



ISEC Wealth Management Ltd

Pillar III Disclosures for the year ended 31 December 2023

According to Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

May 2024

TABLE OF CONTENTS

1.	INTRODUCTION	2
1.1	CIF Information	2
1.2	Regulatory Context	3
1.3	Scope of disclosures	4
1.4	Operating Environment of the Company	4
2.	RISK MANAGEMENT FRAMEWORK AND GOVERNANCE	5
2.1	Board of Directors	5
2.2	Diversity in the selection of Board members	6
2.3	Number of directorships held by Board members	6
2.4	Risk Management Function	7
2.5	Other governance functions	8
2.6	Organisational Structure	10
2.7	Risk Strategy	11
2.8	Risk Statement	11
3.	PRINCIPAL RISKS	12
3.1	Risk-to-Client	12
3.2	Risk to Market	15
3.3	Risk to Firm	16
3.4	Other Risks	17
4.	OWN FUNDS	19
5.	MINIMUM CAPITAL REQUIREMENTS	21
6.	INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS	24
7.	REMUNERATION POLICY	25
7.1	Remuneration Components	25
7.2	Board Components	25
7.3	Avoiding conflicts of interest	25
7.4	Quantitative information on remuneration	26
8.	APPENDIX: OWN FUNDS	27

1. INTRODUCTION

1.1 CIF Information

ISEC WEALTH MANAGEMENT LTD (the ‘Company’ or ‘CIF’) was incorporated in the Republic of Cyprus as a private limited liability company with registration number HE 360500 and it is a Cyprus Investment Firm. The Company was licensed by the Cyprus Security and Exchange Commission (hereinafter, the ‘CySEC’) with CIF license No. 356/18 to provide Investment and Ancillary Services, on 30 April 2018, and has a LEI Code 254900UC39ON4POHXJ28.

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:

- Portfolio management
- Provision of investment advice

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:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.
- Foreign exchange services where these are connected to the provision of investment services.
- 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:

- Transferable Securities
- Money Market Instruments
- Units in Collective Investment Undertakings
- 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.
- 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).
- 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
- 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
- Derivative instruments for the transfer of credit risk
- Financial contracts for differences
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic

variables, freight rates, 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.

1.2 Regulatory Context

Since 26 June 2021, the Company has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”), as the latter has been harmonized into local legislation through the issuance of the Cyprus Law for the Prudential Supervision of Investment Firms (165(I)/2021).

The IFR and IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

In particular, 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 small and non-interconnected investment firms. Furthermore, IFR introduces a new classification system, an amended permanent minimum capital requirement and minimum capital ratios, changes to the calculation of the capital requirements, the reporting requirements and the internal governance policies and the introduction of the K-Factors methodology and new measures relating to liquidity requirements, large exposures and consolidation requirements.

The Company is categorized as a Class 2 Investment Firm and it is required to hold **€150K** of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

This Report has been prepared in accordance with 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 “Law”) and the Law 164(I)/2021, amending Law 97(I)/2021, “The Capital Adequacy Investment Firms Law of 2021”.

The Regulatory framework consists of a three “Pillar” approach:

Pillar I - Covers minimum capital and liquidity requirements – ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.

Pillar II – ICARA and Supervisory Review and Evaluation Process (‘SREP’) - 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 decision’.

Pillar III - Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy.

1.3 Scope of disclosures

The Pillar III Disclosures 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. The Report has as reference the financial information used in the Company’s Financial Statements for the financial year ending on 31st of December 2023 which are prepared in accordance with the International Financial Reporting Standards (“IFRS”). The disclosures are verified by the external auditors of the Company. The company will be responsible to submit its external auditors’ verification report to CySEC. The Company’s Pillar III disclosures are published on the Company’s website: <https://is-wm.com/disclosures>.

It is noted that, during 2023 the Company was not considered a “Significant CIF” as per the criteria set in the relevant CySEC Circular C487.

1.4 Operating Environment of the Company

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

The Company has been monitoring the current political situation in order to mitigate the effect of this conflict to its business model.

2. RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

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

The Board of Directors ("the Board") has and is accountable for the overall responsibility for the Company's operations; it approves and oversees the implementation of the CIF's strategic objectives, risk prevention strategy and internal governance. In addition, the Board assumes the overall responsibility for risk management and for setting the appetite for each risk.

2.1 Board of Directors

In general, the Board shall consist of at least two (2) Executive Directors and two (2) non-executive independent Directors and shall not be more than seven (7) persons at a time.

By the end of year under review, the Board of ISEC Wealth Management Ltd consisted of two (2) Executive Directors and four (4) non-executive directors, of which the two (2) are independent. In addition, other than the two (2) non-independent, non-executive directors, the remaining Board members are Cyprus based.

The main responsibilities of the Board of Directors are:

Executive Directors

The main duty of the Executive Directors is the day-to-day running and management of the Company's business under delegated authority from the Board. Such responsibilities, include inter alia:

- Implement the Board's policies and strategies;
- Control the financial position and performance of the approved budget of the Company;
- Ensure that appropriate compliance, internal audit and risk management processes and procedures are in place;
- Oversee the different departments within the Company;
- Ensure compliance with CySEC requirements and circulars;
- Review and sign, on behalf of the Company, agreements and other relevant documentation with clients, brokers, counteragents, service providers etc;
- Submit to the Board on an annual basis management response to Compliance, Anti-Money Laundering Compliance, Internal Auditor and Risk Management reports.

In addition to the above, it should be noted that Messrs. Kosidis and Simeonov, are the two appointed persons acting as the signatories of the clients' accounts in accordance with the provisions of Section 37 of the CySEC's Circular C418 "Enhancement of procedures regarding safeguarding of client funds held by CIFs". The Company was under the said obligation during the year under review since it was authorized to provide and perform the ancillary service of "safekeeping and administration of financial instruments".

Non-executive Directors:

The non-executive Directors of the Company and based on their experience, are responsible for the following:

- Understand the nature of the business of the Company's services as performed in the financial market;

- Comprehend their duties and responsibilities in relation to their directorship and in line with the applicable financial services law.

Senior Management (“4-eyes”)

The application of the “4-eyes” principles in the management of ISEC Wealth Management Ltd is achieved through the appointment of two (2) experienced and reliable persons as Executive Directors with the duties described above.

The 4-eyes team shall consist of at least two (2) individuals approved by CySEC for the position of the Executive Directors. Any changes in persons which are included in the Senior management definition (i.e. members of the Board and/or members of the “4-eyes” team (if different to the Board members), is subject to prior approval of the CySEC and any changes must be supervised by the Compliance Officer.

2.2 Diversity in the selection of Board members

The Company sets out to promote diversity in its management body with a goal to engage a broad set of qualities and competencies when recruiting members of the management body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the management body.

The diversity of the management body shall cover the following areas:

- educational and professional background;
- gender;
- age and,
- geographical provenance.

2.3 Number of directorships held by Board members

Table 1 below provides the number of directorships that each member of the Company’s Board held at the same time in 2023, in other companies (excluding ISEC’s). It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Table 2.2: The Board of ISEC Wealth Management Ltd

Name of Director	Position within the Company	Directorships Executive	Directorships Non-Executive
Mr. Darin Ivanov Simeonov	Executive Director	-	2
Mr. Pavlos Kosidis	Executive Director	-	-
Ms. Svitlana Morozyk	Non-Executive Director	2	1
Mr. Stoyan Konstantinov Stoyanov	Non-Executive Director	1	-
Mr. Andrej Sztojanov	Non-Executive Director	1	-
Ms. Anna Pravdenko Alexandrou	Non-Executive Director	4	-

Note: The information in this table is based only on representations made by the Company’s directors at the time of preparation of the report.

2.4 Risk Management Function

The Board assumes the overall responsibility for risk management and for setting the appetite and risk tolerance of the Company. The Risk Management function, on the other hand, shall operate independently and shall be assigned the monitoring of the following:

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

The Risk Management function of the Company is integral to the Risk Management Department (the Risk Manager) reporting directly to the Board.

Risk Management Department

The Risk Management Department of the Company consists of one (1) person i.e. The Risk Manager. It is an independent unit that reports directly to the Board.

Risk Manager

The responsibilities of the Risk Manager include inter alia the establishment, implementation and maintenance of adequate risk management policies and procedures which identify the risks relating to the Company's activities and processes. More specifically:

- Development of administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems;
- Development of risk management policy for clients for the following risks: Market risk, Operational Risk, Foreign exchange risk, Liquidity risk and Credit risk;
- Provision of an analysis to the Board and Senior Management, regarding the potential hazards associated with the recommended framework on which investment decisions are based, in association of other Company's functions;
- Credit assessment (including quality and financial analysis) of clients when opening a new client account and classification of clients according to the Company's risk criteria and limits;
- Monitoring of credit risk undertaken by the Company for each client and as a whole;
- AML risk management in cooperation with AMLCO;
- Building a risk oriented culture within the organization and providing the relevant training;
- Maintenance of appropriate internal control systems designed to manage key risk areas;
- Monitor the adequacy and effectiveness of its risk management policies and procedures;
- Monitor the level of compliance by the Company and its employees with the arrangements, processes and mechanisms adopted;
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in the risk management arrangements and procedures;
- Reporting to Senior Management, at least annually, on risk management issues indicating in

particular whether appropriate remedial measures have been taken in the event of any deficiencies identified.

2.5 Other governance functions

Compliance Officer & AML Compliance Officer

The Compliance Officer (“CO”) (as appointed by the Board) heads the Company’s Compliance Function, is independent of the Company’s activity and reports to the Board. The main responsibility of the CO is to monitor and periodically assess the adequacy and effectiveness of the measures and procedures put in place in accordance with the Markets in Financial Instrument Directive II (“MiFID II”) and related legislation.

The CO is appointed to advise and assist the senior managers, the Company’s officers and any other external staff placed at the disposal or, under the control of the Company, in relation to compliance with their regulatory obligations under MIFID II.

Internal Audit

The Internal Audit function is outsourced to an external firm. The internal auditor is independent from the other functions and activities of the Company and reports directly to the Board through a written report prepared at least annually, setting out the findings and recommendations arising from the review of the adequacy and effectiveness of the Company’s internal control system.

The main scope of the Internal Audit function is to determine the key risks that the Company faces and examine and evaluate effectiveness of the internal control, risk management and governance systems. This is done, in the context of identifying and managing current and potential future risks, so that effectiveness in the risks being managed can be determined.

The scope and responsibilities of the Company’s Internal Auditor include among other the following:

- Ascertaining that the design of the process of controlling, as it has been established and represented by management, is adequately designed in relation to the related risk;
- Reviewing and assessing Company’s ICARA Process;
- Report to the Company’s management the important findings and indicate the level of risk associated with each finding relating to the probability of occurrence and potential impact (to the Company, as well as to its clients) offering recommendations for improving the controlling process;
- Review and report on other matters of the regulatory interest, such as finance functions, corporate governance, capital adequacy and liquidity, regulatory and internal reporting.

Anti-Money Laundering Compliance Officer

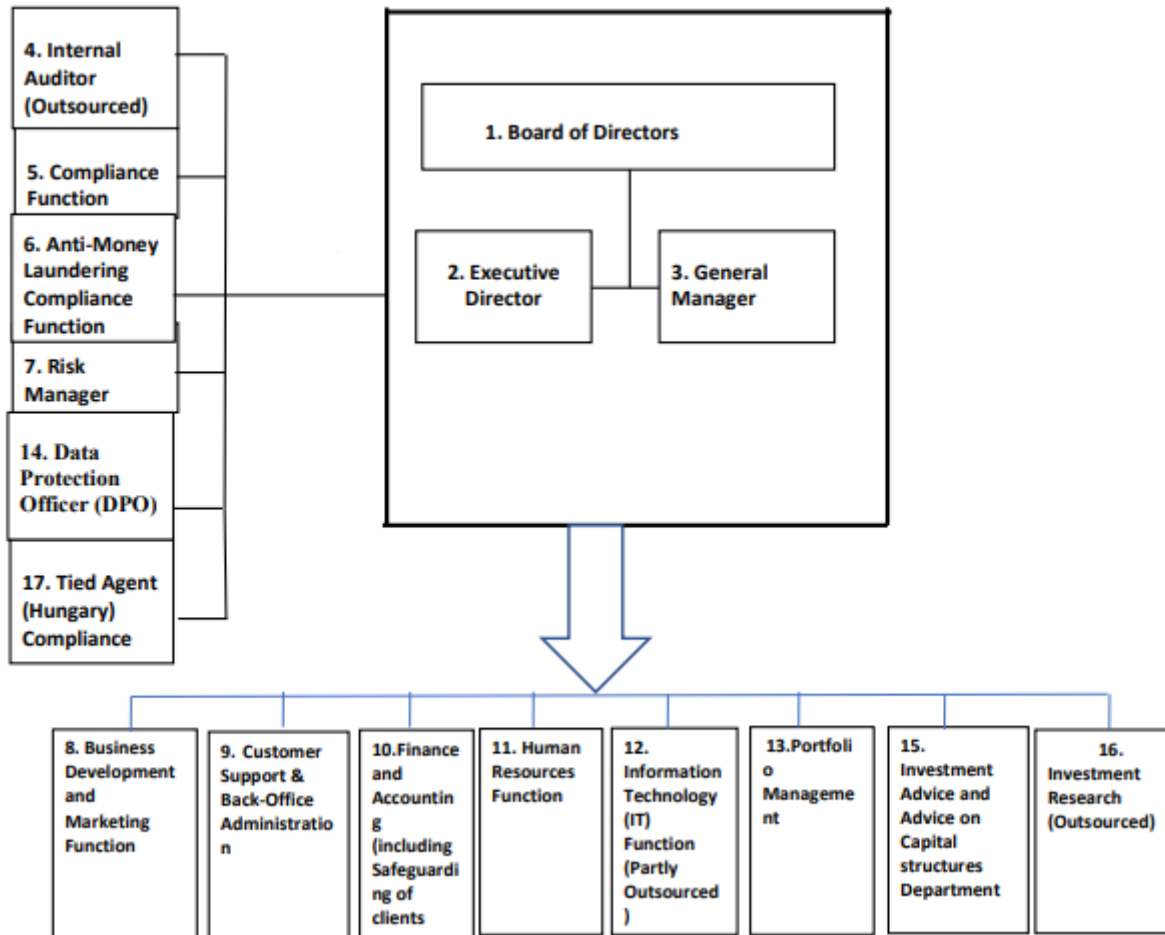
Anti-Money Laundering (“AML”) compliance function is a separate function and is responsible to ensure compliance with Anti-Money Laundering and Counter Terrorism Financing (“AML/CT”) Law and relevant CySEC Directives, as well as the identification and reporting of any money laundering activity to the relevant authorities.

The area of compliance with the AML/TF law shall fall under the responsibility of the compliance function and appointed AML Compliance officer (“AMLCO”). The AMLCO belongs to the management of the Company so as to command the necessary authority, resources and expertise to carry out his/her relevant duties and responsibilities and also has access to all relevant information.

Where deemed necessary and depending on the volume and/or the geographic spread of the services/activities, assistants of the AMLCO should be appointed, by geographical district or otherwise for the purpose of assisting the compliance officer and passing internal suspicion reports to him/her. The AMLCO reports to the Board.

2.6 Organisational Structure

The Company’s organizational structure as at 31 December 2023 is as follows:



Through the Organisational structure, the Company sets a strict Internal Governance framework. 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 conflicts of interest situations within the Company. The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, 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 that level of risk tolerance, where applicable.

2.7 Risk Strategy

The risk strategy of the Company is under the responsibility of the Board, who is in charge to formulate it and monitor 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 assessed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide the Senior Management and other personnel of the Company, a risk framework that will provide guidance on how various types of risk are being managed, in line with the overall risk management and risk bearing capacity of the Company. The Company recognizes that risk management is an integral part to its business success and therefore the overall objective is to establish effective risk management policies that can mitigate the Company's exposure to the various risks.

2.8 Risk Statement

The Company follows procedures on a risk-based approach, relevant to the Company's business model.

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 risk appetite of the Company reflects the levels and the types of risks that the Company is prepared to accept in order to meet its business objectives. It is further defined as the amount and type of risks that are considered acceptable when implementing its business strategy. Further to the abovementioned, the Board of Directors is responsible for setting and updating the risk appetite and monitoring the Company's overall risk profile, to ensure that is aligned to its business strategy.

The following table sets out the key measures used to monitor the Company's risk profile and that are directly linked to the Risk Register in ICARA report:

Table 2: Company’s Risk Tolerance

Risk Type	Risk Tolerance
Credit Risk	” The Company maintains a low risk tolerance for credit risk”
Market Risk	“The Company maintains a medium risk tolerance for market risk”
Operational Risk • Information Systems Risk • Reputational Risk • Data Process Risk • Outsourcing Risk • Fraud Risk • Compliance Risk	“The Company maintains a low Risk tolerance for Information Systems Risk”. “The Company maintains a zero Risk tolerance for reputational risk.” “The Company maintains a low Risk tolerance for Data Process Risk”. “The Company maintains a zero Risk tolerance for Outsourcing Risk”. “The Company maintains a zero Risk tolerance for Fraud Risk”. “The Company maintains a zero Risk tolerance for Compliance Risk”
Regulatory Capital Risk	“The Company maintains a zero Risk tolerance for Regulatory Capital
Liquidity Risk	“The Company maintains a low Risk tolerance for Liquidity Risk”

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

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.

3. PRINCIPAL RISKS

K-Factors Capital Requirement

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

Capital Requirement from applying K-Factors formula is the sum of Risk to Client (RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’). The Company calculates its overall "K-factor" capital requirement on a continues basis in accordance with Articles 16 through to 33 of the IFR (and as described in further detail below).

Further to the above and based on its and business model and activity, the proxies of RtC and RtM were applicable to the Company for the year ended 31 December 2023 and were hence considered in the calculation of own funds reuiremenr.

3.1 Risk-to-Client

Risk to Client (“RtC”) reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems. 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), if any, 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:

- **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.

3.1.1 K-AUM

Based on the reference year, as part of its business, the Company provided portfolio management and investment advice services to its clients and to this end, it was subject to the risk captured by this K-factor.

Risk mitigation measures:

Portfolio management means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments. The Company manages client portfolios in a manner that serves, in the best possible way, its client interests. It carries out the service of Portfolio Management, with all due professional care acting in compliance with the rules of the relevant legislation. Moreover, the capital requirement for AUM, are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in detail K-AUM under RtC, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

3.1.2 K-CMH

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, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. 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 segregated or non-segregated basis).

Based on the reference year, as part of its business, the Company received from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it was subject to the risk captured by this K-factor.

Risk mitigation measures:

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and

Inducements. In addition, the client bank accounts are segregated from the bank accounts of the Company.

Furthermore, similarly to K-AUM, relevant capital requirements are calculated and monitored on an ongoing basis and capital adequacy reports that monitor in this k-factor, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

- **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 – 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.

3.1.3 K-ASA

The Company during the year under review was subject to the risk relating to this K-factor since it was provided safeguarding of financial instruments and assets to its clients.

Risk mitigation measures:

For the purposes of safeguarding client's rights in relation to assets belonging to them, the Company:

- 1) Keeps records and accounts in its systems as are necessary to enable it at any time and without delay to distinguish assets held for one client from assets held for any other client, and from its own assets.
- 2) Maintains its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the assets held for clients. The relevant departments are responsible for ensuring the maintenance of the records and accounts.
- 3) Conducts, on a regular basis, reconciliations between its internal accounts and records and those of any third parties by whom those assets are held, such as between client bank accounts and the custodian's balances (debit side) and clients' credit balances and financial instrument balances (credit side).

Additionally, and similarly to the aforementioned k-factors, the capital requirements for ASA, are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor K-ASA, are being reported by the Risk Management Department on a quarterly basis to the CySEC.

- **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.

As part of its business model and license, the Company did not provide such a service and to this end, it was not subject to the risk captured by this K-factor.

3.2 Risk to Market

Risk to Market (“RtM”) is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. There are two K-factors that capture the principal risks under RtM:

- **K-NPR: Net Position Risk**

This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange, and commodities in accordance with CRR (as prescribed by the IFR, the methodology for calculating capital requirements for this K-factor remain the same with the CRR, as amended). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company’s income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-trading book interest rates, non-trading book foreign exchange rates).

During the year under review, the Company was subject to this k-factor due to its exposure in foreign exchange risk.

Foreign Exchange Risk

The Company is exposed to two types of Market Risk: Market Risk of the investments and Foreign Exchange Risk. Foreign exchange risk is the effect that unanticipated exchange rate changes have on the Company.

Foreign Exchange Risk includes the financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Company. Such exposures include, deposits with banks, payment institutions etc.

Revenues are based on the assets under management (“AUM”) and if markets stay depressed for extended periods of time, then revenues could take a significant hit.

The Company’s was subject to foreign exchange risk capital requirement at year end due to US dollar foreign exchange exposure to as at 31st of December 2023.

Mitigation Measures:

The Company does not take any measures yet on managing Market Risk. As a result, the Risk Manager lays the following suggestions that should be implemented:

- Management should implement policies that will impose limits on the exposures that the Company can take in each foreign currency.

- The Portfolio Management department should develop risk measures to monitor clients' portfolios. The risks should include market risk, foreign currency risk, liquidity risk and any other risk deemed to be material. Risks can range from macroeconomic trends to idiosyncratic (position-specific).
- Management should continuously monitor and act accordingly on the various exchange rate and market fluctuations.
- An Investment Committee shall be formed, consisting of the Head of Portfolio Management, Compliance Officer and at least one Executive Director
- **K-CMG (Clearing Margin Given)**

This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty.

Based on the reference year, this K-factor is not applicable to the Company due to the nature of its operations.

3.3 Risk to Firm

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

- **K-TCD (Trading Counterparty Default)**

K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fail to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, by risk factors based on CRR, accounting for the mitigating effects of effective netting and the exchange of collateral. This methodology replaces the old Counterparty Credit Risk that used to be applicable under the old framework, CRR.

The Company, throughout the year under review, was not exposed to K-TCD due to its business model and license.

- **K-DTF (Daily Trading Flow)**

K-DTF means the daily value of transactions that a CIF enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that a CIF handles for clients through the R&T of client orders and through the execution of orders on behalf of clients which are already considered in the scope of Clients Orders Handled. No similar risk was captured under the old regime, CRR. DTF aims to capture the operational risks from an CIF's daily trading flow.

The Company was not exposed to DTF in 2023 due to the nature of its operations.

- **K-CON (Concentration Risk)**

K-CON 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 specified in IFR. The concentration risk regime applies to all investment firms with exposure limits applicable to all investment firms that deal as principal, even where this is for clients. It is closely based on the CRR's large exposures regime (Large Exposures in the Trading Book Risk), with derogations for non-trading book exposures.

During the year under review, the Company was not exposed to this K-Factor since it did not deal as principal.

3.4 Other Risks

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risks of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

In addition to the Own Funds Requirements, the IFR requires CIFs to hold liquidity levels to at least one third of its Fixed Overhead Requirement.

The Company's liquid assets exceeded the 1/3 of the total fixed overheads requirement and as such, the Company satisfied the liquidity requirement as at 31/12/2023.

Compliance Risk

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

Operational Risk (other than Daily Trading Flow)

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The operational risk of the Company includes Information Systems Risk, Data Process risk, Outsourcing Risk, Fraud Risk, Legal Risk, Company's Personnel which the company manages using various measures.

Reputational Risk

It is the risk of loss resulting from damages to a Company's reputation. It might lead in lost revenue and/or increased operating, capital or regulatory costs and even destruction of shareholder value.

4. OWN FUNDS

The prudential framework for investment firms set out in the IFR and the IFD is designed to reflect the nature, size, and complexity of investment firms' activities.

As per the prudential rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

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

For the year under review, the Company managed its capital structure and adjusted it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

Table 3 below presents the composition of the Company's Own Funds as at 31st of December 2023, while Table 4 indicates how the Own Funds components reconcile with the Company's audited Balance Sheet as of this date.

As at 31st of December 2023, the Company's Own Funds comprised of Common Equity Tier 1 capital and Tier 2 capital. As shown below, the Company's Own Funds as at 31st of December 2023 amounted to €1.268K.

Table 3: Template EU IF CC1 - Composition of Regulatory Own Funds

Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves	(a)	(b)
		Amount (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
1	OWN FUNDS	1.268	
2	TIER 1 CAPITAL	1.215	
3	COMMON EQUITY TIER 1 CAPITAL	1.215	
4	Fully paid up capital instruments	6	Ref 1 (Shareholders' Equity)
5	Share premium	843	Ref 2 (Shareholders' Equity)
6	Retained earnings (net of foreseeable dividends)	(130)	Ref 3 (Shareholders' Equity)
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Minority interest given recognition in CET1 capital	-	
10	Adjustments to CET1 due to prudential filters	-	
11	Other funds	551	Ref 3 (Shareholders' Equity)
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2)	Ref 1 (Assets)
26	(-) Other deductions	-	
22	(-) Other intangible assets	(2)	Ref 1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(53)	Ref 2 & 3 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
39	Additional Tier 1: Other capital elements, deductions and adjustments	-	
40	TIER 2 CAPITAL*	52	Ref 1 (Liabilities)

* Tier 2 adjusted to meet requirement under CRR Article 4(71).

Table 4: Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

		(a)	(c)
		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2023 (€'000)	
Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements		
	Total Assets	1.450	
	<i>of which:</i>		
1	Intangible Assets	2	Ref 22
2	Investors' Compensation Fund	50	Ref 27
3	Additional Cash Buffer	3	Ref 27
Ref.	Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements		
	Total Liabilities	180	
	<i>of which:</i>		
1	Subordinated Loan	75	Ref 40
Ref.	Shareholders' Equity		
	Total Shareholders' equity	1.270	
	<i>of which:</i>		
1	Share capital	6	Ref 4
2	Share premium	843	Ref 5
3	Reserves	421	Ref 6 & 11

5. MINIMUM CAPITAL REQUIREMENTS

Under the IFR & IFD framework, Class 2 investment firms are required to derive their Minimum Capital Requirements by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to them.

A. Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the PMCR of €150K. The PMCR of the Company amounted to €150K as at 31st of December 2023 which is set in accordance with Article 14 of the IFR and Article 9 of the IFD.

B. Fixed Overheads requirement (“FOR”)

The FOR applies to all CIFs. It 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. The Company's fixed overheads requirement based on the latest audited financial statements is **€313K**.

C. K-Factor Capital Requirement

K-Factors are quantitative indicators that reflect the risk that the 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 Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies. The Company calculates its overall "K-Factor" capital requirement on a continuous basis in accordance with Articles 16 through to 33 of the IFR. The total K-Factors as at 31st December 2023 amounted to **€56K**.

As at 31st December 2023, the Company's Minimum Capital Requirement is **€313K** as shown in the table:

Table 5: K-Factors Results

Minimum Capital Requirements		31 Dec 2023 (€'000)
K-Factor Requirement		
Risk-to-Client (RtC)	K-AUM	2
	K-CMH	11
	K-ASA	3
	K-COH	-
Risk-to-Market (RtM)	K-NPR	40
	K-CMG	
Risk-to-Firm (RtF)	K-TCD	
	K-DTF	
	K-CON	
Total K-Factor Requirement		56
Fixed Overhead Requirement ('FOR')		313
Permanent Minimum Capital Requirement ('PMCR')		150
Total Own Funds Requirements		313

Table 6: Capital Excess/Ratio

31 Dec 2023	(€'000)	Reference
Capital		
Common Equity Tier 1	1.215	a
Additional Tier 1	-	b
Tier 2	52	c
Total Own Funds	1.268	d = (a+b+c)
Own Funds Requirement		
K-factor Requirement	56	e
Fixed Overhead Requirement	313	f
Permanent Minimum Capital Requirement	150	g
Minimum Own Funds Requirement	313	h = max (e, f, g)
Capital Excess/Ratio		
CET1 Ratio	388,37%	a / h
Capital Excess of CET1 Capital	1.040	a - (h * 56%)
Tier 1 Ratio	388,37%	(a + b) / h
Capital Excess of Tier 1 Capital	981	(a + b) - (h * 75%)
Own Funds Ratio	405,07%	d / h
Capital Excess of Total Capital	955	d - h

As at 31st December 2023, the Company's Own Funds comprised of Common Equity Tier 1 and Tier 2 capital and amounted to **€1.268K** which exceeds the Own Funds Requirement of **€313K** and thus, resulting to a capital surplus of **€955K**.

Capital Adequacy (CAD) ratio as of 31st December 2023 was calculated at 405,07%, which is above the 100% minimum CAD ratio.

The Company monitors the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

6. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS

The ICARA process falls under the scope of Pillar II and it is a requirement for investment firms as per article 24 of IFD, with the objective to enhance the link between a CIF's risk profile, its risk management and risk mitigation systems, and its capital and liquidity.

Pillar II establishes a process of prudential interaction that complements and strengthens Pillar I, by promoting an active dialogue between the CySEC and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfilment of which may entail threats for the Company, are identified and managed effectively with the enforcement of additional controls and mitigating measures. The ICARA is an important part of the process through which the Company's management is informed of the ongoing assessment of the Company's risks, sets mitigation measures and controls for those risks and identifies and measures current and future capital and liquidity needs, having considered the above.

ICARA includes a Liquidity Adequacy Assessment and Contingent Funding Plan. Internal Liquidity Adequacy Assessment Process (ILAAP) and all its components, including risk elaboration on liquidity risks that are applicable to the firm and a Liquidity stress testing will be incorporated within ICARA.

In light of the above, the new 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 latest ICARA report prepared by the Company was based on the audited figures of the year 2022. The report for the year 2023 is expected during the third (3rd) quarter of 2024.

7. REMUNERATION POLICY

The Remuneration policy and practices reflect the objectives of good corporate governance and sustained, long-term value creation for the shareholders of the Company and is in line with the Company's business strategy and risk tolerance, objectives, values and long-term interests.

The application of the principles set out in the said Policy and thus the exact form of the Policy takes account of the nature and scale of the Company and the complexity of its activities. The Remuneration policy and practices also aim to promote sound and effective risk management to ensure that:

- The Company is able to attract, develop and retain high-performing and motivated employees in a competitive international market
- Employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component
- Employees feel encouraged to create sustainable results and that a link exists between shareholders customers and employee interests
- In addition to the above Remuneration Policy aims to ensure compliance with the conflict of interest and conduct of business requirements.

The Company strives to verify the employee's remuneration packages reflect the relevant duties and responsibilities, are fair and equitable, linked to their performance both on an individual and on a corporate basis. The Board has set guidelines for the review and control of compliance with the Remuneration Policy. At least once a year, the Board monitors compliance with the Remuneration Policy. If necessary, considering changes or development within the business of the Company, the Board discusses proposals on relevant policy adjustments.

7.1 Remuneration Components

The remuneration components are:

- Fixed remuneration determined based on the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.
- Variable remuneration reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.
- The Company is currently following the principle of only providing fixed remuneration for all its staff.

7.2 Board Components

Members of the Board receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The fees below are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to fulfil their duties as Board members.

7.3 Avoiding conflicts of interest

The remuneration system incorporated by the Company includes the measures, taken by the Company, in order to avoid conflicts of interest, as set out by the legislation. In this regard, the members of the Company responsible for overseeing the activities shall be independent from the business they oversee and shall be compensated based on the achievement of objectives rather than on the performance of the

business they control.

The Remuneration Policy has been designed with aim to avoid the conflict of interests that may arise, specifically to avoid creation of the incentives that may lead the Staff to favour their own interest over the interest of client(s).

In this respect, the remuneration of the Staff shall be assessed prior to launching new product(s) as to avoid any conflict of interest that may rise.

As a non-Significant CIF, the Company does not have a Remuneration Committee.

The Company is in the process of updating its Remuneration Policy to be fully in line with the provisions of the Law on the Prudential Supervision of CIFs.

7.4 Quantitative information on remuneration

The table below provides aggregate quantitative information on remuneration, broken down by Senior Management (including Executive and Non-Executive Directors) and members of staff whose actions have a material impact on the risk profile of the Company.

Table 7: Quantitative information on remuneration

Aggregate Remuneration as at 31 st December 2023				
	Number of beneficiaries	Fixed remuneration (€'000)	Variable remuneration (€'000)	Total Remuneration (€'000)
Senior Management	5	110		110
Other staff (key Management personnel)	8	159		159
Total	13	269		269

Note: The category Senior Management includes the Executives and Non-Executive Directors while the Other Staff category all the other staff of the Company, as they are all considered to be Risk Takers.

One member of the Board was not remunerated by the Company during 2023. During 2023 the Company did not award remuneration benefits (in any form), sign-on payments, outstanding deferred remuneration or severance payments.

No remuneration was deferred for subsequent year,

8. APPENDIX: OWN FUNDS

		a	b
		Common Equity Shares	Tier 2 Capital
1	Issuer	ISEC Wealth Management Ltd	ISEC Wealth Management Ltd
2	Unique identifier	N/A	N/A
3	Public or private placement	Private	Private
4	Governing law(s) of the instrument	Cyprus Law	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated Loan
6	Amount recognised in regulatory capital	6.000,00 €	52.245,35 €
7	Nominal amount of instrument	6.000,00 €	75.000,00 €
8	Issue price	Various	Nominal
9	Redemption price	N/A	Nominal plus interest
10	Accounting classification	Shareholder's equity	Current Liabilities
11	Original date of issuance	27/09/2016 1000 shares 16/02/2018 1000 shares 6/12/2018 1.000 shares 19/03/2019 1000 shares 12/09/2019 1000 shares 28/12/2020 500 shares 25/10/2021 500 shares	25/6/2021
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	25/6/2027
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	One year before maturity
16	Subsequent call dates, if applicable	N/A	n/a
17	Fixed or floating dividend/coupon		Interest Free
18	Coupon rate and any related index	Floating	N/A
19	Existence of a dividend stopper	N/A	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	No	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	N/A
22	Existence of step up or other incentive to redeem	N/A	N/A
23	Noncumulative or cumulative	N/A	N/A
24	Convertible or non-convertible	N/A	Non convertible
25	If convertible, conversion trigger(s)	Non-convertible	N/A

		a	b
		Common Equity Shares	Tier 2 Capital
26	If convertible, fully or partially	N/A	N/A
27	If convertible, conversion rate	N/A	N/A
28	If convertible, mandatory or optional conversion	N/A	N/A
29	If convertible, specify instrument type convertible into	N/A	N/A
30	If convertible, specify issuer of instrument it converts into	N/A	N/A
31	Write-down features	N/A	N/A
32	If write-down, write-down trigger(s)	No	N/A
33	If write-down, full or partial	N/A	N/A
34	If write-down, permanent or temporary	N/A	N/A
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	No	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A	