitment**

Recruitment and selection of the right people is paramount to the success of the Company and its ability to retain a workforce of the highest quality. The Company provides equal employment opportunity to all qualified persons, in accordance with the Equality and Diversity Policy described in Section 2.4 below. The relevant organizational unit manager obtains authorization for staff recruitment in compliance with the relevant procedure and then notifies the Human Resources ("HR") department. In cases where there is a planned expansion of activities the need for additional recruitment may come from the Board of Directors.

Performance is measured according to previously established and mutually understood goals between the employee and the Company. These goals are challenging but attainable and relating to the core responsibilities defined in the employee's job description. After the goals and objectives are established, the Executive Director sets criteria against which the employee's job performance will be evaluated. The performance review is conducted annually. The formal performance appraisal process includes a written record of the appraisal of prior period and the planning session for future goals.

A written Appraisal Form detailing the above elements is completed by the Executive Director and, thus, the spectrum of performance is recognized and substandard performance is addressed in terms of corrective action. The employee also receives a copy of this record. Documentation is retained for all employees for at least five years.

### **Board of Directors Recruitment**

The management of a CIF must be undertaken by at least two persons meeting the requirements below:

- Members of the Board shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board of directors shall reflect and adequately board range of experiences.
- All Board members shall commit sufficient time to perform their functions in the Company.



- The number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Company's activities. Unless representing the Republic, members of the Board of Directors of the Company that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:
  - a) One executive directorship and two non-executive directorships;
  - b) Four non-executive directorships.
- For the purposes of subsection above, the following shall count as a single directorship:
  - a) Executive or non-executive directorships held within the same group;
  - b) Executive or non-executive directorships held within:
    - i. institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
    - ii. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.
- Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of the previous subsection.
- The Commission may allow members of the Board of Directors to hold additional non-executive directorships.
- The Board of Directors shall collectively possess adequate knowledge, skills experience to be able to understand the Company's activities, including the principal risks.
- Each member of the Board of Directors shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

The chairman of the Board of Directors must not exercise simultaneously the functions of a chief executive officer within the Company, unless authorized by the Commission.

### **2.3 Number of Directorships held by members of Board of Directors**

The table below provides the number of directorships held by each member of the management body of the Company at the same time in other entities, excluding Wise Wolves Finance Ltd and any other companies belonging to the same group as Wise Wolves Finance Ltd. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.



It is noted that the Company does not currently fall under CySEC's criteria, as derived from Circular 228, to be recognised as a significant CIF<sup>1</sup>.

**Table 1:** Number of Directorships

Name of Director	Position within Wise Wolves Finance Ltd	N. of Executive Directorships in other Entities		N. of Non-Executive Directorships in other Entities	
		In Regulated Entities		In Regulated Entities	
Sergey Stopnevich	Executive Director	2	CySEC, CBC	0	
Anna Stopnevich	Executive Director	0		1	CBC
Svitiana Morozyk	Independent Non-Executive Director	1	CySEC	3	CySEC, CBC
Yevheniya Savchenko-Paschalides	Independent Non-Executive Director	0		1	CySEC

## 2.4 Equality and Diversity Policy

The purpose of the Equality and Diversity policy is to:

- Create a positive and supportive working environment for all staff and customers.
- Protect employees from being discriminated against because of one or more of the protected characteristics that apply to them.
- Provide equal opportunity for everyone in the workforce, no matter their background or characteristics.
- Promote the diversity of the workforce, including the diversity on the Board of Directors.

The policy should be monitored and reviewed annually to ensure that equality and diversity is continually promoted in the workplace.

Through this policy, the Company aims to ensure that all employees and job applicants are given equal opportunity and that our organization is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result.

This policy reinforces our commitment to provide equality and fairness to all in our employment and not provide less favourable facilities or treatment on the grounds of:

- age
- disability
- gender
- marriage and civil partnership
- pregnancy and maternity
- race

<sup>1</sup> Significant CIF as per CySEC's C228 is a CIF that fulfils one or more of the following criteria: (i) Total Assets exceed EUR 43mn; (ii) Annual fees/commission income/net trading income exceed EUR 50mn; (iii) Clients' money exceed EUR 35mn; or (iv) Clients' Assets exceed EUR 750mn.



- ethnic origin
- colour
- nationality
- national origin
- religion or belief or
- sex and sexual orientation.

All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When the Company selects candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability. All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised and we will maximise the efficiency of our whole workforce.

In particular, the Company is committed to:

- create an environment in which individual differences and the contributions of all team members are recognised and valued.
- create a working environment that promotes dignity and respect for every employee.
- not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- make training, development, and progression opportunities available to all staff.
- promote equality in the workplace, which the Company believes is good management practice and makes sound business sense.
- encourage anyone who feels they have been subject to discrimination to raise their concerns, so the Company can apply corrective measures.
- encourage employees to treat everyone with dignity and respect.
- regularly review all our employment practices and procedures so that fairness is maintained at all times.

The policy is being distributed among all employees, and all of the employees are obligated to comply with its requirements and promote fairness in the workplace. The Company's equality and diversity policy is fully supported by senior management.

### **Board of Directors Composition**

The Board of the Directors composition is one of the most important factors for the effectiveness of the business. Composition of the Board of Directors refers to the diversified backgrounds and expertise of the board members, the suitable balance of power on the Board between dependent and independent members as well as the gender diversity which is equally important. While the diversity shall be pursued, it shall not reduce the importance of other factors such as knowledge, skills, experience, background and reputation.



The Company recognizes that any differences in the ability, background, gender, age, nationality between members of the top management team can lead to value-creation for the company and thus improve performance.

## 2.5 Training

During the year, the Company's employees and directors, including the Risk Manager, attended courses on the applicable Compliance/AML legislation and relevant procedures and Risk Management. The Board is updated on a regular basis on changes to CySEC regulations.

During the year all of the company employees completed training designed by reputable providers, in accordance with the CySEC training requirements.

## 2.6 Reporting and Control

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow on risk to the management body, as can be seen below:

*Table 2:* Information of flow

Report Name	Owner	Recipient	Frequency	Due Date
Risk Management Report	Risk Manager	Board, CySEC	Annual	31/07/2020
Pillar I COREP templates	Risk Manager	Board, CySEC	Quarterly	11/02/2020 31/07/2020 11/08/2020 11/11/2020
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	CySEC, Public	Annual	31/7/2020
ICAAP Report	Risk Manager	Board	Annual	Within 2020
Internal Audit Report	Internal Auditor	Board, CySEC	Annual	31/07/2020
Compliance Report	AML/MIFID Compliance Officer	Board, CySEC	Annual	31/07/2020
Anti-Money Laundering Report	AML/MIFID Compliance Officer	Board, CySEC	Annual	31/07/2020
Financial Reporting	External Auditor	Board, CySEC	Annual	31/07/2020

## 3. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 3.1 Definition of Risk Management

Risk Management is the process of identification, analysis and evaluation of uncertainty in investment decision-making. As a result, it is treated accordingly; either accepted (in which case the Company allocates capital) or mitigated.

Risks should be continuously monitored and reviewed. In addition to that, outcomes and results should be properly reported and new objectives should be set.



The Company's Risk Management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all risks. The Company is exposed to and has flexibility to accommodate any change in business activities.

The Risk Manager reports directly to the Board of Directors, operates independently and is assigned the monitoring of the following:

- the adequacy and effectiveness of the Company's risk management policies and procedures;
- the level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted; and
- the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

### **3.2 Risk Management Policy and Objectives**

The Company's Risk Management Policy was formed with the view to elucidate the approach taken by the Company towards the risk confronted by the Company and the principles guiding its approach. The analysis refers to the risks confronted by the Company and the strategies employed for their mitigation or elimination. Importantly, the approach of the Company's management and the resulting policy adopted regarding the issue of risk is exemplified throughout.

It sets out the procedures and mechanisms regarding risks and it describes the roles and responsibilities of the Risk Manager. In addition to that, it identifies the main reporting procedures and outlines the process followed by the Senior Management in order to evaluate the effectiveness of the Company's internal control procedures.

The Board of Directors annually approves/revise the proposed changes and performs the strategic overview and control of the Risk Management Policy.

The Risk Manager ensures that all different types of risks taken by the Company are monitored and reported to the Senior Management and the Board. Moreover, the Risk Manager is responsible for making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies identified, as aforementioned.

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



The Company's Board receives on a regular basis written reports, which contain a description of the implementation and effectiveness of the overall control environment for investment services and activities, ancillary services and other business, and a review of the risks that have been identified, analysed, planned as well as remedies undertaken or that will be undertaken.

Processes are continuously being reviewed with the intent of further strengthening through the implementation of guidance provided by both the industry and new regulatory requirements. In addition, the entire Risk Management Policy universe has been re-designed to define an updated comprehensive and coherent framework for risk management, linked to the Company's risk appetite.

### **3.3. Risk Appetite Framework (RAF)**

Risk appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, conduct, reputational, compliance and data security/IT risk.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the Board and management confidence to avoid risks that are not in line with the strategic objectives.

The Board of Directors approved the following Risk Appetite Statement decided by Management:

#### ***Risk appetite statement***

*The Company's risk appetite is determined by its Board, following the recommendations of the Risk Manager and taking into account the Company's risk bearing capacity.*

*Risk appetite determines the maximum risk that the Company is willing to assume in order to meet its business targets. To ensure coherence between the Company's strategic considerations as regards risk taking and the day-to-day decisions, Management reviews and when deemed necessary updates the Company's risk appetite statement.*

*The Company's risk appetite is set by taking into consideration its current risk profile (please see below). The following are the main risk appetite statements which are applicable across all of the Company's activities:*

- *The available regulatory capital over the total risk weighted assets for all risks that the Company is or might be exposed, is targeted to be greater than or equal to 17.8% or EUR 730K whichever is the highest in value.*



- *CET1 ratio should under no circumstances fall below the minimum regulatory requirement imposed by CySEC – which is 4.5% of total RWAs, plus applicable Pillar I buffers<sup>2</sup>;*
- *The Company has zero tolerance towards internal fraud and non-compliance with regulatory requirements. Therefore, all departments are required to operate at all times in compliance with respective regulatory requirements;*
- *The Company has limited tolerance towards operational risks / losses such as internal fraud, unauthorized trading limit excesses, data security and GDPR. Operational risks inherited in the business operations of the Company are managed proactively.*

*The Company's risk bearing capacity is defined as the ability of the Company's available capital to absorb adverse risk. The Company's available paid-up capital currently consists solely of CET1 capital, calculated after relevant deductions.*

The risk appetite of the Company is the aggregate level and types of risk the Firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Thus, Risk Appetite and Strategic Plan occur and evolve in parallel. The Risk Appetite enables the Company to demonstrate that the achievement of its strategic goals has not been the result of fortuitous circumstances.

Taking into consideration the Company's size, services offered, complexity and operations, the risks that are considered significant and / or material for the Company are credit risk, market risk, operational risk, liquidity risk, concentration of large exposures and exposures to directors and shareholders.

In regards to the above, setting the corporate risk appetite without taking into account the risk capacity of the Company may have serious consequences. Risk capacity may be easy to quantify in terms of capital or required funding but it is more challenging to consider the point at which the Company's reputation is beyond repair.

The Board and Senior Management understand how the risk capacity impacts on the business and have taken the necessary steps in order to be in constant awareness, mitigating any potential threats.

### **3.4. Risk Culture**

The Board has a crucial role in strengthening risk governance, including setting the 'tone at the top', reviewing strategy, and approving the Risk Appetite Statement. It is the Board that is ultimately responsible and accountable for risk governance.

A robust risk culture is a substantial determinant of whether the Company will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that the Company wishes

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<sup>2</sup>Applicable Buffers for Wise Wolves Finance Ltd include: (i) the Capital Conservation Buffer ("CCB"), which is set at 2.5% of total RWAs from 2019 onwards; and (ii) the Institution-specific Countercyclical Capital Buffer ("CCyB"), which depends on the Company's exposure to countries with positive countercyclical buffer rates as applied by their macroprudential authority.





to build is reflected in its policies and procedures which are closely aligned to its Risk Appetite. Risk culture is manifested in the day-to-day decisions that indicate how risk is identified, understood, discussed, and acted upon.

The Company has focused primarily on the implementation of a firm-wide effective and pervasive risk culture. This is achieved through the following:

- Embedding the risk culture at all levels of the Company with clear ownership and accountability of tasks;
- Conducting firm-wide risk assessments;
- Implementing formal risk education presentations;
- Changes in policies and procedures, introducing additional risk criteria for the evaluation of credit and investment decisions;
- Changes in key personnel;
- Training.

### **3.5. Board Declaration – Adequacy of the Risk Management arrangements**

The Board of Directors is ultimately responsible for the risk management framework of the Company.

Risk management framework is the sum of control systems, work processes and internal policies. These are designed with the aim to minimise the risks of not achieving business objectives, and - as such - offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

### **3.6. Regulatory Pillar I Risk Management**

It is noted that the 8% minimum regulatory capital requirements referred to in the sub-sections below exclude the capital buffers, namely:

- a. Capital Conservation Buffer (the 'CCB')
- b. Institution-specific Countercyclical Capital Buffer (the 'CCyB')
- c. Other systematically important institutions buffer (the 'O-SII buffer').

Currently only the CCB and CCyB apply to the Company. From January 1st, 2019 and onwards, the CCB buffer is set at 2.5%. The CCyB for the Company as at 31.12.2019 was 0.3%.

Therefore, the Company's total Pillar I capital requirement plus additional buffers totalled to 10.8% as of end-December 2019, comprising of: (i) a minimum 8% Pillar I capital requirements; (ii) a 2.5%



CCB buffer; and (iii) a 0.3% CCyB buffer; or (iv) EUR 730K (regulatory initial capital), whichever is the higher.

### **3.7. Internal Capital Adequacy Assessment Process (“ICAAP”)**

The Company has established an Internal Capital Adequacy Assessment Process (hereinafter, the “ICAAP”), with the scope of ensuring that the Company holds adequate capital to support any future unexpected losses that may arise from its investment services licensed activities. With this report the Company fulfils the disclosure requirement in accordance with Paragraph 31, Chapter 6, Part C of Directive DI144-2007-05 of 2012 (the “Directive”) of CySEC on the Capital Requirements of Investment Firms and Article 73 of the EU Directive 2013/36/EU (the “Capital Requirements Directive – CRD”).

In performing its ICAAP, the Company has adopted the “Pillar I Plus” approach, under which Pillar I capital requirements serve as a starting point and thereafter an assessment is conducted to investigate the possibility whether additional capital cushion should be set aside for:

- Pillar I risk (namely, credit risk, operational risk and market risk) that may not be adequately covered by the calculated regulatory capital requirements; and
- Pillar II risks that lie beyond the scope of the regulatory capital requirements calculated under Pillar I.

The ICAAP report is being reviewed and updated annually, while it is submitted to CySEC upon its request.



#### 4. FINANCIAL INFORMATION/OWN FUNDS

The following information provides a reconciliation between the balance sheet presented in Financial Statements and the balance sheet prepared for prudential purposes.

Regulatory Capital (Eligible Own Funds for Solvency Purposes as defined in CRR):

**Table 3:** Composition of the capital base of Wise Wolves Finance Ltd

Composition of Own funds	As at 31st Dec 2019	As at 31st Dec 2018
<b>Description</b>		
<b>Eligible Own Funds</b>		
Tier 1 positive items:		
- Share capital	4	3
- Share premium	3,096	1,497
- Retained Earnings	-381	-381
- Other reserves	0	0
- Audited profit/(loss) for the period ( <i>net of foreseeable dividends</i> )	321	0
<b>Total Own Funds before Deductions:</b>	<b>3,040</b>	<b>1,119</b>
Deductions:		
- ICF contribution	-57	-43
- Intangible assets	-27	-13
<b>Original Own Funds (Tier 1 Capital)</b>	<b>2,956</b>	<b>1,063</b>
<b>Capital Requirements before additional capital buffers<sup>1</sup></b>		
Credit Risk (=8% of RWAs)	274	78
Market Risk (=8% of RWAs)	156	0
Operational Risk (=8% of RWAs)	86	119
<b>Total Capital Requirements</b>	<b>517</b>	<b>197</b>
<b>CET1 Capital Ratio</b>	<b>45,77%</b>	<b>43,21%</b>
<b>T1 Capital Ratio</b>	<b>45,77%</b>	<b>43,21%</b>
<b>Capital Adequacy Ratio</b>	<b>45,77%</b>	<b>43,21%</b>

**Notes:**

<sup>1</sup> The total capital requirements are those determined by RWAs (in this case Euro 515K as at 31.12.2019) or the 730K initial minimum capital requirement whichever is the highest.

<sup>2</sup> Figures are based on audited management accounts.

#### Transferability of Resources

Wise Wolves Finance Ltd maintains a transferability of resources between group companies, with the limiting factors being the requirement to maintain sufficient regulatory capital in the regulated entities and the statutory accounting limitations on reserve distribution. There are no current or foreseen practical or legal impediments to the prompt transfer of funds among the WWG companies other than the Cyprus Companies Law requirements in respect of declaration and payment of dividends.



## 5. CAPITAL REQUIREMENTS UNDER PILLAR I & PILLAR II

The primary objective of the Company with respect to its capital management is to ensure that the Company complies with the capital requirements regulation imposed by the European Union and regulated by CySEC.

Under this framework, the Company needs to monitor its capital base and maintain a strong capital adequacy ratio in order to be able to promote itself as a fully compliant and healthy Company, to support its business and maximize shareholders' value. In this respect, the Capital requirements should not be seen as a restriction of business but rather as proactive risk management imposed to help both the Company and its client base.

The fundamental pillar of the capital adequacy framework, Pillar I, is based on the fact that the Company must have minimum own funds which are at all times more than or equal to the sum of its capital requirements. In addition to the Pillar I minimum capital requirements, the Company's eligible own funds must at all times exceed the EUR 730k minimum initial capital requirement as specified under the Article 28 (2) of the CRD.

In line with CRR, Pillar I sets out the minimum regulatory capital requirements of firms to cover credit risk, market risk and operational risk.

The minimum capital adequacy ratio an investment firm is required to maintain is set at 8%. Moreover, with the introduction of Basel III/CRR, the capital quality requirements have become more stringent: Common Equity Tier 1 ratio has increased to 4.5%, Tier 1 to 6%, and Overall (Tier 1 and Tier 2) to 8% plus any additional capital buffers (including the countercyclical capital buffer) and any SREP add-on.

The total **Pillar I capital requirement for the Company for the year 2019 totals to 10.8%** of its total RWAs as at 31.12.2019 and is derived from: (i) the minimum total capital ratio of 8% of its total RWAs plus the CCB buffer of 2.5% and CCyB buffer of 0.3%; and (ii) the minimum initial capital requirement of EUR 730K, whichever is the higher.

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

The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.



**Table 4:** Minimum Capital Requirements

Type of Risk	RWAs	Minimum Capital Requirements (=8% of total RWAs)
	EUR '000	
<i>Credit Risk</i>	3426	274
<i>Market Risk</i>		
<i>of which Foreign Exchange risk</i>	809	65
<i>of which Interest Rate risk</i>	1,145	92
<i>of which Equity risk</i>	3	0
<i>of which Commodity risk</i>	0	0
<i>Operational Risk</i>	1,078	86
<b>Total Capital Requirement</b>	<b>6,460</b>	<b>517</b>
<b>Total Own Funds</b>		<b>2,956</b>
<b>Capital Adequacy Ratio (Own Funds/Total RWAs)</b>		<b>45,77%</b>
<b>Minimum Capital Adequacy Ratio (including buffers)</b>		<b>10.8%</b>

**Notes:**

<sup>1</sup> Figures are based on audited management accounts.

## 5.1 Credit Risk

### *Definition*

Credit Risk is the risk of loss that the Company would incur from the inability of the Company's customers, issuers or other counterparties to meet their contractual credit obligations. The Company follows the Standardized Approach under Pillar I for calculating its Credit Risk Capital Requirements as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Quality Step methodology to determine its respective Risk Weights (RW).

### *Risk identification, Measurement, Control and Reporting*

Credit Risk arises when failures by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets in hand, at the balance sheet date. The Company's Credit Risk mainly arises from the Company's:

- deposits in Financial institutions;
- exposures to brokerages and other corporates; and
- counterparty credit risk arising from the Company's exposure to derivative contracts and repurchase transactions ("REPOs")



***Use of External Credit Assessments Institutions' (ECAI) Credit Assessment of the determination of Risk Weights***

For the purpose of calculating the capital requirements of the Company mainly under the Credit Risk requirement, for the exposure classes listed below, Moody's, S&P and Fitch's external credit ratings have been applied.

- Exposures to central governments or central banks;
- Exposures to public sector entities;
- Exposures to institutions;
- Exposures to corporates.

The general ECAI association with each credit quality step complies with the standard association published by CySEC as follows:

**Table 5:** ECAI association with each credit quality step

Credit Quality Step	S&P	Moody's	Fitch	Institution Risk Weight (Below 3 months)	Institution Risk Weight (Above 3 months)	Sovereigns Risk Weight	Corporate Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	0%	20%
2	A+ to A-	A1 to A3	A+ to A-	20%	50%	20%	50%
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	20%	50%	50%	100%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	50%	100%	100%	100%
5	B+ to B-	B1 to B3	B+ to B-	50%	100%	100%	150%
6	CCC+ and below	Caa1 and below	CCC+ and below	150%	150%	150%	150%

For exposures to regional governments or local authorities, public sector entities and institutions, the ECAIs are applied in the following priority:

1. Issue/Exposure.
2. Issuer/Counterparty.
3. Sovereign.

For exposures to central governments or central banks and corporates the ECAIs are applied in the following priority:

1. Issue/Exposure.
2. Issuer/Counterparty.

The ECAIs are not taken into account where all relative exceptions or discretions as per the CRR apply. This means the credit quality step tabulated below may not apply for credit exposure risk weighting



purposes if CRR exceptions apply (for example exposures to EU institutions in domestic currency with remaining maturity up to 90 days).

The classification of original exposures as at 31.12.2019 in the table below follows the information above.

**Table 6:** CQS classification as at 31.12.2019 for on- and off-balance sheet items

Credit Quality Step	Original Exposure (EUR '000)	Risk Weighted Assets (EUR '000)
CQS 1	1,284	0
CQS 2	322	148
CQS 3	2,811	2,740
CQS 4	213	213
CQS 5	18	9
Unrated	879	203
Not Applicable	0	0
<b>Total</b>	<b>5,528</b>	<b>3,314</b>

### Credit Risk Analysis

The tables below indicate the Company's Credit Risk exposure under Pillar I, as at 31.12.2019 based on audited management accounts.

**Table 7:** Total Credit RWAs by Exposure Class

Exposure Class	Original Exposure Value (EUR '000)		RWAs (EUR '000)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sovereign (RW: 0%)	1,299	5	0	0
Institutions (RW: 20%)	3152	175	276	35
Institutions (RW: 50%)	296	0	148	0
Institutions (RW: 100%)	7	4	7	4
Corporate (RW:100%)	2,993	934	2,993	934
Equity (RW: 100%)	1	0	1	0
Other items	0	1	0	1
<b>Total</b>	<b>7,750</b>	<b>1,119</b>	<b>3,426</b>	<b>974</b>

**Table 8:** Residual Maturity per Exposure Class as at 31.12.2019

Exposure Class	As at 31.12.2019 (EUR '000)		Total
	Maturity < 3months	Maturity > 3months	
Institutions	265	167	432
Corporates	504	2,489	2,993
Equity	0	1	1
Other items	0	0	0
<b>Total</b>	<b>769</b>	<b>2,657</b>	<b>3,426</b>



**Table 9:** Geographic Distribution of Exposures as at 31.12.2019

Country	RWAs as at 31st Dec 2019 (EUR '000)					
	Exposure Class					
	Sovereign	Institutions	Corporates	Equity	Other items	Total
Cyprus	0	109	35	0	0	<b>144</b>
Russia	0	0	469	0	0	<b>469</b>
Germany	0	0	0	0	0	<b>0</b>
Italy	0	0	0	1	0	<b>1</b>
UK	0	173	0	0	0	<b>173</b>
France	0	139	0	0	0	<b>139</b>
Ireland	0	0	635	0	0	<b>635</b>
Netherlands	0	0	1,356	0	0	<b>1,356</b>
Luxembourg	0	0	181	0	0	<b>181</b>
Mexico	0	0	205	0	0	<b>205</b>
USA	0	0	106	0	0	<b>106</b>
Austria	0	9	0	0	0	<b>9</b>
<b>Total</b>	<b>0</b>	<b>421</b>	<b>2,987</b>	<b>1</b>	<b>0</b>	<b>3,409</b>

**Table 10:** Distribution of Exposure by Industry Type as at 31.12.2019

Exposure Class	RWAs as at 31st Dec 2019 (EUR '000)		Total
	Financial/Banking	Other	
Institutions	421	0	421
Corporates	469	2,515	2,987
Equity	1	0	1
Other items	0	0	0
<b>Total</b>	<b>894</b>	<b>2,515</b>	<b>3,409</b>

### Counterparty Credit Risk

The Company's total exposure in derivatives amounts to EUR 2.303mn and is calculated using the "Mark-To-Market Method" by taking the sum of the positive current replacement cost and potential future credit exposure.

The Company applies the Comprehensive Method for Credit Risk Mitigation (CRM) purposes for repurchase transactions ("Repos"). Any collateral recognised by the Company for the purposes of CRM is in the form of cash (funded credit protection). No collaterals in the form of guarantees or credit derivatives were being used for Credit risk mitigation purposes as at the reference date.

The minimum capital requirement calculated for the open derivative positions of the Company as at 31 December 2019 is presented in the following table:





**Table 11:** Counterparty Credit Risk

Type of Exposure	Market Value	Nominal Value	Exposure Amount before CRM	Exposure Amount after CRM	RWAs	Capital Requirements
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
FX Options	8	950	12	12	8	1
Stock Index Options	12	3,370	202	202	40	3
Repos	2,087	2,087	2,087	314	63	5
<b>Total</b>	<b>2,107</b>	<b>6,407</b>	<b>2,301</b>	<b>528</b>	<b>111</b>	<b>9</b>

**Table 12:** Funded Credit Protection

Asset Class (EUR '000)	Value of exposure secured by financial collaterals	Value of exposure secured by guarantees or credit derivatives
Institutions	578	0
Corporates	1,265	0
Retail	0	0
Other items	0	0
<b>Total</b>	<b>1,844</b>	<b>0</b>

## 5.2 Market Risk

### *Definition*

Market Risk is the risk of losses when the value of investments may decline over a given time period as a result of fluctuation of market prices or economic changes.

In the context of Pillar I, Market Risk can be divided in the following categories:

*Equity Position Risk:* It refers to the probability of loss associated with a particular trading (long or short) position due to share price changes.

*Interest Rate Risk:* The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

*Commodities Risk:* It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.



***Foreign Exchange Risk:*** It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the Company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

### ***Risk identification, Measurement, Control and Reporting***

The Company's Market Risk for 2019 mainly arises from the below sub-categories of market risk:

- Foreign Exchange ("FX") risk, due to derivative positions held with FX as the underlying instrument (i.e. FX options) and other on-balance sheet exposures in other currencies;
- Interest Rate risk, due to fixed-income instruments held in its trading book.
- Equity risk, due to stocks and index options held in its trading book.

The Risk Manager and the Company's Dealing Room continuously monitor market prices and act accordingly in order to maintain price risk at acceptable levels. Furthermore, the Company had adopted the Standardised Approach for calculating its minimum capital requirements.

### ***Market Risk Analysis***

The table below shows the total market RWAs and the capital requirements as at 31 December 2019, based on audited management accounts, for each type of market risk.

**Table 12:** Net Currency exposures as at 31.12.2019

<b>Foreign Exchange Capital Requirements</b>	<b>31/12/2019 EUR '000</b>
<b>Currency denominated in Euro</b>	
EUR	2,551
USD	806
RUB	4
Other	0
<b>Position Subject to Capital Charge</b>	<b>809</b>
<b>Own Funds Requirement</b>	<b>65</b>
<b>Total Risk Exposure Amount</b>	<b>809</b>



**Table 13:** Positions Risk on Traded Debt Instruments (TDI) as at 31.12.2019

TDI Position Risk Capital Requirements TDI Breakdown by currency	31/12/2019 EUR '000	
	Positions subject to capital charge	
	General Risk	Specific Risk
USD	10	363
EUR	28	1,595
Other	0	0
<b>Total Position Subject to Capital Charge</b>	<b>1,958</b>	
<b>Own Funds Requirement</b>	<b>92</b>	
<b>Total Risk Exposure Amount</b>	<b>1,145</b>	

**Table 14:** Positions Risk on Equities as at 31.12.2019

Equity Position Risk Capital Requirements Geographical Equity Breakdown	31/12/2019 EUR '000	
	Positions subject to capital charge	
	General Risk	Specific Risk
Italy	1	1
USA	0	0
Other	0	0
<b>Total Position Subject to Capital Charge</b>	<b>3</b>	
<b>Own Funds Requirement</b>	<b>0</b>	
<b>Total Risk Exposure Amount</b>	<b>3</b>	

### 5.3 Operational Risk

#### *Definition*

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors. Operational Risk includes Legal Risk but excludes Strategic and Reputational Risk.

The following list presents some event types, included in Operational Risk, with some examples for each category:

- Internal Fraud: unauthorized limit excess with intend, misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud: theft of information, hacking damage, third – party theft and forgery.
- Clients, Products and Business Practice: market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.
- Execution, delivery and process management: wrong execution of orders, data entry mistakes when transmitting orders, trade miscapturing.
- Employment Practices and Workplace Safety: acts inconsistent with employment, health or safety laws or agreements.
- Damage to Physical Assets: natural disaster or other events.
- Business Disruption and system failures.

#### *Risk identification, Measurement, Control and Reporting*

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); and
- 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-eyes” structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company. The Board further reviews any decisions made by the Management while monitoring their activities;
- Providing clients with all appropriate information prior to establishing a business relationship (i.e. Complaint and Grievances Handling Procedures, Management of Conflicts of Interest Situations, Safeguarding of Financial Instruments and Funds, Best Execution Policy, Risk Warning, etc.); and
- Comprehensive business contingency and disaster recovery plan.

### *Operational Risk Analysis*

For the calculation of Operational Risk in relation to the capital adequacy returns, the Company uses the Basic Indicator approach. Based on the relevant calculations in the Company’s capital requirements, the figures calculated below shows the Company’s exposure to Operational Risk:

*Table 15:* Company’s exposure to Operational Risk

Operational Risk Capital Requirements	31/12/2019 EUR '000
Gross Income as specified in CRR:	883
Last 3 years average	382
<b>Pillar I Operational Risk Capital Requirement (15% of 3-year average Gross Income)</b>	<b>86</b>
<b>Total Own Funds</b>	<b>2,956</b>
<b>Total Risk Exposure Amount</b>	<b>1,078</b>



## 6. OTHER RISKS

### 6.1 Concentration Risk

#### *Regulatory Limits to Large Exposures to institutions and non-institutions*

Limits to large exposures are calculated as specified in the CRR. According to the regulatory definition, 'large exposure' means the exposure of the Company to a person or a group of connected persons where its value is equal to or exceeds 10% of the Company's eligible own funds.

In general, the Company shall comply with the Large Exposure limits laid down below:

- The Company shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with the provisions of the CRR, to a client or a group of connected clients (which are not institutions), that exceeds 25% of the Company's own funds.
- Where the aforementioned client is an institution, or where a group of companies of connected clients include one or more institutions, the value of the exposure shall not exceed 25% of the Company's own funds or EUR 150m, whichever the higher.
- Where the amount of EUR 150m exceeds the 25% of the Company's own funds, the value of the exposure shall not exceed a reasonable and determined limit by the Company of its own funds. That limit shall not be higher than 100% of the Company's own funds. Separately, note that the term institutions mean credit institutions, investment firms and insurance companies based in the European Economic Area ("EEA"). Where the amount of EUR 150m is applicable, the European Commission may allow on a case-by-case basis the 100% limit in terms of the Company's own funds to be exceeded.

The allowable limits to institutions and non-institutions, as mentioned above, are closely monitored and controlled by the Company. As at 31st December 2019, the Company's exposures to institutions and non-institutions are within the regulatory allowable limits.

### 6.2 Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding a financial organisation's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. In particular, reputational risk can materialize in the case of non-compliance with regulations, a breach of ethical values or the perception by the customer of an unfavourable discrepancy between the commercial offering and the reality of staff's practices.

The Company manages its reputational risk through corporate governance and internal controls ensuring that:

- The Company controls all marketing communication that goes out to the public and stays up to date with new regulatory requirements and obligations in an effort to maintain a strong reputation. In addition, it obtains legal opinions on new jurisdictions in which it wants to



operate to ensure that it doesn't violate any laws. According to the third country's requirements, it adjusts its marketing material accordingly.

- The Company has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to clients.
- Furthermore, employees are bound by confidentiality policies and there are several controls to minimize the risk of internal fraudulent activity not being spotted/prevented.
- In addition, the management ensures that the Company is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

### **6.3 Strategic Risk**

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company's exposure to strategic risk is considered low as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

### **6.4 Business Risk**

Business risk is a distinct type of risk that is not captured in the course of the Pillar I capital requirement and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Company manages strategic risk through its normal conduct of business, while business risk is further examined in the course of the annual ICAAP.

### **6.5 Regulatory Risk**

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has in place documented procedures and policies based on the requirements of relevant Laws and Directives issued by CySEC. Compliance with these procedures and policies is further assessed and reviewed by the Company's Internal Auditor and suggestions for improvement are implemented by management. The Internal Auditor evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is considered as low.

### **6.6 Compliance / Money Laundering and Terrorist Financing Risk**

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards.



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 Compliance / Money Laundering and Terrorist Financing Risks. Among others, the Company has established or is in the process of establishing the below policies, procedures and controls:

- a. 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;
- b. adoption of Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk, prior and after the establishment of a business relationship with a client;
- c. monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries;
- d. Developed and established a Customers' Acceptance Policy (CAP) which has also been included in its AML Manual and reflects the actual policies and procedures followed by the Company;
- e. A number of policies (i.e. Conflicts of Interest Policy, Best Interest and Order Execution, Complaints Policy, Client Classification Policy etc.) have been uploaded in the Company's website aiming at providing its clients with all necessary information prior to the establishment of a business relationship;
- f. The Company's Compliance Officer, in liaison with the Board and the Heads of the Front-line Departments, designed effective organizational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of the Company's clients;
- g. Established mechanisms that allow the Company to submit the EMIR and MIFIR reporting on a daily basis according to the provisions of the relevant Laws and Directives;
- h. Electronically submit to CySEC the Risk Based Supervision Framework ('RBS-F');
- i. Submitting the Common Reporting Standard (CRS) reporting to the Cyprus Tax Department;
- j. Registered with the goAML system implemented by MOKAS.
- k. The Company's Compliance Officer and Senior Management shall ensure on an ongoing basis that, the Product Governance Requirements under MiFiD II will be met; and
- l. Ensure that the Company's personnel receive the appropriate training and assistance.

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





## 6.7 IT Risk

IT risk could occur as a result of inadequate information technology and processing or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. The Company is regularly, at least annually, conducting Business Continuity Plan (BCP) stress tests to ensure the proper functioning of its systems and back-up procedures but also to minimise the possibility of such type of risk to materialise.

## 6.8 Stress Testing

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 aim at:

- Understanding the risk profile of the Company;
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under Pillar I. This takes place in the context of the Company's ICAAP, which is performed and reviewed annually;
- 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.

## 6.9 Group Risk

Group Risk represents any adverse impact due to relationships (financial or non-financial) of the Company with other entities in the group or by risks which may affect the financial position of the whole group (e.g. reputational contagion). For WWF, the main group risk may arise from legal or other impediments in the transferability of funds from other entities of the group during periods of financial stress related either to systemic or group specific factors.

To mitigate Group risk, the Company ensures that Wise Wolves Group Ltd, and other related entities, are well capitalized and funded. The Company's Risk Manager monitors the financial strength of the Group on a continuous basis. In addition, the Management ensures independence between entities to minimize impact of any regulatory or reputational events in other group operations



## 7. LEVERAGE RATIO

According to the CRR, Article 429, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposures and is expressed as a percentage. Institutions shall calculate the end-of-quarter leverage ratio as per the discretions from CySEC. The leverage ratio must at all times exceed the 3% of the Company's eligible capital.

As at 31 December 2019 (based on audited management accounts), the leverage ratio of the Company was equal to 44% using a fully phased in definition, as per the table below:

**Table 16:** Reconciliation of accounting assets and Leverage ratio exposures

Leverage Ratio Calculation	31/12/2019 EUR '000
Total assets as per accounts as at 31.12.2019	5,528
Derivatives: Add-on under the mark-to-market method	214
SFTs: Add-on for counterparty credit risk	316
Other adjustments	0
<b>Total Leverage Ratio exposure – using a fully phased-in definition of Tier 1 capital</b>	<b>6,055</b>

**Table 17:** Company's leverage ratio as at 31.12.2019

Leverage Ratio Calculation	31/12/2019 EUR '000
<b>Exposure Values</b>	
Derivatives: Add-on under the mark-to-market method	214
SFTs: Add-on for counterparty credit risk	316
Other Assets	5,520
<b>Total Leverage Ratio exposure – using a fully phased-in definition of Tier 1 capital</b>	<b>6,050</b>
<b>Total Leverage Ratio exposure – using a transitional definition of Tier 1 capital</b>	<b>6,050</b>
<b>Tier 1 capital – fully phased-in definition</b>	<b>2,956</b>
<b>Tier 1 capital – transitional definition</b>	<b>2,956</b>
<b>Leverage Ratio - using a fully phased-in definition of Tier 1 capital</b>	<b>48.83%</b>
<b>Leverage Ratio - using a transitional definition of Tier 1 capital</b>	<b>48.83%</b>

### Description of the processes used to manage the risk of excessive leverage

In order to manage the risk of excessive leverage, Wise Wolves Finance Ltd monitors its Leverage Ratio on a quarterly basis and ensures that is always above the minimum regulatory threshold of 3%.

Should the calculated leverage ratio drop below 10%, then the Risk Manager performs monthly monitoring of the leverage of the Company. In the unlikely case when the leverage ratio drops below the regulatory minimum of 3% the Risk Manager immediately informs the Board with proposed corrective measures so that compliance is restored; in such a case CySEC is informed accordingly with the Company's action plan.



## **8. REMUNERATION POLICY AND PRACTICES**

Remuneration refers to payments or compensations received for services or employment. Based on the above, the Remuneration policy includes the base salary (fixed amount) and any bonuses or other economic benefits (variable amount) that an employee or executive receives during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities and to the provisions of the Directive DI144-2014-14.

The purpose of this Policy is to set out the remuneration practices of the Company taking into consideration the salaries and benefits for certain categories of employees, where these shall comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The Board reviews the policy at least annually, in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standard. The Senior Management keeps records containing information as regards the remuneration of the Company's employees and with the assistance of the Compliance Function, will periodically review the Policy, as and when applicable, and thus adjust it should the need arises for remuneration to include any other possible sources of additional variable components.

### **Remuneration System**

The Company's remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff. Thus, the Company considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long-term success; whilst simultaneously ensuring that the Clients' interests will not be impaired by the remuneration policies and practices adopted by the Company in the short, medium and long term.

The employees' total remuneration consists of a fixed and a variable component. All employees are also eligible for the annual bonus remuneration. The various remuneration components are:

### ***Fixed Remuneration***

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. It is, however, at the sole discretion of the Company to pay the employee salary above the minimum amount of remuneration defined by the Employment Law.

The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees and it is reviewed by the Company at such intervals, as it shall decide at its sole discretion, without affecting the other terms of employment.



Benefits provided to the relevant Company employees, such as private health insurance and parking facilities paid by the company, are not employee performance-related and are considered as part of the fixed remuneration.

### ***Variable Remuneration***

Variable remuneration is an addition to monthly fixed salary, only paid in cash via the Company's payroll system either via wire transfer or cheque issued on the employee's name.

The Company does not award, pay or provide guaranteed variable remuneration. The amount of the variable remuneration is determined based on the following key factors:

- a) The employee's contribution to the implementation of the Company's strategy;
- b) The employee's experience (especially in financial markets and over-the-counter ("OTC") markets);
- c) The employee's competitiveness;
- d) The employee's educational qualifications and willingness to obtain at own's free time the highest level of education in area of their expertise.

Remuneration policies and practices implemented in the Company are internationally simplified to the basic requirements of hiring and maintaining sufficiently professional personnel. The Board of Directors considers such approach as the most practical at the stage of business growth, development and progress. It corresponds to the scaled and complexity of company's first planned operations. After the achievement of the Company's growth new more stimulating measures (like introduction of the more detailed variable components) might be introduced for the achievement of long-term targets.

All of the performance measurements operated to calculate variable remuneration contain applications for all current and future risks and take into account the cost and quantity of the liquidity and capital required. Also, the Company considers the need for consistency with the timing and the likelihood of the Company to receive potential future revenues which will be integrated into current earnings.

Moreover, the fixed and variable components should remain appropriately balanced and the total fixed component should represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components (even to allow for zero variable components to be offered).

### ***Annual Bonus Remuneration***

All Company's employees, eligible to an additional discretionary bonus (13th-month payment or other bonuses) in such an amount (if any) and at such terms and conditions as may be decided by the absolute discretion of the Company.

### ***Other Factors***

Other factors taken into account for the remuneration of the Company's employees are the following:

- a) The financial viability of the Company;
- b) The general financial situation and the state in which the Company operates;
- c) Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements,



commitment and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objective set up at the beginning of the period;

d) Each employee's professional conduct with Clients (such as acting in the best interest of the Client, fair treatment of Clients and inducing Client satisfaction), as applicable.

### **Termination of Employment**

In the case of an employee's termination of employment, the Policy is designed so as to only reflect the performance achieved over time, and thus, not reward failure.

### **Performance Appraisal**

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

- a) The individual (financial as well as non-financial criteria are taken into account; annual performance evaluation and performance rating are taken into account);
- b) The business unit concerned; and
- c) The overall results of the Company.

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.

In general, performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take account the Company's underlying business cycle and risks.

Additionally, performance appraisal on medium and short-term is being performed as follows:

- a) Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Company functions, departments and individuals are expected to achieve during the year and half annually;
- b) Performance checks and feedbacks: managers provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies;
- c) Annual performance review: takes place annually. The annual performance review also determines the level of the annual (one-off) bonus to be awarded to the employees. This bonus depends on the annual performance evaluation of each employee the fulfilment of their annual performance related targets and the annual financial performance of the Company.

### **Remuneration Committee**

It is noted that the Company has taken into account its size, internal organization and the nature, scope and complexity of its activities, and it does not deem necessary the establishment of a Remuneration Committee. Remuneration practices are currently set by the Senior Management, in its supervisory capacity. In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.



## Control Functions

The Company must ensure that employees engaged in Control Functions:

- a) Are independent from the business units they oversee;
- b) Have appropriate authority; and
- c) Are remunerated:
  - i. Adequately to attract qualified and experienced staff; and
  - ii. In accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Further to the above, the Policy is designed to manage the conflicts of interest which might if other business areas had undue influence over the remuneration of employees within Control Functions. Moreover, the need to avoid undue influence is particularly important where employees from the Control Functions are embedded in other business areas.

## Remuneration and Capital

The Company must ensure that the total variable remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital base. The Policy underlines the link between the Company's variable remuneration costs and the need to manage its capital base including forward-looking capital planning measures. Where the Company needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

During the year there were no deferred remuneration, sign-on or severance payments.

The aggregate remuneration of the Company's personnel for the year ended 31st December 2019, broken down by business area, is presented in the following table:

**Table 18:** Remuneration split by business area

Remuneration as at 31st December 2019	Annual Remuneration (EUR)			
	Business Area	Fixed	Variable	TOTAL
<i>Control functions *</i>		106,884	0	106,884
<i>Reception, Transmission and Execution</i>		88,326	0	88,326
<i>Dealing on Own Account</i>		74,377	0	74,377
<i>Safekeeping</i>		25,519	0	25,519
<b>Total</b>		<b>295,106</b>	<b>0</b>	<b>295,106</b>

\* **Note:** Control Function involves Compliance Officer, Risk Manager and Money Laundering Compliance Officer.

Table 19 below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration. During 2019 the Company did not provide any non-cash benefits.



**Table 19:** Remuneration split of staff whose activities have a material impact on the risk profile of the Company

Remuneration as at 31st December 2019	Annual Remuneration (EUR)			
Position/ Role	No. of Beneficiaries	Fixed (cash) Remuneration	Variable (cash) Remuneration	Aggregated Remuneration
<i>Senior Management (incl. executive directors)</i>	2	47,044	0	47,044
<i>Other staff</i>	12	248,062	0	248,062
<b>Total</b>	<b>14</b>	<b>295,106</b>	<b>0</b>	<b>295,106</b>

## 9. APPENDIX - SPECIFIC REFERENCES TO THE CRR

CRR Reference	High Level Summary	Compliance Reference
<b><i>Scope of Disclosure Requirements</i></b>		
431 (1)	Requirement to publish Pillar 3 disclosures	1.1
431 (2)	Disclosure of operational risk information	5.3
431 (3)	Institution must have a disclosures policy, including their verification and frequency.	1.1
431 (4)	Explanation of credit ratings decisions to SMEs upon request	N/A
<b><i>Frequency of disclosure</i></b>		
433	Pillar 3 disclosures must be published on an annual basis, in conjunction with the date of publication of the financial statements.	1.1
<b><i>Means of disclosures</i></b>		
434 (1)	Pillar 3 disclosures to be published in an appropriate medium, or provide clear cross-references to other media.	1.1
434 (2)	Equivalent disclosures made under other requirements (i.e. accounting) can be used to satisfy Pillar 3 appropriate.	1.1
<b><i>Risk management objectives and policies</i></b>		
435 (1) (a)	Disclosure of information in relation to strategies and processes, organisational structure of the risk management function, reporting and measurement systems and risk mitigation/hedging strategies.	1,2 and 3
435 (1) (b)		1,2 and 3
435 (1) (c)		1,2 and 3
435 (1) (d)		1,2 and 3
435 (1) (e)	Declaration approved by the Board on adequacy of risk management arrangements.	3.5
435 (1) (f)	Concise risk statement approved by the Board.	3.3
435 (2) (a)	Number of directorships held by members of the Board.	2.3
435 (2) (b)	Recruitment policy of Board members.	2.2
435 (2) (c)	Diversity policy of the Board, its objectives and results against targets.	2.4
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	N/A
435 (2) (e)	Description of information flow on risk to the Board.	2.6
<b><i>Scope of Application</i></b>		
436 (a)	Name of Institution.	1.1
436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	1.1
436 (b) (i)	Fully consolidated;	N/A
436 (b) (ii)	Proportionally consolidated;	N/A
436 (b) (iii)	Deducted from Own Funds;	N/A



436 (b) (iv)	Neither consolidated or deducted.	1.1
436 (c)	Impediments to transfer of funds between parent and subsidiaries.	4
436 (d)	Capital shortfalls in any subsidiaries outside the scope of consolidation and their names (if any).	N/A
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries/entities.	N/A
<b>Own Funds</b>		
437 (1)	Requirements regarding capital resources table.	4
437 (1) (a)		4
437 (1) (b)		4
437 (1) (c)		4
437 (1) (d)		4
437 (1) (e)		4
437 (1) (f)		4
437 (2)	EBA shall develop implementation standards for points (a), (b), (c) and (e) above.	N/A
<b>Capital Requirements</b>		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels to support current and future activities.	2.6, 5 and 6.9
438 (b)	Result of ICAAP upon request of competent authority.	3.7 and 6.8
438 (c)	Capital requirements amounts for credit risk for each Standardised Approach exposure class (8% of RWAs)	5.1
438 (d)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.	N/A
438 (d) (i)		N/A
438 (d) (ii)		N/A
438 (d) (iii)		N/A
438 (d) (iv)		N/A
438 (e)	Capital requirements amount for market risk or settlement risk, or large exposures where they exceed limits.	5.2
438 (f)	Capital requirements amount for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approached as applicable.	5.3
<b>Exposure to Counterparty Credit Risk (CCR)</b>		
439 (a)	Description on methodology used to assign capital and credit limits for counterparty credit exposures.	5.1
439 (b)	Description of policies for securing collateral and establishing reserves.	5.1
439 (c)	Description of policies for wrong-way risk exposures.	N/A

439 (d)	Description of the impact of collateral to be provided given a downgrade in its credit rating.	N/A
439 (e)	Derivation of net derivative credit exposure.	5.1
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	5.1
439 (g)	Notional value credit derivative hedges and current credit exposure by type of exposure.	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A
439 (i)	Estimation of alpha, if applicable.	N/A
<b>Capital Buffers</b>		
440 (1) (a)	Geographical distribution of credit exposures for the calculation of the countercyclical capital buffer.	5
440 (1) (b)	Amount of institution specific countercyclical capital buffer.	5
<b>Indicators of global systemic importance</b>		
441 (1)	Disclosure, on annual basis, of the values of the indicators used for determining if an institution is identified as G-SII.	N/A
<b>Credit Risk Adjustments</b>		
442 (a)	Definition for accounting purposes of 'past due' and 'impaired'.	N/A
442 (b)	Approached for calculating credit risk adjustments.	N/A
442 (c)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by different types of exposures.	5.1
442 (d)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by significant geographic areas and material exposure classes.	5.1
442 (e)		5.1
442 (f)	Exposure post-value adjustments by residual maturity and by material exposure class.	5.1
442 (g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	N/A
442 (g) (i)		N/A
442 (g) (ii)		N/A
442 (g) (iii)		N/A
442 (h)	Impaired, past due exposures, by geographical area and amounts of specific and general impairment for each geography.	N/A
442 (i)	Reconciliation of changes in specific and general credit risk adjustments.	N/A
442 (i) (i)		N/A
442 (i) (ii)		N/A
442 (i) (iii)		N/A

442 (i) (iv)		N/A
442 (i) (v)		N/A
442 endnote	Specific credit risk adjustments recorded to income statement and disclosed separately.	N/A
<b><i>Unencumbered assets</i></b>		
443	Disclosure on unencumbered assets.	N/A
<b><i>Use of ECAIs</i></b>		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised approach RWAs, and reasons for any changes.	5.1
444 (b)	Exposure classes associated with each ECAI.	5.1
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book.	5.1
444 (d)	Mapping of external rating to credit quality steps.	5.1
444 (e)	Exposure values pre- and post-credit risk mitigation, by credit quality step.	5.1
<b><i>Exposure to market risk</i></b>		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	5.2
<b><i>Operational risk</i></b>		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	5.3
<b><i>Exposures in equities not included in the trading book</i></b>		
447 (a)	Differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used.	N/A
447 (b)	Recorded at fair value and actual prices of exchange traded equity where it is materially different from fair value.	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A
447 (d)	Cumulative realised gains and losses on sales in the period.	N/A
447 (e)	Total unrealised gains or losses, latent revaluation gains or losses and amounts included in Tier 1 Capital.	N/A
<b><i>Exposure to interest rate risk on positions not included in the trading book</i></b>		
448 (a)	Nature of interest rate risk and key assumptions in measurement models.	N/A
448 (b)	Variation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, broker down by currency.	N/A

<i>Remuneration disclosures</i>		
450	Remuneration policy	8
<i>Leverage</i>		
451 (1) (a)	Leverage ratio and analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.	7
451 (1) (b)		7
451 (1) (c)		7
451 (1) (d)	Description of the risk management process to mitigate excessive leverage and factors that had an impact on the leverage ratio during the year.	7
451 (1) (e)		7
451 (2)	EBA shall develop implementation standards for points above.	N/A