



NexosTrade

MARKET DISCLOSURES

According to Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms

FOR THE YEAR ENDED 31 DECEMBER 2022

May 2023



TABLE OF CONTENTS

1. Introduction	4
1.1 CIF Information	4
1.2 Classification and prudential requirements	5
1.3 Scope of application	6
1.4 Regulatory framework	7
1.5 Risk management objectives and policies	8
1.5.1 Risk Management Framework	9
1.5.2 Risk Statement	9
1.5.3 Risk Culture	11
2. Corporate Governance	12
2.1. Organisational Structure	12
2.1.1. Board of Directors	13
2.1.2. Risk Manager	13
2.1.3. Committees	14
2.1.4. Other Governance Functions	15
2.2. Number of Directorships held by members of the Board	16
2.3. Policy on Diversity	16
3. Own Funds	20
3.1. Composition of regulatory own funds	20
3.2. Main features of capital instruments	21
3.3. Balance Sheet Reconciliation	22
4. Own funds Requirements	24
4.1. Initial Capital Requirement	24
4.2. Fixed Overheads requirement	24
4.3. K-Factors Requirement	25
4.3.1. Risk to Client	25
4.3.2. Risk to Market	27



4.3.3.	K-Factors Requirement Results	28
4.4.	Capital Ratios	28
4.5.	Reporting requirements	29
4.6.	Concentration risk requirements	30
4.7.	Liquidity Requirement	31
5.	Other Risks	33
5.1.	Operational Risk	33
5.2.	Interest Rate Risk	34
5.3.	Reputation Risk	34
5.4.	Strategic Risk	34
5.5.	Business Risk	35
5.6.	Regulatory Risk	35
5.7.	Legal and Compliance Risk	35
5.8.	IT Risk	35
5.9.	Credit Risk	36
6.	Internal Capital Adequacy and Risk Assessment Process	37
7.	Remuneration policy and practices	38
8.	Investment Policy	42
9.	Environmental, social and governance risks	43
10.	Appendix – Specific References to the IFR	44



1. INTRODUCTION

1.1 CIF Information

NexosTrade Ltd (hereinafter referred to as the ‘Company’) was incorporated in the Kingdom of Spain on 28 November 2014 as a private limited liability company with. It is a Finance Management Services ("FMS") Firm. The Company obtained a license from the National Securities Market Commission of Spain (hereinafter referred to as the “CNMV”), with a Regulatory License No.: 3876.

The table below illustrates the current license information of the Company:

Table 1: Company License Information (based on the First Appendix of the Law 87(I)/2017)

		Investment Services and Activities								Ancillary Services						
		1	2	3	4	5	6	7	8	1	2	3	4	5	6	7
Financial Instruments	1	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	2	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	3	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	4	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	5	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	6	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	7	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	8	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	9	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	10	✓	-	-	✓	✓	-	-	-	-	-	-	-	✓	-	-
	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The Company is authorised to provide the following **Investment Services**, in accordance with Part I of the First Appendix of the Law 87(I)/2017:

- Reception and transmission of orders in relation to one or more financial instruments
- Provision of Investment Advice
- Portfolio Management

The Company is authorised to provide the following **Ancillary Services**, in accordance with Part II of the First Appendix of the Law 87(I)/2017:

- Investment research and financial analysis or other forms



The Company is authorised to provide the aforementioned investment and ancillary services, as applicable for each service, for the following Financial Instruments, in accordance with Part III of the First Appendix of the Law 87(I)/2017:

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 point 6 of Part III 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
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances 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.

On 21 September 2021, the Company submitted to CNMV a licence extension application prepared under section 6(2) of the Law 87(I)/2017, to include the ancillary service of “Safekeeping and administration of financial instruments for the account of clients in relation to Financial Instruments 1 - 10 of Part III of the First Appendix of this Law. CNMV approved the abovementioned change on 11 April 2022. However, the Company did not activate yet the said ancillary service.

1.2 Classification and prudential requirements

The Investment Firms Directive (EU) 2019/2034 (“IFD”) and the Investment Firm Regulation, Regulation (EU) 2019/2033 (“IFR”) entered into force on 26 July 2021, introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified as Class 1, 2 or 3 Investment Firms.



Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly, and they fall entirely under the Regulation (EU) No 575/2013 (“CRR”).

Investment Firms categorized as Class 2 and Class 3 have had the most impact following the introduction of the new prudential framework as their capital requirements, reporting requirements and internal governance policies are subject to the provisions of IFR/IFD.

CIFs that meet all of the below criteria are categorised as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorised as Class 2 Investment Firms.

Table 2: Threshold Criteria

No.	Metric	Thresholds
1.	Assets Under Management	<€1.2 billion
2.	Client orders handled – cash trades	< €100 million per day
3.	Client orders handled – derivative trades	<€1 billion per day
4.	Assets safeguarded and administered	zero
5.	Client money held	zero
6.	Daily trading flow	zero
7.	Net position risk (Market Risk) or Clearing Margin Given	zero
8.	Trading counterparty default	zero
9.	On- and off-balance sheet total	< €100 million
10.	Total annual gross revenue from investment services and activities	< €30 million

During the year 2022, the Company’s IFR classification changed to **Class 2 Investment Firm** since it does no longer meet all of the criteria set by the Article 12 of the IFR.

Specifically, the Company has exceeded the threshold conditions of:

- COH being less than €100 million/day for cash trades and,
- Zero Net Position Risk.

As such, the Company should comply with the additional reporting and regulatory requirements for Class 2 Firms.

In light of the above, the Company should maintain own funds of at least the **higher** between:

A. Permanent minimum capital requirement (“PMCR”)

The PMCR of the Company is **€150k** since it is authorized to provide the ancillary service of *Safekeeping and Administration of financial instruments for the account of clients*, and thus it is permitted to hold clients’ money or securities belonging to its clients. This level of PMCR



applies to the Company, regardless of the activation or not of this ancillary service by the Company.

B. Fixed overhead requirements

The Fixed Overheads Requirement is calculated as one quarter ($\frac{1}{4}$) of the previous year fixed expenses (based on audited figures).

C. K-Factors requirement

The K-Factors are quantitative indicators that reflect the risk that the IFR/IFD prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of the Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

1.3 Scope of application

Disclosures and Market Discipline Report (the 'Report') is prepared on an individual (solo) basis in accordance with the disclosure requirements as laid out in Part Six of the IFR.

Following the Company's change in classification to Class 2 CIF due to its licence extension, it is required to disclose the information as per the provisions of IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, practices, and governance standards.

The Report has as a starting point the financial information used in the Company's Financial Statements which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the IFR and the IFRS.

1.4 Regulatory framework

The Report has been prepared in accordance with the regulatory regime for investment firms that the European Parliament has adopted, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 "*The Prudential Supervisions for Investment Firms Law of 2021*" (the "Prudential Law") and the Law 164(I)/2021, amending Law 97(I)/2021, "*The Capital Adequacy Investment Firms Law of 2021*".

The IFR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to EU investment firms. Furthermore, IFR introduced significant changes in the prudential regulatory regime applicable to Investment Firms, including a new classification system, an amended minimum initial capital requirement and minimum capital ratios, changes in the calculation of capital requirements, variations in reporting requirements, internal governance policies, the



introduction of the K-Factors methodology and practices relating to liquidity requirements, large exposures, and consolidation requirements.

The Regulatory framework consists of:

- **Basic Prudential Requirement** - Covers minimum capital and liquidity requirements.
- **Internal Capital and Liquidity Adequacy Assessment** – Regulates the investment firm’s accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a ‘SREP’.
- **Disclosures Requirement** - require the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

The provisions on disclosure requirements are described in Articles 46 to 53 of the IFR. In addition, these disclosures must be verified by the external auditors of the CIF. The CIF will be responsible to submit its external auditors’ verification report to CNMV. The Company has included its risk management disclosures on its website.

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

Frequency

The Company’s policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

Location of publication

The Company’s Disclosures and Market Discipline are published on the Company’s official website <https://nexostrade.com>

Verification

The Company’s disclosures are subject to internal review and validation prior to being submitted to the Board for approval. The Company’s disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Risk Manager.



1.5 Risk management objectives and policies

To ensure effective risk management, the Company has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence:

Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organisational risk appetite and are fully compliant with the Company's policies and where

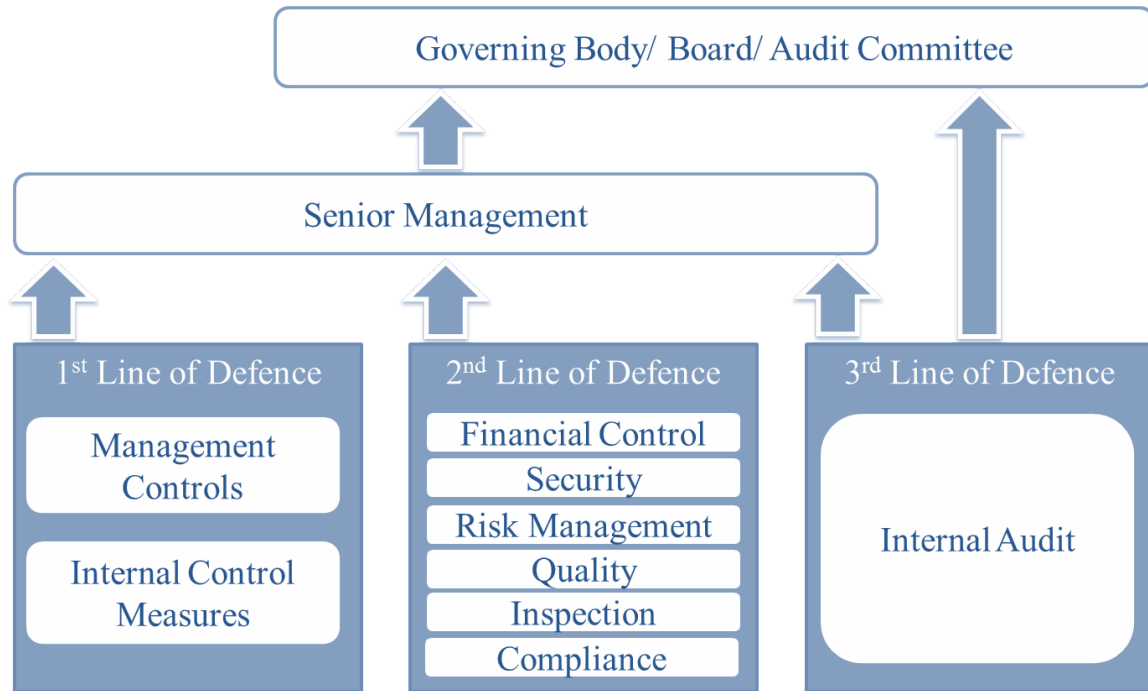
appropriate defined thresholds. The First Line of Defence acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence:

The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Company's risk profile, and providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools, and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation, and monitoring.

Third Line of Defence:

Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e., soundly, honestly, and professionally) as well as reviewing the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.



1.5.1 Risk Management Framework

Managing risk effectively in a Company operating in a continuously changing risk environment, requires a strong risk management culture. As a result, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- Adequate risk identification and management,
- Establishment of the necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with the applicable legislation.

The Board meets on a regular basis and receives updates on risk and regulatory capital matters from management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies and procedures as well as the Company's risk management policies and procedures as implemented by Management.

1.5.2 Risk Statement

The Company's activities expose it to a variety of risks, and in particular to credit risk, market risk, operational risk, compliance risk, regulatory risk, reputational risk, strategic risk, liquidity risk, etc. The Company, through its operations, has a significant exposure to the economies and financial markets.



As regards the management of the risks arising from the current macroeconomic and political uncertainty (heightened inflation, Ukrainian crisis, climate crisis etc.), the Company is following the local government guidelines, enhancing its onboarding procedures and closely monitoring its capital and liquidity positions.

Risk Strategy

The risk strategy of the Company is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company's business model. One important characteristic of the Company's risk strategy is the alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Company. The Company recognizes the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company's exposure to various risks.

Risk Appetite

Risk appetite is the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders. Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events, and outcomes. In addition, risk appetite should reflect potential impact on earnings, capital, and funding/liquidity.

The Company has a low-risk appetite with respect to investing and managing business and operational activities.

According to the Financial Stability Board (FSB), an appropriate risk appetite framework (RAF) should enable risk target, risk appetite, risk limits and risk profile to be considered for business lines and legal entities as relevant, and within the group context.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored.

Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the RAF.



The RAF should consider material risks to the financial institution, as well as to the institution's reputation vis-à-vis policyholders, depositors, investors, and customers. The RAF aligns with the institution's strategy.

The Company is assessing its risk appetite with respect to investing and managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors.

The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

1.5.3 Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, and its importance is also continuously emphasised by the management.

The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each of the business areas are encouraged to take risk-based decisions, while knowing when to escalate or seek for advice.



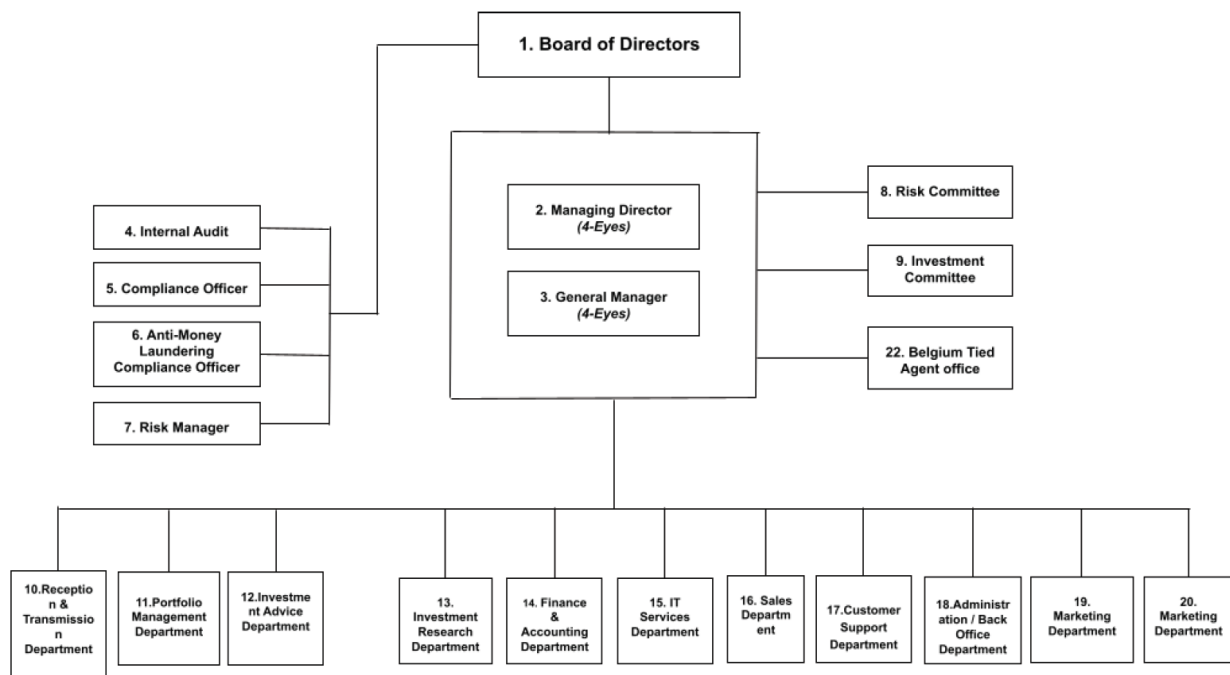
2. CORPORATE GOVERNANCE

The Company’s systems of risk management and internal control include risk assessment, management, or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

2.1. Organisational Structure

The Company’s latest organizational structure is as follows:



Through the said structure, the Company incorporates a strict Internal Governance framework. Furthermore, the Organisational Structure incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

The Company has in place an Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management, and staff constituting the Company.



Moreover, the Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes, and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company adopts effective arrangements, processes, and systems, in light of the set level of risk tolerance, where applicable.

2.1.1. Board of Directors

As of 31 December 2022, the Board comprises of three executive directors and two non-executive directors.

The Board has the ultimate and overall responsibility for the investment firm and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Company complies at all times with its obligations under the law(s). In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements and procedures put in place, whilst if needed, takes appropriate measures to address any deficiencies.

The main responsibilities of the Board of Directors are:

1. 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;
2. To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities;
3. To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the CIF;
4. To employ personnel with the skills, knowledge, and expertise necessary for the discharge of the responsibilities allocated to them;
5. To establish, implement and maintain effective internal reporting and communication information at all relevant levels of the CIF;
6. To maintain adequate and orderly records of its business and internal organization; and
7. 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.

The Board has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust.

2.1.2. Risk Manager

Further to the formation of the overall Internal Governance Framework, it should be noted that the Board has appointed a Risk Manager to ensure that all the different types of risks taken by the Company are in compliance with the laws and the obligations of the Company under the laws, and that all necessary procedures, relating to risk management are in place and are functional on an operational level from a day-to-day basis. The Risk Manager reports directly



to the Senior Management of the Company while as previously discussed, the Risk Management Committee is responsible to control and overview the Risk Manager's actions/performance at work.

The Risk Manager, has the following responsibilities:

1. Design the overall risk management system of the Company;
2. Comply and implement the relevant provisions of the laws;
3. Prepare the Risk Management policies and procedures;
4. Provide training to relevant employees and the Senior Management, on risk-related issues;
5. Analyse the market and its trends;
6. Evaluate the effect of the introduction of any potential new services or activities on the Company's risk management;
7. Measures for the monitoring of capital adequacy and large exposures;
8. Draft written reports to the Board including recommendations;
9. Monitor Client and counterparty limits;
10. Identify and manage the overall risks faced by the Company;
11. Establish methods for risk monitoring and measurement;
12. Prepare and implement the ICARA of the Company;
13. Apply stress testing scenarios and undertake analysis of the results;
14. Review the policy on maximum limits with respect to liquidity risk and market risk;
15. Identify the assets that are qualified as liquid assets;
16. Ensure that data for the calculation of the K-Factors requirement are available at all times; and
17. Fulfil the disclosure requirements under part six of IFR based on the categorization of the Company.

2.1.3. Committees

Establishing committees helps management bodies in their supervisory function. Committees draw on the specific knowledge and areas of expertise of individual management body members. While committees should prepare decisions and make recommendations to the management body in its supervisory function, the management body has the overall responsibility.

According to Circular C487, if the Company meets the definition of 'significant CIF' as set out in Section 26(8)(a) of the Prudential Law, it is obligated to establish a Risk, Remuneration and Nomination Committee. The Company does not fall under the definition of 'significant CIF' since its average on and off-balance sheet items during the four preceding years were less than €100m. Therefore, it is not required to comply with the additional regulatory requirements indicated above.

However, the Company has established a *Risk Management Committee* and *Investment Committee*, in order to ensure the effectiveness of the risk management and investment policies and procedures.



Investment Committee

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and effective monitoring of the provision of adequate investment services to Clients. The Investment Committee decisions shall relate to general and overall decisions as far as the investments are concerned which correspond to the Client's risk profile categories or the Company's risk profile, as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of Financial Instruments, types of financial markets and market segments.

Furthermore, these decisions are notified to the relevant Heads of Departments of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

Risk Management Committee

The Risk Management Committee of the Company is formed with the view of ensuring the efficient monitoring of the risks inherent in the provision of investment and ancillary services to Clients, as well as the overall risks underlying the operations of the Company. To this effect, the Company has adopted and maintains an applied risk management framework/policy, which identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the risk management framework/policy 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.

Furthermore, the risk management committee advises the management body on the investment firm's overall current and future risk appetite and strategy and assists the management body in overseeing the implementation of that strategy by senior management.

During 2022, the Risk Management Committee met one time.

2.1.4. Other Governance Functions

Internal Audit Function

The Internal Auditor reports to the Senior Management and the Board of the Company and is separated and independent from the other functions and activities of the Company. The Internal Auditor has access to the Company's premises, systems, information, personnel, and financials. The Board ensures that internal audit issues are considered when presented to it by the Internal



Auditor and appropriate actions are taken according to the Board's assessment and prioritization. Moreover, the qualifications of the committee members should entail sufficient academic background, extensive knowledge of and exposure to the capital markets and financial services industry, and high level of knowledge and understanding of the legal framework under which the Company is regulated.

Compliance Function

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has established a compliance function to manage compliance risk. Furthermore, the Board has appointed the Compliance Officer (the "CO") who is to be responsible for this function across the entire investment firm. More specifically, the CO is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively. The compliance function, policies and procedures should also be compliant with Article 22 of Commission Delegated Regulation (EU) 2017/565 and ESMA guidelines on the compliance function.

The Compliance Officer is independent and reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise, and access to all relevant information. The staff within the compliance function possess sufficient knowledge, skills, and experience in relation to compliance and relevant procedures and have access to regular training.

Anti-Money Laundering Compliance Officer

The Board retains a person for the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and/or terrorist financing. The AMLCO belongs to the higher hierarchical levels/layers of the Company so as to command the necessary authority. The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and reports to the Senior Management and the Board of the Company.

2.2. Number of Directorships held by members of the Board

The table below discloses the number of directorships held by members of the management body of the Company, including NexosTrade Ltd and any other companies belonging to the same group, as of 31 December 2022. Directorships in organisations which do not pursue predominantly commercial objectives such as non-profit or charitable organisations, are not taken into account for the purposes of the below.



Table 3: Number of Directorships of the members of the Board of Directors*

Name of Director	Position	Number of Executive Directorships	Number of Non-Executive Directorships
Mr. Enosh Aharoni	Executive Director	1	5
Mr. Tomer Chubara	Executive director	1	-
Mr. Daniel Yakov	Executive Director	7	-
Mr. Eliahu Shirazi	Non-Executive Director	2	2
Mrs. Stella Kattashi	Non-Executive Director	1	1

**The information in this table is based only on representations made by the directors of the Company.*

For the purpose of the above, Executive or Non-Executive directorships held within the same group shall count as a single directorship.

2.3. Policy on Diversity

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation.

For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age, and cultural and educational background for the Board appointments.

Diversity of Knowledge, Skills, and Competencies

In synchronicity with the laws, the Company requires its Board Members to hold collectively, bear, and exhibit a diversity of knowledge, skills, competencies, and experiences, to adequately supervise, direct, advise and make decisions regarding the Company's authorized services and activities.

The Company shall consider the following factors in measuring and determining the diversity, breadth, and sufficiency of the knowledge, skills, and experience of Members:

- Academic and other institutional qualifications
- Tenures of previous employment
- Memberships to various professional bodies,
- Positions of service or membership to other companies' Boards (with due consideration to prevent and avoid conflicts of interest),



- Professional and institutional licenses
- Hard and soft professional skills and traits
- Persons of good repute and bearing integrity, honesty, independence of mind
- Any other factors that are brought before the Nomination Committee or that the Committee considers relevant.

The above-mentioned factors have a broad application and are not limited to knowledge, experience or skills necessarily gained in investment firms, but can have been attained in professional practice in a range of industries including, but not limited to, other financial services, information technology, legal and accounting professions, and any other professional fields regardless of relevance directly to the investment sector, but where the practicing or holding professional understands the Company's activities including its principal risks and bears general competencies, skills, traits and experiences that add value, relevance or application to the Board of the Company. To this end, the Company must ensure that the overall composition of its Board of Directors reflects an adequately broad range of experiences.

Legal Purpose and Requirement for Broad Representation of the Board

The Board of Directors bears important governance responsibilities to the Company, investors, and the markets. It bears overall responsibility for the Company, including ensuring the integrity of accounting and financial reporting, supervising senior management and challenging management decisions where necessary, overseeing the Company's policies and operations, disclosures and announcements, decision-making, and governing the Company in accordance with the law(s). These responsibilities are of a gravity that requires the Members to act with honesty, integrity, and independence of mind, be of good repute and possess sufficient knowledge, skills, and experience to perform their duties. The Diversity considerations above ensure that the Board is collectively and compositely broad and adequate enough to be able to perform the full scope and extent of their duties, and also appropriately guides the nomination process.

Operational Duties of the Company

The Company shall devote adequate human and financial resources towards the induction and training of the Board to ensure the application of diversified knowledge and skills is relevant and compliant with the law and regulations.

The Board of Directors of the company has full competence in the process of selection and appointment of any of its members and shall consider the following (akin to the Nomination Committee that would be established in a large and systemically significant investment firm) in its selection and appointment endeavours:

- Identification and recommendation of new directors or candidates to fill vacancies in the Board



- Evaluation of the balance of knowledge, skills, diversity, and experience of the Board of Directors
- Provide a description of the roles and capabilities required for a particular appointment
- Assess the time commitment that is expected of Directors
- Prepare targets for gender representation of the Board, address and /or balance any under representations and publish this information as directed
- At least annually, assess the structure, size, composition, and performance of the Board and make recommendations to the board of directors with regard to any changes; and report to Board
- At least annually, assess the individual and collective knowledge, skills, and experience of Directors and report to the Board
- Review the policy for senior management selection and appointment
- Ensure that the Board is not dominated by one person or group in a manner that is detrimental to the interests of the Company as a whole
- be able to use any type of resources that it considers to be appropriate, including external advisors, and shall receive appropriate funding to that effect.
- Instil hiring policies and practices that promote and enounce the appointment of a member of members of the Board, that bear, offer, and apply a multitude of relevant exposure, skills, knowledge, competencies, and aptitudes to the Board's composition and representation
- Shall count the following as directorship:
 - Members of the Board that are within the same group
 - Directors and members of the same institutional protection scheme
 - Directors of companies in which the CIF has a qualifying holding
- Appoint directors who devote sufficient time to their roles, and ensure that such commitment is met
- Provide guidelines for the appointment and removal of Directors as required for the enunciation of diversity and sufficient and adequate individual and collective representation of knowledge, skills, and experience of appointed Directors and members of the Board
- Ensure that 2 directors are members of management and therefore executive directors



- Ensure that the Chairman of the Board is not the CEO of the Company

3. Own Funds

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Company to absorb losses.

During the year under review, the primary objective of the Company with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Company maintained healthy capital ratios in order to support its business.

Moreover, in general, the Company's objective when managing capital are:

- To comply with the capital requirements set by the regulator (CNMV),
- To safeguard the Company's ability to continue as a going concern, and
- To maintain a strong capital base to support the development of the business.

During the year 2022, the Company has changed classification from Class 3 ('Small and non-interconnected investment firm') to **Class 2** Investment Firm since it does no longer meet all of the criteria set by the Article 12 of the IFR and as such, it should comply with the additional reporting and regulatory requirements for Class 2 Firms.

Further to the above, the Company, as a **Class 2** investment firm, shall at all times have own funds at least the highest of the following:

- Initial minimum requirement,
- Fixed Overheads Requirements, and
- K-Factors Requirement.

3.1. Composition of regulatory own funds

The Company shall disclose information relating to their own funds according to IFR Article 49.

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Company. The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

The composition of the Company's Own Funds which is cross-referenced to the corresponding rows in table EU IF CC2 is shown below:



Table 4: IF CC1.01 - Composition of regulatory own funds as of 31 December 2022

Common Equity Tier 1 (CET1) capital: instruments and reserves		Amounts € '000	Source based on reference numbers of the balance sheet in the audited financial statements (EU IF CC2)
1	OWN FUNDS	3.576	
2	TIER 1 CAPITAL	3.576	
3	COMMON EQUITY TIER 1 CAPITAL	3.576	
4	Fully paid-up capital instruments	1	Ref 1 (Shareholders' Equity)
5	Share premium	130	Ref 2 (Shareholders' Equity)
6	Retained earnings	2.877	Ref 5 (Shareholders' Equity)
8	Other reserves	582	Ref 4 (Shareholders' Equity)
2 7	CET1: Other capital elements, deductions, and adjustments	(14)	Ref 3 (Assets)
2 8	ADDITIONAL TIER 1 CAPITAL	-	
4 0	TIER 2 CAPITAL		

3.2. Main features of capital instruments

The Company shall disclose the main features of the CET1 and AT1 instruments and Tier 2 instruments issued according to Article 49(b) of IFR. Therefore, the Company's capital instruments' main features are outlined below:

Table 5: EU IF CCA - Main features of own instruments issued by the firm

No	Item	Common Equity Shares
1	Issuer	NexosTrade Ltd
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Spain Companies Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital	€1,000,000
7	Nominal amount of instrument	€1,000,000
8	Issue price	€1
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	28/11/2014
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity



14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary, or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary, or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory, or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

Redeemable Preference Shares

The rights attaching to the redeemable shares are as follows:

- Voting Rights: Redeemable Preference Shares have limited voting rights and will only be entitled to vote on a decision for liquidation of the Company, change of the name or decision for the reduction of share capital of the Company but otherwise will not participate in voting for any other matters.
- Dividend Rights: The holders of Redeemable Preference Shares will not have an automatic right to a dividend but may enjoy a special discretionary dividend of



whatever value decided by the Company's shareholders and the frequency of the payment such discretionary dividend shall be decided by the shareholders.

Subject to the provisions of the Spain Companies Law, Cap.113, the Company shall have the right by a resolution of the Board of Directors at any time to forthwith redeem the Redeemable Preference Shares at their nominal value plus such premium that shall not exceed the amount of share premium which has been paid at any time for the issue of shares by giving the holders of the Redeemable Preference Shares notice in writing of the date (the "Relevant Redemption Date") when such redemption is to be effected.

3.3. Balance Sheet Reconciliation

The Company shall disclose the balance sheet included in their audited financial statements for the year-end disclosures.

As at the 31 December 2022, the reconciliation of Company's assets and liabilities and regulatory Own Funds is shown in the following table:



Table 6: EU IFCC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

No	Item	Balance sheet as in audited financial statements € '000	Cross reference to EU IF CC1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Property, plant, and equipment	26	
2	Right of use assets	59	
3	Investors' compensation fund	14	Ref 27
4	Deferred tax assets	1	
5	Trade and other receivables	2.515	
6	Cash and cash equivalents	1.862	
	Total Assets	4.477	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Lease Liabilities	63	
2	Trade and other payables	443	
3	Tax Liability	380	
	Total Liabilities	886	
Shareholders' Equity			
1	Share capital	1	Ref 4
2	Share Premium	130	Ref 5
3	Redeemable shares	1	
4	Non-reciprocal contributions from shareholder	582	Ref 8
5	Retained earnings	2.877	Ref 6
	Total Shareholders' equity	3.591	



3. OWN FUNDS REQUIREMENTS

During the year 2022, the Company has changed classification from Class 3 to **Class 2** Investment Firm since it does not meet all the conditions of IFR Article 12 and, as such, it should comply with the additional reporting and regulatory requirements for Class 2 Firms.

The Company as a **Class 2** investment firm shall at all times have own funds at least the highest of the following:

- Initial Capital Requirement,
- Fixed Overhead Requirements and
- K-Factors Requirement.

3.1. Initial Capital Requirement

As per the Title III of the Prudential Law, the initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be €750k while for a CIF which is authorised to provide any of the investment activities listed in points (1), (2), (4), (5) and (7) which is not permitted to hold clients' money or securities belonging to its clients, the initial capital shall be €75k. For all other CIFs, the initial capital shall be €150k.

Regardless the activation by the Company of the ancillary service of *Safekeeping and Administration of financial instruments for the account of clients*, since the Company has been authorised and thus permitted, to hold clients' money or securities belonging to its clients during 2022, its Initial Capital as of 31/12/2022 is €150k.

3.2. Fixed Overheads requirement

The fixed overheads requirement (FOR) applies to all CIFs. The FOR is intended to calculate a minimum amount of capital that a CIF would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provision of Article 13 of IFR.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is €2.409k as per the table below:

Table 7: Fixed Overheads Requirement

Item	€ '000
Total expenses of the previous year after distribution of profits	13.557
Total deductions	(3.920)
(-) Staff bonuses and other remuneration	(43)



(-) Employees', directors', and partners' shares in net profits	-
(-) Other discretionary payments of profits and variable remuneration	-
(-) Shared commission and fees payable	(2.985)
(-) Fees, brokerage, and other charges paid to CCPs that are charged to customers	-
(-) Fees to tied agents	-
(-) Interest paid to customers on client money where this is at the firm's discretion	-
(-) Non-recurring expenses from non-ordinary activities	-
(-) Expenditures from taxes	(892)
(-) Losses from trading on own account in financial instruments	-
(-) Contract based profit and loss transfer agreements	-
(-) Expenditure on raw materials	-
(-) Payments into a fund for general banking risk	-
(-) Expenses related to items that have already been deducted from own funds	-
Annual Fixed Overheads	9.637
Fixed Overheads requirement	2.409

3.3. K-Factors Requirement

The K-factors capital requirement is essentially a mixture of activity- and exposure-based requirements. The K-factors which apply to an individual investment firm will depend on the MiFID investment services and activities it undertakes.

The capital requirement from applying the K-factors formula is the sum of Risk to Client, Risk to Market and Risk to Firm.

Following the new IFR classification, the Company as a Class 2 IF is required to calculate K-Factors capital requirement as the sum of RtC ($K-AUM$, $K-COH$) and RtM (K-NPR only for on-balance sheet FX risk exposures) based on the Company's model. The RtF proxy is not applicable for the Company as it is not authorized to provide the investment service of Dealing on Own Account.

3.3.1. Risk to Client

The risk to Client proxy captures the risk that may be inflicted onto the clients. RtC exists in the activities/services of the firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH).

The Company is required to calculate the following K-Factors requirements as part of the RtC:



3.3.1.1. K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

K-AUM shall be the arithmetic mean of the remaining 12 monthly values multiplied by the relevant coefficient of 0.02%.

As at 31 December 2022, the K-AUM was €1k.

3.3.1.2. K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on a segregated or nonsegregated basis).

Calculation

CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-CMH shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.4% and for segregated accounts and 0.5% for non-segregated accounts).

During the year under review the Company has not activated its license for “Safekeeping and administration of financial instruments for the account of clients”. Therefore, as of 31 December 2022, K-CMH was zero.



3.3.1.3. K-ASA: Assets Safeguarded and Administered

K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensuring that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

Calculation

It is calculated as the rolling average of the daily total value of assets under safekeeping and administration, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-ASA shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient of 0.04%.

During the year under review the Company has not activated its license for “Safekeeping and administration of financial instruments for the account of clients”. Therefore, as at 31 December 2022, K-ASA was zero.

3.3.1.4. K-COH: Client Orders Handled

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

Calculation

COH shall be the rolling average of the value of the total client orders handled, measured throughout each business day for the previous 6 months.

K-COH shall be the arithmetic mean of the daily values from the remaining 3 months multiplied by the relevant coefficient (0.1% and for cash trades and 0.01% for derivative trades).



As of 31 December 2022, the K-COH was €113k for cash trades and €38k for derivatives.

3.3.2. Risk to Market

The Risk to Market (“RtM”) is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with. The K-factor for RtM is based on the rules for market risk, for position in financial instruments, in foreign exchange and in commodities in accordance with the CRR.

3.3.2.1. K-NPR: Net Position Risk

A Class 2 investment firm must calculate its K-NPR requirement by reference to trading book positions and positions other than trading book positions where the positions give rise to foreign exchange risk or commodity risk. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

The Company is exposed to K-NPR from on-balance sheet items denominated in a non-reporting currency.

As of 31 December 2022, the K-NPR capital requirements amounted to €177k, arising solely from Market Foreign Exchange Risk.

Foreign Exchange Risk

Foreign exchange risk is the effect that unanticipated exchange rate changes may have on the Company. In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of a maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The Company continues to regularly monitor the impact of exchange rate risks and if deemed necessary, corrective actions will be taken to minimize the effect.

3.3.3. K-Factors Requirement Results

As of 31 December 2022, the Company’s K-Factors Requirement is €328k as shown in the table below:

Table 8: K-Factors Results

Item	K-Factor Requirement € '000
TOTAL K-FACTOR REQUIREMENT	328
Risk To clients	152
<i>K-AUM</i>	1
<i>K-CMH (Segregated)</i>	-



K-CMH (non-Segregated)	-
K-ASA	-
K-COH (Cash Trades)	113
K-COH (Derivative Trades)	38
Risk to Market	177
K-NPR	177
K-CMG	-
Risk to Firm	-
K-TCD	-
K-DTF (Cash Trades)	-
K-DTF (Derivative Trades)	-
K-CON	-

3.4. Capital Ratios

According to Article 9 of the IFR, Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\text{Common Equity Tier 1 Capital}}{D} \geq 56\%$$

$$\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital}}{D} \geq 75\%$$

$$\frac{\text{Common Equity Tier 1 Capital} + \text{Additional Tier 1 Capital} + \text{Tier 2 Capital}}{D} \geq 100\%$$

where D is the Company's own funds requirement calculated in accordance with Article 11.

The Company's own funds, own funds requirement and capital ratio reported as of 31 December 2022, were the following:

Table 9: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	€ '000
Total Own Funds	3.576
OWN FUNDS REQUIREMENTS	
	€
Initial Capital	150
Fixed Overheads Requirement	2.409
K-Factors Requirement	328
Own funds Requirement	2.409
CAPITAL RATIOS	
CET 1 (min. 56%)	148,44%



T1 (min. 75%)	148,44%
Total (min. 100%)	148,44%
<i>Surplus of Total capital</i>	<i>1.167</i>

As per the above results, the Company as of 31 December 2022 maintains adequate own funds to cover its capital requirements. However, the Company should monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

3.5. Reporting requirements

Following the Company's reclassification as Class 2 investment firm, it is required by IFR Article 54 to report on a quarterly basis the following items:

- a) Level and composition of own funds
- b) Own funds requirements
- c) Own funds requirement calculations
- d) Where the firm is a Class 3 firm – the level of activity, including the balance sheet
- e) Revenue breakdown by investment service and applicable K-factors
- f) Concentration risk
- g) Liquidity requirements

The above information shall be reported to CNMV using the Form 165-01 "Reporting for Class 2" on a quarterly basis.

The Senior Management as well as the Risk Manager monitor these 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.

Moreover, the Company is required to submit immediately to CNMV the prudential Form 165-01 under exceptional reporting, through the TRS, when:

- i. the own funds of the CIF have decreased below its own funds' requirement,
- ii. the CIF's liquid assets are below its liquidity requirement, and
- iii. the CIF has exceeded the concentration risk limits, as defined in Articles 37(1) and 37(3) of IFR.

During the year 2022, the Company complied with its applicable reporting obligations as Class 3 Investment Firm and following the change in classification, proceeded with the relevant reporting obligations for Class 2 Investment Firms by the designated deadline. Furthermore, the Company's own funds never dropped below its own funds requirement and the Company fulfilled its obligations by successfully submitting, on a quarterly basis, the Capital Adequacy Reports.



3.6. Concentration risk requirements

The concentration risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer, must be addressed and controlled including by means of written policies and procedures.

Exposure means any asset or off-balance sheet item without applying the risk weights or degrees of risk. Large Exposure means the exposures in the trading book of an investment firm to a client or a group of connected clients, the value of which exceeds the limits set.

The CIFs that are categorized as Class 2 IFs should continue to monitor and control their concentration risk with regards to their trading book exposures to a client or a group of connected clients in accordance with Part four of IFR.

CIFs shall monitor and control their concentration risk so as not to exceed the following limits as per Article 37 of IFR.

Table 10: Large Exposure Limits

Type	Limit
Institution	Min {up to 100% of eligible capital, Max (25% of eligible capital, €150m)}
Non-institution	25% of eligible capital

Where any trading book exposure exceeds the limits mentioned above, a CIF shall calculate an additional capital requirement as part of the K-CON requirement.

According to Circular C513, the Company should notify CNMV without delay when the limits referred to in article 37(3) of IFR are exceeded, as required by article 38 of IFR.

As of 31 December 2022, the Company had not any trading book exposures or any exposure values of contracts and transactions subject to IFR Article 25(1) regarding Trading Counterparty Default. Therefore K-CON own funds requirement was zero.

Moreover, harm can arise from more than just a concentrated trading book exposure to a client. To mitigate the potential for harm that can arise from different types of concentrated exposures or relationships, the Company should monitor and control all their sources of concentration risk, including:

- exposures in a trading book
- assets (for example, trade debts) not recorded in a trading book
- off-balance sheet items
- the location of client money



- the location of client assets
- the location of its own cash deposits
- the sources of its earnings.

However, there are no limits on the banking book exposures of an Investment Firm.

The Company shall report to CNMV on a quarterly basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where client money are held and where client securities are deposited while it shall report the level of concentration risk with respect to the credit institutions where its own cash is deposited as per Article 54(2) of IFR. Moreover, the Company shall report the top five clients from which the largest amounts of the Company's earnings are derived as well as the top five, if available, largest trading book exposures and largest exposures not recorded in the trading book.

3.7.Liquidity Requirement

As a Class 2 investment firm, the Company is required to hold an amount of liquid assets equivalent to at least one third of the fixed overheads requirement. The purpose is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario.

The IFR specifies the instruments that are eligible to be qualified as liquid assets to be included in the calculation of the said ratio. In general, these can be, amongst others:

- Coins and banknotes;
- Unencumbered short-term deposits at a credit institution;
- Claims on ECB or other Central Banks/Central Governments;
- High Quality Covered Bonds;
- Qualifying CIU shares/units;
- Receivables due within 30 days subject to specific conditions;
- Other financial instruments subject to specific conditions;

In this respect and as per the Company's latest audited financial statements, the Company has the following liquid assets which is well above the 1/3 of the total fixed overheads requirement.

Table 11: Liquidity Requirements

Regulatory Item	€ '000
Liquidity Requirement	803
Liquid Assets	1.838
<i>Surplus</i>	<i>1.035</i>



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Further to the above, the Company maintains adequate liquid assets to cover the one third fixed overheads requirement. However, the Company should monitor the above in order to ensure compliance at all times.

4. Other Risks

4.1. Operational Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The following list presents some event-type categories, included in operational risk, with some examples for each category:



The following list presents some event-type categories, included in operational risk, with some examples for each category:

Internal Fraud	<ul style="list-style-type: none">• misappropriation of assets;• tax evasion;• intentional mismarking of positions;• bribery.
External Fraud	<ul style="list-style-type: none">• theft of information;• hacking damage;• third-party theft;• forgery.
Employment Practices and Workplace Safety	<ul style="list-style-type: none">• discrimination;• workers compensation;• employee health;• safety.
Clients, Products, & Business Practice	<ul style="list-style-type: none">• market manipulation;• antitrust;• improper trade.
Damage to physical assets	<ul style="list-style-type: none">• damage to physical assets from a natural disaster, e.g. earthquake
Business Disruption & Systems Failures	<ul style="list-style-type: none">• utility disruptions;• software failures;• hardware failures.
Execution, Delivery, & Process Management	<ul style="list-style-type: none">• data entry errors;• accounting errors;• failed mandatory reporting;• negligent loss of Client assets.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Furthermore, the Company has in place policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk.



The Company has implemented an operational risk management framework designed to ensure that operational risks are assessed, mitigated, and reported in a consistent manner consisting of, inter alia, the following components:

- Maintaining a four-eye structure and implementing board oversight over the strategic decisions made by the heads of departments.
- An IT Disaster Recovery Plan has been designed in order to be used in the event of a force majeure affecting the Company's internal systems and databases.
- Maintenance of Risk Registers in the Context of the ICARA.
- A Business Continuity Plan has been implemented which helps protect all of the Company's information databases including data, records and facilities.
- The majority of actions occurring in the Company's systems are automated and therefore it is less likely that a human error will occur.
- Review of risks and controls as part of the Internal Audit function; and
- Regular review and updating of the Company's policies.

3.8. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk in relation to its bank deposits and from the interest charged on the derivative financial instruments that remain open overnight.

The Company monitors interest rate fluctuations and based on the fluctuations of the relevant rates, the necessary hedging activities will be undertaken, as and where applicable.

3.9. Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large customers, poor customer service, fraud or theft, customer claims, legal action and regulatory fines.

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 customers.

3.10. 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 moderate as policies and procedures to minimize this type of risk are implemented, in the overall strategy of the Company.



3.11. Business Risk

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts is conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

3.12. 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 documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is low.

3.13. Legal and Compliance Risk

Legal & Compliance risks arise from violations of, or non-conformance with, the laws, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company mainly to financial losses due to imposed fines from the Regulators. Compliance incidents may also lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and possible inability to enforce contracts.

The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

3.14. 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 an inadequate use of the Company's information technology.

Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.



3.15. Credit Risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company's credit risk stems mainly from its cash balances with banks and trade receivables. The credit institution where the Company's vast majority of cash balances are held is the Bank of Cyprus.

4. Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

Pursuant to Chapter 2 and Paragraph 18 of the Prudential Law, the Company should establish sound, effective and comprehensive arrangements, strategies, and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. These arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale, and complexity of the activities of the Company and they shall be subject to regular internal review.

In light of the above, the ICARA report will present the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed to. It is also acknowledged that the ICARA Report is a reasonably intense process, requiring information from many different departments and committees of the company and also it requires senior management time at the design phase, during the risk and financial data collection phase and for the sign-off phase. Therefore, the Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

Following the implementation of the new prudential regulatory framework and in light of the Company's classification change to Class 2 Investment Firm, the Company shall design and



NexosTrade

Market Disclosures Report for the year 2022

implement an ICARA process by establishing an assessment with respect to the liquidity adequacy of the Company, designing financial projections and stress tests to reflect the K-Factors requirement and drafting a report which reflects all provisions and technical standards under the new regulation.

The Company should create an ICARA Report with the Audited Financial Statements for the year 2022 once available.

Furthermore, the Company shall arrange so that the ICARA Report is thereafter approved by the Board and appropriate training will be provided to the Company's personnel in relation to the ICARA, as applicable. In case any of the key assumptions underpinning the Company's ICARA, or its risk profile alters, and this results in a situation in which the capital and liquidity requirements and stress test scenarios no longer reflect adequately the underlying risks, the ICARA process may need to be re-assessed based on the new assumptions.



4. REMUNERATION POLICY AND PRACTICES

The Company has established a Remuneration Policy (the "Policy") to strengthen client protection by improving the implementation of the conflicts of interest and conduct of business requirements under the current legislation in the area of remuneration and also to improve the services provided by the Company.

Remuneration Committee

It is noted that the Company has considered its size, internal organisation and the nature, scope and complexity of its activities and it does not deem as necessary the establishment of a specific remuneration committee.. In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.

Remuneration Principles

The management body of the Company, in its supervisory function, adopts and periodically reviews the general principles of the Policy and is responsible for its implementation.

Remuneration consists of all payments and benefits provided directly or indirectly to relevant persons in the provision of investment and ancillary services to clients. Remuneration can be either financial, such as cash, shares, options, cancellations of loans to relevant persons at dismissal, pension contributions, remuneration by third parties (e.g., through carried interest models, wage increases), or non-financial, such as career progression, health insurance, discounts or special allowances for car, mobile phone, generous expense accounts, seminars in exotic destinations, etc.).

All employees of the Company are covered by the Policy including any employee who can have a material impact on the services provided, on the conduct of business risk profile, and who can influence corporate behaviour. This includes but is not limited to:

- client-facing front-line staff;
- sales force staff, and/or;
- staff of the representative offices and/or;
- staff of the tied agent offices, and
- other staff indirectly involved in the provision of investment services whose remuneration may create inappropriate incentives to act against the best interests of the clients.

The following principles apply to the Company to the extent that is appropriate to the size, internal organization, and the nature, the scope, and the complexity of the Company's activities:

- complete and effective risk management is promoted which is not encouraging risk-taking that exceeds the level of tolerated risk of the Company;



- staff engaged in control functions are independent of the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
- the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the management body in its supervisory function;
- where remuneration is performance-related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the Company and when assessing individual performance, financial and non-financial criteria are taken into account;
- the assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on longer-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks;
- the total variable remuneration does not limit the ability of the Company to strengthen its capital base;
- guaranteed variable remuneration is exceptional and occurs only when hiring new staff and is limited to the first year of employment;
- Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component;
- The Company has set appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:
 - the variable component shall not exceed 100 % of the fixed component of the total remuneration for each individual.
 - Shareholders of the Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200 % of the fixed component of the total remuneration for each individual.

Remuneration of Executive Directors

The remuneration of the Executive Directors ensures the Company's continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning. The remuneration of the Executive Board is assessed annually and developments in market practice are assessed systematically. 10. The remuneration of the Executive Directors consists of fixed pay and incentive programs. The performance of Executive Directors is assessed once a year. The Annual Report specifies the Executive Directors' remuneration.

The table 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 remuneration.



Remuneration of the Board of Directors

Members of the Board of Directors receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities, and the number of board meetings. No pension contributions are payable to Board members' fees.

The Board of Directors may deviate from this Policy in individual cases if justified by extraordinary circumstances.

Remuneration of Risk takers and employees in control functions

The remuneration of material risk takers and employees in control functions (including Internal Audit, Compliance, Finance, and Risk Management) is subject to strict conditions. Once a year, the Board of Directors identifies employees who may take material risks on behalf of the Company and ensures that employees in these functions receive competitive remuneration.

Remuneration of the outsourced activity

The Company's Remuneration Policy and procedures shall apply to any outsourcing arrangements that may be undertaken for functions that can be outsourced. Fixed and variable components of total remuneration are applied and appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The variable component does not exceed 100 % of the fixed component of the total remuneration for each individual. For performance-related remuneration, the total remuneration is based on a combination of the assessment of the performance of the individual and the business unit concerned and the overall results and values the individual or entity has added to the overall performance of the CIF. When assessing individual performance financial and non-financial criteria are taken into account.

Table 12: Remuneration split of staff whose activities have a material impact on the risk profile of the Company.

Annual Remuneration as of 31 December 2022				
Position	No. of Beneficiaries	Fixed Remuneration € '000	Variable Remuneration € '000	Aggregated Remuneration € '000
Board of Directors	5	210	5*	215
Other members of staff whose actions have a material	7	284	47	331



impact on the risk profile of the IF**				
Total	12	494	52	546

Notes:

* This was in the form of a guaranteed variable remuneration (i.e., welcome/sign-on bonus) for one of the Company's Directors.

**Includes the Department Heads of Finance & Accounting, Administration/Back Office, Reception & Transmission, AML Compliance Officer and Risk Manager.

Moreover, the abovementioned variable remuneration is all paid in the form of cash. Also, the Company's (Employer) contributions required by Law for the abovementioned risk takers/employees are included as Fixed Remuneration.

Lastly, it is noted that during 2022, one of the Company's Executive Directors and one of the other risk takers of the Company were paid in the form of Management Fees which for the purposes of the above table have been considered as fixed remuneration.

The Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:

- at least 50% of the variable remuneration shall consist of shares/ share-linked instruments/ equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instruments of the portfolios managed.
- at least 40% of the variable remuneration is deferred over the three-to-five-year period.

Based on IFD Article 32(4)(a), these points don't apply to the Company since NexosTrade Ltd does not fall under the definition of 'significant CIF' (off-balance sheet assets is on average less than €100m over the preceding four-year period). In other words, the Company benefits from the derogation laid down in Article 32(4)(a) of the IFD.

In addition, an amount of €43k relate to remuneration awarded for the current year which is deferred in subsequent years. The beneficiary of this amount is one person.

Lastly, during 2022 there were no severance payments.



5. INVESTMENT POLICY

Investment Firms should disclose the following information in accordance with Article 46 of IFR:

- a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector.
- b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 46, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
- c) an explanation of the use of proxy advisor firms.
- d) the voting guidelines regarding the companies, the shares of which are held in accordance with paragraph 2 of Article 46.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the Prudential Law, whose average on-and-off balance sheet assets over the 4-year period are less than €100m, are exempted from the disclosure requirement regarding investment policy.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Prudential Law. Therefore, the Company is exempted from the disclosure requirement regarding investment policy.



6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

From 26 December 2022, investment firms shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as defined in the EBA's report referred to in Article 35 of the IFD. The information on ESG shall be disclosed once in the first year and biannually thereafter.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the Prudential Law, and whose average on-and-off balance sheet assets over the 4-year period are less than €100m, are exempted from the disclosure of information on environmental, social and governance risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Prudential Law. Therefore, the Company is exempted from the disclosure requirement regarding ESG.



7. APPENDIX – SPECIFIC REFERENCES TO THE IFR

IFR Reference	High Level Summary	Section
Scope of disclosure requirements		
46 (1)	Requirement to publish market disclosures, on the date of publication of the annual financial statements.	1.3
46 (2)	Requirement to publish market disclosures for small and non-interconnected IFs	N/A
46 (3)	Requirement to publish market disclosures for IFs which do not longer meet the criteria of small and non-interconnected IF	N/A
46 (4)	Market disclosures to be published in an appropriate medium or provide clear cross-references to other media.	1.4
Risk management objectives and policies		
47	Disclosure of the risk management objectives and policies for each separate category of risk set out in Parts Three, Four and Five of the IFR, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy	1.5 , 4 , 5
Governance		
48 (a)	Disclosure of the number of directorships held by members of the management body	2.2
48 (b)	The policy on diversity with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	2.3
48 (c)	whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually	2.1.3
Own Funds		
49 (1) (a)	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the IF	3.3
49 (1) (b)	Description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the IF	3.2



49 (1) (c)	Description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply	3.1
49 (2)	EBA shall develop implementation standards for points (a), (b), (c) above.	N/A
Own Funds Requirements		
50 (a)	Summary of IF's approach to assessing adequacy of its internal capital to support current and future activities.	3.4.4
50 (b)	Result of ICAAP upon request of the competent authority.	6
50 (c)	K-factor requirements calculated in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors	4.3
50 (d)	Fixed overheads requirement	4.2
Remuneration policy and practices		
51	Remuneration policy, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on the risk profile	7
51 (a)	Design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, pay-out in instruments policy, deferral policy and vesting criteria	7
51 (b)	Ratios between fixed and variable remuneration	7
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	7
51 (c)(i)	The amounts of remuneration awarded in the financial year, split into fixed and variable remuneration, and the number of beneficiaries	7
51 (c)(ii)	The amounts and forms of awarded variable remuneration	7
51 (c)(iii)	The amounts of deferred remuneration awarded for previous performance periods	7
51 (c)(iv)	The amount of deferred remuneration due to vest in the financial year	7
51 (c)(v)	The guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards	7
51 (c)(vi)	The severance payments awarded in previous periods, that have been paid out during the financial year	7
51 (c)(vii)	The amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number	7



	of beneficiaries of those payments and the highest payment that has been awarded to a single person	
51 (d)	Whether the IF benefits from a derogation laid down in Article 32(4) of the IFD	7
<i>Investment policy</i>		
52	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	8
<i>Environmental, social and governance risks</i>		
53	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	9