DISCLOSURES IN ACCORDANCE WITH ARTICLE 431 OF REGULATION (EU) No. 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 JUNE 2013 ON PRUDENTIAL REQUIREMENTS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS, FOR THE YEAR ENDED 31 DECEMBER 2019

July 2020

1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Company Incorporation and Principal Activities

The Company was incorporated in Cyprus on 29 December 2009 as a private liability company under the Cyprus Companies Law, Cap. 113. The Company was authorized to provide a number of investment and ancillary services by CySEC on 19 October 2010, under CIF license number 123/10.

The principal activities of Colmex Pro Ltd are the provision of investment services to natural and legal persons in accordance with the provisions of the applicable legislation and the requirements issued by CySEC. Since September 2012 the Company's license was extended in order to also be able to perform own account trading.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

Investment services	Ancillary Services	Financial Instruments
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services	• Transferable securities • Money market instruments • Units in Collective Investment Undertakings (CIUs) • Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash

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<td>Execution of orders on behalf of clients</td>
<td>Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction</td>
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- Options, futures, swaps 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)
- 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, a 219 The present English text is for information purposes only and is not legally bonding. The legally binding document is in the Greek language. MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled.
- Options, futures, swaps and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative financial instruments.
- Derivative instruments, the transfer of credit risk
- Financial contracts for differences
- 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 or one of the parties other than by reason of defaults or other termination event, as well as any other derivative contracts relating assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regards to whether, intel alia, they are traded on a regulated market, OTF, or an MTF.
- Emission allowances consisting of any units recognized for compliance with their requirements of Directive 2003/87/EC.

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<td rowspan="2">Dealing on own account</td>
<td>Foreign exchange services where these are connected to the provision of investment services</td>
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<td>Investment research and financial analysis or other forms</td>
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Scope of the Disclosures

This report has been prepared in accordance with the requirements of Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the "Regulation") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the Prudential Supervision of Investment Firms. It relates to the year ended 31 December 2019 and it is prepared on an individual (solo) basis.

The Regulation is based on three pillars:

- Pillar I has to do with the standards that set out the minimum regulatory capital requirements required for credit, market and operational risk;
- Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes. Investment Firms have to evaluate and assess their internal capital requirements; and
- Pillar III covers transparency and relates to the obligation of Investment Firms to publicly disclose information with respect to their risks, their capital and the risk management structures they have in place.

Disclosure Policy

The Company discloses information in relation to its risk management policies and procedures on an annual basis. The Company shall also publicly disclose the information laid down in Title II, subject to the provisions laid down in Article 432 of the Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms of 2013. As per CySEC requirements, the disclosures are published on the Company's website four months after the financial year end. For the year ended 31 December 2019 the deadline has been extended to 31st July 2020,

In particular, the Company has adopted and maintained policies for assessing the appropriateness of its disclosures on a continuous basis. For this reason and in order to enhance efficiency, external advisors have been appointed to assist in the effective monitoring of the Company's risk profile. Periodical reviews are also performed by the Company's General Manager who directly reports to the Board of Directors. The Risk Department is involved at all stages.

2. RISK MANAGEMENT AND GOVERNANCE OF THE COMPANY

The Board

The Board of Directors is currently composed by 2 (two) executive and 3 (three) non-executive directors.

The Board of Directors is responsible for overlooking the operations of the Company. With respect to the management of risk, it has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The main duties of the Board of Directors of Colmex Pro Ltd are to:

- Ensure proper implementation of the relevant laws and regulations;
- Formulate the Company's business strategy in terms of the development of existing and new services and its presence in the local and international financial markets;
- Govern the Company by broad policies and objectives, formulated and agreed upon by the chief executive and employees;
- Ensure that sufficient resources are available to the Company to carry out its operations;
- Appoint Money Laundering Compliance Officer (MLCO) and define his/her duties and responsibilities;
- Define, record and approve the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing;
- Notify the Company's policy for the prevention of money laundering and terrorist financing to the MLCO;
- Approve the Company's risk management policies and procedures manual;
- Establish a clear and quick reporting chain for transmission of information to the MLCO;
- Assess the Money Laundering function;
- Assess and approve the annual report of the MLCO;
- Assess the Internal Audit Department's members and the efficiency of the mechanisms of internal control;
- Assess the Compliance Function;
- Evaluate and adopt strategies to improve the operation of the internal audit mechanism;
- Review written reports regarding AML, Compliance, Risk Management and Internal Audit;
- Approve the Company's financial statements;
- Review the suitability report prepared by the Company's external auditors; and
- Take decisions on important matters of the Company during Board meetings.

"Four Eyes"

The executive directors of the Company are the "four eyes" for the management of the Company. Their tasks relate to the general management of the operations of the Company in an orderly and efficient manner, in accordance with the Company's Procedures Manual, as well as the strategy formulation within the parameters of the relevant law and regulations.

General Manager

The General Manager/ CEO/ Managing Director has the overall responsibility of overseeing the day-to-day operations, managing human resources and promoting the services offered by the Company. The General Manager acts as a liaison between the Heads of departments and the Board of Directors. The Heads of departments report to the General Manager and the General Manager reports to the Board of Directors.

Investment Committee

The Investment Committee of Colmex Pro Ltd has been formed with the purpose of ensuring the formulation and implementation of a proper investment policy.

The responsibilities of the Investment Committee are the following:

- Supervise the proper choice of investments (framework);
- Perform information analysis for a better briefing prior to decision-making;
- Analyze the investment potential and contribute to the elaboration of the investment policy
- Debrief the Internal Auditor;
- Establish, approve, monitor and adjust the Company Investment Policy;
- Establish risk profile categories for each client (e.g. cautious, balance, growth, aggressive);
- Analyze the economic conditions and the investment alternatives based on a thorough examination of third party reports;
- Select appropriate benchmarks for different types of investment activities of the Company, where applicable;
- Examine the returns and the associated risks of the activity connected with the Dealing on Own Account;
- Decide upon the markets and types of financial instruments in which the Company shall be active (i.e. offering to clients and for dealing on own account);
- Establish, approve and monitor the Company's policy and strategy for dealing on own account;

- Review, on an annual basis, the dealing on own account policy established and consider the recommendations of the Head of the Dealing on Own Account Department. Such a review shall also be carried out whenever a material change occurs; and
- Monitor the performance of portfolios that the Company shall be dealing on own account, as applicable.

The Investment Committee convenes at least once a year, either in the offices of the Company or via conference call. The Committee held one meeting during 2019.

Investment Committee consists of Operations Manager, an Executive Director and the Head of Risk Management department & Head of Dealing on own account.

Risk Management Department

The Risk Management department is responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflicts of interest, insider dealing and preservation of confidential information. The Risk Management department is also responsible for the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.

The scope of the Risk Management department is to ensure that, in providing the investment and ancillary services, the Company remains compliant with the provisions of the applicable legislation and the Directives issued by CySEC with regards to capital adequacy and other risk-related issues, as well as with the internal regulations of the Company.

The Head of the department is responsible to apply risk management and ensure compliance with the Company's policy and internal regulation.

Specifically, the responsibilities of the Risk Management Department are the following:

- Develop a policy regarding the assumption, follow up and management of risk which includes guidelines regarding possible risk exposure and acceptable risk levels;
- Develop a risk management policy for credit risk, liquidity risk and market risk which will cover: a) acceptable risk limits for each type of risk, b) Stop loss control limits and c) Procedure for monitoring Company's open positions in relation to approved limits
- Perform periodic assessments on the pricing policy with respect to all offered services taking into account the cost, the competitor's pricing policy and the cost- benefit analysis;

- Assess the quality and financial status of the Company's clients when opening a new client account and the classification of clients according to the Company's risk criteria and limits;
- Assess the quality and financial status of counterparties when signing a counterparty agreement and the classification of the counterparty according to Company's risk criteria and limits;
- Review of pro-forma agreements between Company and clients or counterparties
- Evaluate the risks associated with transactions executed on behalf of the Company's clients;
- Monitor the compliance with stop loss control limits;
- Monitor the investment risk undertaken by the Company for each client, counterparty and as a whole;
- Estimate the risk of the Company's clients and counterparties participation in money laundering and/or terrorist financing and act in accordance;
- Monitor the deals executed with counterparties in relation to financial instruments' market prices;
- Monitor the brokerage transactions as regards adherence to established risk limits;
- Monitor the compliance of established limits set by the Company
- Monitor the risk associated with margin trading clients;
- Evaluate and monitor the market risk parameters on all target financial instruments;
- Model and evaluate the influence of changes in parameters of market risks in relation to the Company's controls and management of critical situations;
- Handling Customer complaints associated with breach of contractual terms;
- Monitor day-to-day operational risks;
- Build a risk aware culture within the organisation and provide the relevant training;
- Maintain appropriate internal control systems designed to manage key risk areas;
- Regularly follow up on the effectiveness of the management of the risks assumed by the Company;
- Scrutinize the Company's compliance with the arrangements, processes and mechanisms adopted to manage the risks relating to the Company's activities, processes and systems in light of the level of risk tolerance;
- Scrutinize the adequacy and effectiveness of measures taken to address any deficiencies in policies, procedures, arrangements, processes and mechanisms, for managing risks relating to the Company's activities, processes and systems, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures; and
- Prepare an annual written report to the Board of Directors on the matters of his/her responsibility indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

Risk Management Committee

The company has established a Risk Management Committee during 2019. The Committee consists of the Operations Manager, an Executive Director and Head of Risk Management Department,

The Committee held three meetings during 2019.

Compliance / Anti-Money Laundering Officer

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

- Ensuring compliance with laws, regulations and directives issued by CySEC;
- Ensuring implementation of the procedures described in the Company's Procedures Manual;
- Monitoring and assessing the adequacy of the existing policies and procedures for detecting the risk of failure by the Company to comply with its regulatory obligations, as well as the associated risks, and making sure that the Company takes into account the nature, scale and complexity of its business and the nature and range of investment services and activities undertaken in the course of that business;
- Ensuring that Company employees attend training sessions on compliance with applicable laws, rules and regulations as well as anti-money laundering and terrorist financing procedures;
- Providing advice and guidance to Company employees;
- Ensuring that the Company complies with its continuous obligations to CySEC (e.g submission of Capital Adequacy Return, annual reports, notifications to CySEC regarding changes in the Company's structure, services, personnel, procedures, etc);
- Ensuring the implementation of the "know your client" procedures of the Company;
- Communicating with regulatory bodies;
- Assisting regulatory bodies in performing inspections of the Company's activities;
- Gathering information with regards to the new customers of the Company;
- Analyzing the customers' transactions;
- Continuously improving the existing control procedures;
- Reviewing marketing communications and making sure that they have been prepared in accordance with legal requirements;
- Advising and assisting employees to comply with the Company's regulatory obligations;

- Recommending specific remedial measures, in case of detection of any weakness or failure by the Company to comply with its obligations under applicable laws and regulations; and
- Providing a written annual report to the Board of Directors on the matters of his/her responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

Internal Audit

The Internal Audit function is outsourced to an external firm and is an element of the internal control framework established by management to examine, evaluate and report on financial and other controls on operations. The Internal Audit function assists management in the effective discharge of its responsibilities by examining and evaluating controls.

It is an independent unit reporting directly to the Board of Directors through a written report prepared on an annual basis.

Information flow on risk to the management body

The following table indicates the main risk-related reports prepared by the various functions of the Company, ensuring the satisfactory flow of all relevant and important information on risk to the management body:

Report Name	Report prepared by	Recipient	Frequency
Risk Management Report	Risk Manager	CySEC, Board	Annually
Internal Capital Adequacy Assessment Process Report	Risk Manager	Board	Annually
Compliance Report	Compliance Officer	CySEC, Board	Annually
Internal Audit Report	Internal Auditor	CySEC, Board	Annually
Anti-Money Laundering Report	Anti-Money Laundering Compliance Officer	CySEC, Board	Annually
Suitability Report	External Auditors	CySEC, Board	Annually

Board – Recruitment Policy

For the positions of the members of the Board of Directors, the General Manager and other managerial positions, the Company selects the most appropriate candidate who shall be of sufficiently good repute and sufficiently experienced as to ensure the sound and prudent management of the CIF. The final approval is given by CySEC.

The Board of Directors decides whether a potential candidate is "fit and proper" taking into consideration various factors such as:

1. Skills and knowledge of the candidate in accounting, finance, law, business administration and other related areas;
2. Integrity, honesty, trustworthiness;
3. Knowledge of the financial sector and of the governing regulatory framework;
4. Sound business judgment;
5. Relevant previous experience; and
6. Clear criminal record.

In examining a new candidate, the Board of Directors determines whether the applicant is considered to be suitable and CySEC's approval is then sought.

Board – Diversity Policy

Diversifying the Board has the following benefits:

- More effective decision making
- Better utilisation of the talent pool
- Enhancement of corporate reputation and investor relations by establishing the Company as a responsible corporate citizen

The Company perceives that directors are expected to collectively apply operational and financial strategies for the organisation and monitoring of the efficiency of the Company's policies and practices. Colmex Pro is committed to develop a robust corporate governance framework, by enhancing a diverse and independent working environment at all levels. The General Manager in cooperation with the Compliance and Risk Management Department are responsible for ensuring that the Board of Directors is at all times well diversified. By having a diverse Board, the Company is benefited from the variety in the skills, experience, knowledge and background of each member of the Board.

Number of directorships held by members of the Board

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. Directorships in the same group or 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:

Position within Colmex Pro Ltd	Directorships in other entities
Executive Director 1	0
Executive Director 2	0
Non – Executive Director 1*	0
Non – Executive Director 2	0
Non – Executive Director 3	4

**Director appointed on 27 August 2019*

Board Declaration – Adequacy of the Risk Management Arrangements

The declaration on the adequacy of risk management arrangements of the Company is provided in Annex I. It provides assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

Risk Statement

The Company's risk statement is provided in Annex II. It describes the Company's overall risk profile associated with the business strategy.

3. OWN FUNDS

The Own Funds of the Company as at 31 December 2019 consisted solely of Tier 1 capital and amounted to USD 4.166 thousand. An analysis is provided in Table 1 below:

Table 1: Capital Base

	31-Dec-19 ($ '000)
Original Own Funds (Tier 1)	
Share Capital	1
Share Premium	1.459
Retained Earnings	2.339
Audited profit/(loss) for the period	450
Total Eligible Own Funds before deductions	**4.249**
Tier 1 Deductions	
Intangible Assets	-
Additional Deductions of CET1 Capital due to Article 3 CRR	(81)
Value adjustments due to the requirements for prudent valuation	(2)
Total Eligible Own Funds after deductions	**4.166**

4. CAPITAL REQUIREMENTS

Minimum regulatory capital requirements

The total capital requirements of the Company as at 31st December 2019 were USD 2.252 thousand and are analyzed in Table 2 below:

Table 2: Minimum Capital Requirements

	31 December 2019 ($ '000)
Risk Category	
Credit Risk	393
CVA Risk	1
Market Risk	1,059
LE Excess in TB	177
Operational Risk	622
Total	**2.252**

As at 31 December 2019, the Company was subject to a minimum Pillar I capital adequacy ratio of 8%, plus a capital conservation buffer of 2,5% as per the transitional application provisions for buffers. Also, the Company was exempted from applying the institution-specific countercyclical capital buffer following a decision of the CBC to exempt small and medium-sized CIFs from this requirement. As a result, as at 31 December 2019 the Company was subject to an overall minimum requirement of 10,50% (for Pillar I plus buffers).

The Capital Adequacy Ratio of the Company as at 31 December 2019 was 14,80%.

Credit Risk

General

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has credit exposure to the banks with which it deposits funds and the market counterparties with which it trades on own account. The Company has no significant concentration on credit risk. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history, as well as to limit the amount of credit exposure to any financial institution.

Capital Requirements

The Company follows the Standardized Approach for the calculation of the minimum capital requirements for credit risk.

Tables 3 and 4 below present the Company's credit risk exposure and average exposure, risk weighted assets ("RWA") and minimum capital requirements as at 31 December 2019, broken down by exposure class:

Table 3: Exposure Classes by Risk Weighted Assets and Minimum Capital Requirements

Exposures as at 31 December 2019	Risk-weighted amounts ($ '000)	Minimum Capital Requirements ($ '000)
<u>Exposure Class</u>		
Institutions	1.055	84
Corporates	2.772	222
Equity	16	1
Retail	11	1
Other Items	1.061	85
Total	**4.915**	**393**

Table 4: Exposure Classes by Average and Total Exposure Value

Exposures as at 31 December 2019	Average Exposure Value ($'000)	Total Exposure Value (Before CRM) ($'000)	Total Exposure Value (After CRM) ($'000)
Exposure Class			
Institutions	2.981	2.959	2.959
Corporates	2.571	3.153	2.772
Equity	17	16	16
Retail	16	40	15
Other Items	1.090	1.061	1.061
Total	**6.675**	**7.229**	**6.823**

Risk Weighted Assets and Credit Quality Steps

For the credit ratings of institutions, the Company made use of the ratings of Fitch, Moody's, Standard & Poor's and mapped them to the corresponding Credit Quality Step ("CQS") in accordance with the mapping provided below.

Credit Quality Step	Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

The Other Items category includes property, plant, equipment, accrued tax and VAT. A risk weight of 100% was applied to Other Items. As at 31 December 2019, credit ratings were used only for the Institutions asset class, since all exposures under the Corporate Asset Class were unrated.

Table 5 below analyses the Company's credit risk exposures by credit quality step:

Table 5: Exposure amount per Credit Quality Step

Exposures as at 31 December 2019	Exposure values (before CRM) ($ '000)	Exposure values (after CRM) ($ '000)
Credit Quality Step		
2	566	566
3	263	263
5	1.060	1.060
Unrated/ Not Applicable	5.340	4.934
Total	**7.229**	**6.823**

Table 6 below analyses the Company's credit risk exposures by residual maturity:

Table 6: Exposure Classes and Residual Maturity

Exposures as at 31 December 2019	Maturity ≤ 3 months ($ '000)	Maturity > 3 months or Not Applicable ($ '000)	Total ($ '000)
Exposure Class			
Institutions	2.294	665	**2.959**
Corporates	3.132	21	**3.153**
Equity	-	16	**16**
Retail	40	-	**40**
Other Items	-	1.061	**1.061**
Total	**5.466**	**1.763**	**7.229**

Table 7 presents the geographic distribution of the Company's exposures, by exposure class:

Table 7: Exposure classes by Country

Exposures as at 31 December 2019	CY ($ '000)	UK ($ '000)	DE ($ '000)	IL ($ '000)	Other ($ '000)	Total ($ '000)
Exposure Class						
Institutions	1.314	1.236	40	-	369	**2.959**
Corporates	24	117	311	2.462	239	**3.153**
Equity	16	-	-	-	-	**16**
Retail	-	3	-	-	37	**40**
Other Items	1.061	-	-	-	-	**1.061**
Total	**2.415**	**1.356**	**351**	**2.462**	**645**	**7.229**

Table 8 below presents the breakdown of the Company's exposures into industry sectors, analysed by exposure class:

Table 8: Breakdown of Exposures into Industry Sectors

Exposures at 31 December 2019	Financial Sector ($ '000)	Other ($ '000)	Total ($ '000)
Exposure Class			
Institutions	2.959	-	**2.959**
Corporates	-	3.153	**3.153**
Equity	16	-	**16**
Retail	-	40	**40**
Other Items	-	1.061	**1.061**
Total	**2.975**	**4.254**	**7.229**

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a commercial transaction could default or deteriorate in creditworthiness before the final settlement of a transaction, or project.

The Company is exposed to Counterparty Credit Risk due to its open derivative positions and thus monitors closely and manages the credit risk arising from these positions.

The Company's total trade exposure in derivatives before and after any form of credit protection amounts to $3.114 thousand. The trade exposure in derivatives is calculated using the "Mark-To-Market Method" as the sum of the current replacement cost and potential future credit exposure.

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

Table 9: Counterparty Credit Risk Exposures

Exposures as at 31 December 2019	Positive Fair Value	Negative Fair Value	Nominal Value	Exposure (before CRM)	Exposure (after CRM)	Risk-weighted amounts	Capital Requir.
Type	($ '000)	($ '000)	($ '000)	($ '000)	($ '000)	($ '000)	($ '000)
Equity CFDs	44	(108)	1.856	155	61	59	5
Stock Index CFDs	106	(38)	8.671	627	517	517	41
FX CFDs	854	(416)	101.465	1.867	1.747	1.696	135
Mini Futures							
Gold	126	(16)	4.887	175	152	152	12
Silver	61	(2)	1.863	192	159	159	13
Palladium	-	-	-	-	-	-	-
Platinum	-	0	17	1	1	1	-
Copper	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-
Ukoil	1	(2)	169	18	13	13	1
Usoil	4	(1)	615	65	47	47	4
Wheat	-	-	-	-	-	-	-
Sugar	0	(2)	18	2	1	1	0
Cocoa	-	-	-	-	-	-	-
Cotton	-	(1)	19	2	1	1	0
Coffee	5	(4)	44	10	9	9	1
Total	**1.201**	**(590)**	**119.624**	**3.114**	**2.708**	**2.655**	**212**

Wrong-way risk

Wrong way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, i.e. changes in market rates have an adverse impact on the probability of default (PD) of a counterparty. This risk is not currently measured as it is not estimated as significant.

IFRS 9

The company has adapted the new IFRS 9 standards that set out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The company did not recognise any expected credit losses under IFRS 9 during 2019.

Operational Risk

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’s directors are responsible for managing operational risk and have identified the following risks which are considered significant to the Company:

Technology

The Company’s operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has business continuity procedures and policies in place which are designed to allow it to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that, where possible, multiple providers and data routes are utilized. To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Capital Requirements

The Company calculates its operational risk using the Basic Indicator approach and takes the average over three years of the sum of its net income.

The table below shows the Company's exposure to Operational Risk:

Table 10: Minimum Capital Requirements for Operational Risk

Operational Risk	2017	2018	2019	Average
	($ '000)	($ '000)	($ '000)	($ '000)
Total Net Income from Activities	3.123	5.531	3.768	4.141

Under the Basic Indicator Approach, the capital requirement for Operational Risk is equal to 15% of the above relevant indicator, resulting in an operational risk capital requirement of USD 622 thousand.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income or the value of its holdings of financial instruments.

The Table below shows the capital requirements for Market risk as at 31st December 2019:

Table 11: Minimum Capital Requirements for Market Risk

Amounts as at 31 December 2019 Market Risks	Minimum Capital Requirement ($ '000)
Foreign Exchange Risk	726
Interest Rate Risk	-
Commodity Risk	50
Equity Risk	283
Total	**1.059**

Currency Risk

Currency risk results from adverse movements in the rate of exchange on transactions in currencies other than the Company's reporting currency. As at the reporting date the Company was exposed to several foreign currencies, arising both from its assets and liabilities and from its positions in FX instruments. The Company also held some positions in gold, which are also subject to currency risk.

Interest Rate risk

Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Company. The Company is exposed to Interest rate risk through its positions in FX instruments, which are booked in the Trading Book. However, due to their short residual maturity, the resulting capital requirement is zero.

Commodity Risk

Commodity risk arises from the positions of the Company in derivative contracts for which the underlying instruments are commodities.

Equity Risk

Equity risk is the risk of loss resulting from fluctuations in the price of stocks or changes that relate to the issuer of a share or the stock market in general. The Company is exposed to Equity risk through its positions in equity CFDs and stock index CFDs which are booked in the Trading Book.

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The company holds in separate accounts all the funds of its clients. The Company considers that its liquidity risk is significantly low.

Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer and by the monitoring controls applied by the Company.

Events after the reporting period

There were no material events after the reporting period. The Company is yet to evaluate the overall impact, if any, of the developments related to COVID-19 at the latter stage.

Approach to Internal Capital Adequacy Assessment Process

In accordance with the Directive DI144-2014-15 of CySEC on the Capital Requirements of Investment Firms:

- The Company shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the risks to which it is or might be exposed. In this respect, the Company shall adopt the relevant guidelines issued by CySEC.
- These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

As a result of the above-mentioned requirements, the Company has in place an Internal Capital Adequacy Assessment Process ("ICAAP").

The ICAAP is an internal tool which allows the Company to assess its position and determine the amount of internal capital it needs to hold in order to be covered against all the risks it is facing or against the risks to which it may be exposed in the future.

The ICAAP comprises of all the measures and procedures adopted by the Company, with the purpose of ensuring:

- the appropriate identification and measurement of risks;
- an appropriate level of internal capital in relation to the Company's risk profile; and
- the application and further development of suitable risk management and internal control systems and tools.

The ICAAP is clearly owned and approved by the Company's Board of Directors.

From the Company's perspective, the ICAAP:

- Is a key element of its day to day governance process and its strategic management initiatives;
- Promotes a comprehensive risk management framework;

- Aligns capital with risk management and strategy; and
- Provides a tool for communicating to the Board and the regulator the key aspects of its risk management and governance frameworks.

5. LEVERAGE RATIO

The leverage ratio is a monitoring tool which allows competent authorities to assess the risk of excessive leverage in their respective institutions. It is a simple, non-risk-based ratio that has been introduced in the Basel III framework to constrain the build-up of excessive leverage.

Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regards to the leverage ratio. It is noted that since 1 January 2018, the Leverage Ratio, has been migrated into a Pillar I minimum capital requirement. The institution calculates its Leverage Ratio at the end of each quarter.

The Company's leverage ratio as at the reference date was 57.63%, well above the minimum requirement of 3%.

The Table below provides a reconciliation of accounting assets and leverage ratio exposure:

Table 12: Summary reconciliation of accounting assets and leverage ratio exposures

Amounts as at 31 December 2019	**Applicable Amounts $ '000**
Total assets as per published financial statements	4.363
Adjustments for derivative financial instruments	1.913
Other adjustments	953
Total leverage ratio exposure	**7.229**

The following Table provides a breakdown of the exposure measure by exposure type.

Table 13: Leverage ratio common disclosure

Amounts as at 31 December 2019	**CRR leverage ratio exposures $ '000**
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4.198
(Asset amounts deducted in determining Tier 1 capital)	(83)
Total on-balance sheet exposures (excluding derivatives, SFTs & fiduciary assets)	4.115
Derivative exposures	
Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	1.201
Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	1.913
Total derivative exposures	3.114
Securities financing transaction exposures	
Total securities financing transaction exposures	-
Other off-balance sheet exposures	
Other off-balance sheet exposures	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
(Exemption of intragroup exposures (solo basis)	-
(Exposures exempted in accordance with Article 429 (14)	-
Capital and total exposures	
Tier 1 capital	4.166
Total leverage ratio exposures	7.229
Leverage ratio	
Leverage ratio	**57.63%**

The following Table provides a breakdown of total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

Table 14: Split-up of on-balance sheet exposures

Amounts as at 31 December 2019	CRR leverage ratio exposures $'000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**4.115**
Trading book exposures	**-**
Banking book exposures, of which:	**4.115**
Covered bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	-
Institutions	2.897
Secures by mortgages of immovable properties	-
Retail exposures	-
Corporate	141
Exposures in default	-
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	1.077

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

In order to manage the risk of excessive leverage, the Company ensures that its Leverage ratio is always above the current 3% regulatory limit. Furthermore, the Company monitors its leverage ratio on a quarterly basis.

Factors that had an impact on the Leverage Ratio during the period

The Leverage ratio of the Company over the financial year 2019 ranged between 50,83% recorded in December 2019 based on unaudited figures and 60,02% observed in March 2019 based on, with an average rate of 56,74%. The reason for this fluctuation is the increase in the Company's exposure measure from March to December 2019. After audit, the leverage exposure reached 57,63% due to the increase of Tier 1 Capital as a result of the inclusion of the 2019 year's profit.

6. REMUNERATION

As part of the Company's performance management and its commitment to the ongoing development of its people, Colmex Pro Ltd operates an annual Performance Appraisal program, in which all staff participates.

The main purpose of the Performance Appraisal procedure is to ensure that, at least once a year, the department managers meet with each employee to discuss his/her performance and professional development and set new goals for the new period. This includes:

- A review of the employee's performance during the period since the last appraisal or since joining the Company;
- Agreement on the work objectives and priorities to be achieved in the coming 12 months; and
- Discussion of any issues identified by either the employee or the manager.

It is important to note that this appraisal process is not designed to replace ongoing feedback and discussion, but to enhance the communication that is already taking place between the managers and their teams. To achieve this, the Company takes the necessary steps to ensure that this takes place in a continuous manner throughout the year.

The final decisions with regards to the fixed and variable remuneration levels and salary increases of staff are taken by the manager in consultation with the CEO of the Company. Apart from the discussions held with employees, this decision-making process is influenced by the observed employee performance which is based on a number of parameters such as the speed of conducting the assigned tasks, the quality of the end results, the achievement of the set goals, the quality of customer service and speed of order execution (where applicable), and the overall commitment to the Company and its values.

The aggregate remuneration of the Company's personnel for the year ended 31 December 2019, broken down by business area, is as follows:

Table 15: Annual Aggregate Remuneration by Business Area

Business Area	Aggregate Remuneration ($ '000)
Control Functions	392
Reception, Transmission & Execution of orders and Dealing on Own Account	296
Total	**688**

Control functions include the Executive Directors, Non-Executive Directors and Compliance, AML & Risk functions.

Table 16 below provides information on the remuneration of Senior Management (included Executive Directors, Non-Executives) and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration.

Table 16: Fixed and Variable Remuneration by Senior Management and Other Risk takers

Personnel	No. of people during 2019	Fixed (Cash) ($ '000)	Variable (Cash) ($ '000)	Aggregate Remuneration ($ '000)
Senior Management	7	416	8	**424**
Other staff	5	246	18	**264**
Total	**12**	**663**	**25**	**688**

The Company did not pay any non-cash remuneration during 2019.

There was no deferred remuneration, sign-on or severance payments made during 2019.

7. ANNEX I – Declaration

Board Risk Management Declaration

The Risk Management Department, in close cooperation with the Investment Committee and the Board of Directors, are entitled to review and assess the efficiency of the risk management strategies and systems adopted by the Company.

The said procedures and strategies are designed to manage the risks that the Company might face during its operations.

The Board perceives that the Company has developed and established appropriate systems and mechanisms for the identification, prevention and mitigation of the risk.

8. ANNEX II – Risk Statement

Board approved Risk Statement

The management and the Board of Directors of Colmex Pro Ltd recognize that risk is embedded in all of the Company's activities and consider the development of a robust risk management framework as a matter of particularly high importance.

The Company is exposed to market risk, business risk, political risk, credit risk, operational risk, liquidity risk, interest rate risk, counterparty risk, money laundering and terrorist financing risk, compliance risk, regulatory risk, reputation risk and information and technology risk.

The Company has applied adequate mechanisms and systems to detect the risks faced during its operation. The table below illustrates the analysis of the material risks identified and the controls that the Company already has in place to manage and mitigate them.

Risk Type	Specific Risk	Controls in place
Market Risk	**Foreign Exchange Risk**	The Company implements a hedging strategy to minimize its exposure to this risk.
	Equity Price Risk	There are policies in place which ensure that dealers perform daily checks of the leverage granted to clients and when this is not within the specified tolerable limits, the leverage is reduced or the trades are liquidated. A hedging strategy for equity positions is also in place.
Business Risk	**Competitive Risk**	The Company continuously monitors the actions of its major competitors and ensures that it stays ahead of competition.

The risk appetite enables the Company to be proactive. The Board of Directors is aware of the Risk mechanism and measures used to monitor the Company's Risk Profile.

9. ANNEX III – Balance sheet reconciliation

Balance Sheet Description (as per published financial statements for the year ended December 2019)	Amounts ($ '000)
Share Capital	1
Share Premium	1.459
Retained earnings	2.339
Dividend paid	-
Audited income / (loss) for the year	450
Intangible assets/Goodwill	-
Additional Deductions of CET1 Capital due to Article 3 CRR	(81)
Value adjustments due to the requirements for prudent valuation	(2)
Total Own Funds	**4.166**

10. ANNEX IV – Own funds disclosure template under the Transitional and Fully phased in definition

At 31 December 2019	Transitional Definition $ '000	Full - phased in Definition $ '000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1.460	1.460
Retained earnings	2.789	2.789
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**4.249**	**4.249**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	-	-
Investors Compensation Fund	(81)	(81)
Value adjustments due to the requirements for prudent valuation	(2)	(2)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(83)**	**(83)**
Common Equity Tier 1 (CET1) capital	**4.166**	**4.166**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**4.166**	**4.166**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**4.166**	**4.166**
Total risk weighted assets	**28.148**	**28.148**
Capital Ratios and Buffers		
Common Equity Tier 1	14,80%	14,80%
Tier 1	14,80%	14,80%
Total capital	14,80%	14,80%

Definitions:

- The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.
- The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.
- The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks.

11. The impact of COVID-19 pandemic on the Company

The COVID-19 pandemic impact has resulted in several business implications that the Company faced during the first quarter of 2020. Significant changes were made regarding different Company processes and the way they are performed. The priority was to ensure that the Company is fully operational by adjusting the Company infrastructure so that employees could perform their tasks in safe environments.

Due to the unusual circumstances, deadlines for submitting some periodic reports were postponed. Financial statement report with its original deadline for submission set by 30th of April 2020 was changed to 31st of July 2020. Accordingly, the deadline for publishing Pillar III report was also changed from 30th of April 2020 to 31st of July 2020.

The pandemic did not influence the number of Company personnel. The Company maintained the same number of employees as it was before the COVID-19 outbreak.

Severe market volatility caused by COVID-19 pandemic resulted in the Company taking extra measures against possible consequences of exposure. In an effort to maintain orderly markets and continue to provide the smooth clearing and settlement of transactions of equity shares, the Company enacted a policy, as of 16th of March 2020, that will potentially prevent the need to pass on costs that are escalating in an isolated market sector to the clients. Therefore, while intra-day trading of triple-leveraged (x3) ETFs is allowed, which is the actual purpose of these ETFs, the Company had required to close all open positions, both long and short, prior to market closure so no open positions are left overnight.