

# Pillar III Disclosures

Wonderinterest Trading LTD, Regulated by CySEC – CIF License  
No. 307/16

**YEAR ENDED 31 DECEMBER 2022**

**April 2023**

## TABLE OF CONTENTS

<b>1. INTRODUCTION .....</b>	<b>4</b>
1.1. COMPANY INFORMATION .....	4
1.2. SCOPE OF APPLICATION .....	4
1.3. PILLAR III REGULATORY FRAMEWORK .....	4
1.3.1. Overview .....	4
1.3.2. Disclosure Policy .....	5
1.3.3. Frequency .....	5
1.3.4. Medium and location of publication .....	5
1.3.5. Verification .....	5
1.4. RISK MANAGEMENT POLICY, OBJECTIVES, AND RISK CULTURE .....	6
1.5. RISK STATEMENT .....	7
1.6. DECLARATION OF THE MANAGEMENT BODY .....	8
<b>2. CORPORATE GOVERNANCE .....</b>	<b>9</b>
2.1. THE BOARD OF DIRECTORS .....	9
2.3. BOARD RECRUITMENT .....	10
2.4. POLICY ON DIVERSITY .....	10
2.5. POLICY ON INFORMATION FLOW ON RISK TO THE MANAGEMENT BODY .....	10
<b>3. REMUNERATION .....</b>	<b>12</b>
<b>4. OWN FUNDS .....</b>	<b>15</b>
4.1. INITIAL CAPITAL REQUIREMENT .....	15
4.2. FIXED OVERHEADS REQUIREMENT .....	15
4.3. K-FACTORS .....	16
4.3.1. <i>RtC F-factors</i> .....	16
4.3.2. <i>RtM F-factors</i> .....	19
4.3.3. <i>K-Factors requirements</i> .....	19
4.4. OWN FUNDS COMPOSITION .....	19
4.5. MAIN FEATURES OF CAPITAL INSTRUMENTS .....	23
4.6. BALANCE SHEET RECONCILIATION .....	25
4.7. REPORTING OBLIGATIONS .....	26
<b>5. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS .....</b>	<b>28</b>
<b>6. OTHER RISKS .....</b>	<b>29</b>
6.1. OPERATIONAL RISK .....	29
6.2. INTEREST RATE RISK .....	30
6.3. REPUTATION RISK .....	30
6.4. STRATEGIC RISK .....	30
6.5. BUSINESS RISK .....	31
6.6. REGULATORY RISK .....	31
6.7. LEGAL AND COMPLIANCE RISK .....	31
6.8. IT RISK .....	31
6.9. CONDUCT RISK .....	32
<b>7. INVESTMENT POLICY DISCLOSURE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS DISCLOSURE .....</b>	<b>33</b>

## **DISCLOSURE**

The Disclosure and Market Discipline Report for the year 2022 has been prepared by Wonderinterest Trading LTD according to Investment Firm Regulation, Regulation (EU) 2019/2033 (“IFR”) that came into force on 26 July 2021, in particular Part Six of the IFR.

Wonderinterest Trading LTD states that any information that was not included in this report was either not applicable on the Company’s business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine its competitive position.

Wonderinterest Trading LTD is regulated by the Cyprus Securities and Exchange Commission under License 307/16.

## 1. INTRODUCTION

### 1.1. Company Information

Company Information	
Company Name	Wonderinterest Trading LTD
CIF License Activation Date	7 August 2017
CIF License number	CIF 307/16
Company Registration Date	29 May 2014
Company Registration Number	HE 332830
Investment Services	
Reception and Transmission of orders in relation to one or more Financial Instruments	
Execution of orders on behalf of Clients	
Investment Advice	
Ancillary Services	
Safekeeping and administration of financial instruments for the account of Clients, including custodianship and related services such as cash/collateral management	
Foreign exchange services, where these are connected to the provision of investment services	
Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments	

The present report is prepared by Wonderinterest Trading LTD (the “Company”), a Cyprus Investment Firm (“CIF”) authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) under the license number 307/16 and operates in harmonisation with the Markets in Financial Instruments Directive (“MiFID II”).

### 1.2. Scope of application

In relation to Part Six of the IFR, which came into force on 26 July 2021, the Company is required to disclose information relating to its risk management objectives and policies, own funds, own funds requirements, governance and remuneration policy and practices as Pillar III Disclosures (“Report”).

The information contained in the Report is audited by the Firm’s external auditors and published on an annual basis.

The Report is based on the Audited Financial Statements of the previous year which are prepared in accordance with IFRS.

### 1.3. Pillar III Regulatory framework

#### 1.3.1. Overview

The Report has been prepared in accordance with IFR and 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 “The Capital Adequacy Investment Firms Law of 2021”.

The current regulatory framework comprises three pillars:

- **Pillar I** - covers the minimum own funds and liquidity requirement.
- **Pillar II** - covers the Supervisory Review and Evaluation Process (“SREP”) and the Internal Capital Adequacy Assessment Process (“ICAAP”).
- **Pillar III** - covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, capital requirements and risk management and internal governance practices and policies.

### **1.3.2. Disclosure Policy**

The Company has a formal policy, approved by the Board, which details its approach in complying fully with the Pillar III disclosure requirements as laid out in Part Six of the IFR, namely Articles 46 to 53.

The Company has included its risk management disclosures on its website as it does not publish its financial statements.

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.

### **1.3.3. 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.

### **1.3.4. Medium and location of publication**

Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements. In this respect, the Pillar III disclosures are published on:

<https://wonderinterest.com/en/license>

<https://zetano.com/en/trading/about-us>

<https://www.investago.com/en/company-profile>

### **1.3.5. Verification**

The Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. In addition, Pillar III disclosures must be verified by the external auditors of the Company and such report to be submitted to CySEC in the latter.

## 1.4. Risk management Policy, objectives, and risk culture

The Company's Risk Management Policy was formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

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

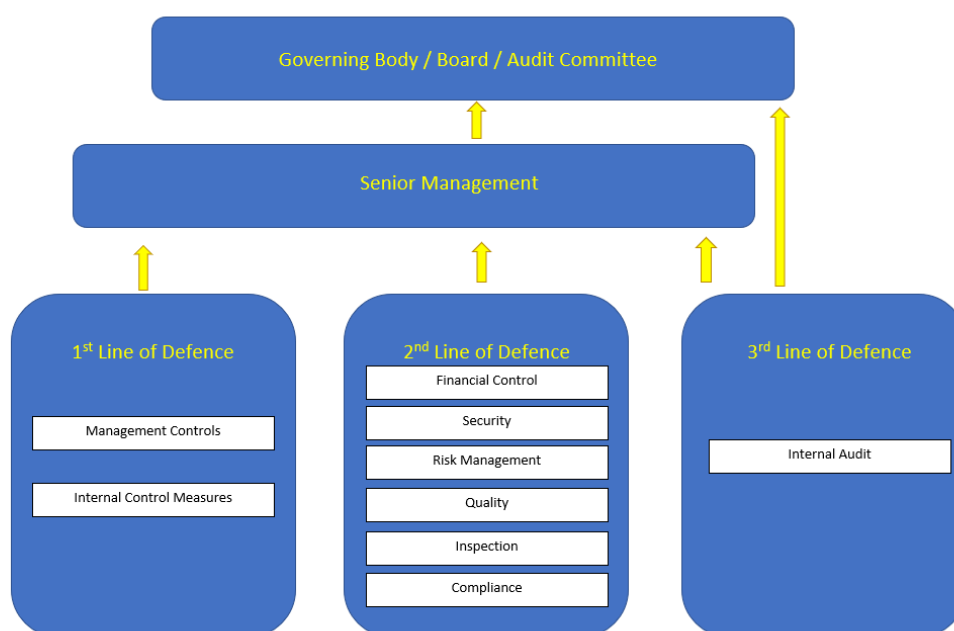
The Risk Manager ensures that all different types of risks taken by the Company are monitored and reported to the Senior Management and the Board. Moreover, the Risk Manager is responsible for making recommendations and indicating whether the appropriate remedial measures have been taken in the event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

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

**First Line:** Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks.

**Second Line:** The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the risk appetite and for devising the suite of policies necessary to control the business and for independently monitoring the risk profile. The Risk Management Function is identifying risk areas, detecting areas for monitoring, and developing policies to formalise risk assessment, mitigation, and monitoring.

**Third Line:** The Internal Audit Function is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls.



Furthermore, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- The adequate risk identification and management
- The establishment of the necessary policies and procedures
- The setting and monitoring of the relevant limits and
- Compliance with the applicable legislation

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

Additionally, the Board is reviewing and approving the risk strategy of the Company, building a robust risk culture so the Company can implement its strategy withing its risk appetite. Part of the risk culture of the Company includes:

- Implementation of the risk culture in all departments and aspects of the Company.
- Conducting firm-wide risk assessments.
- Changes and/or updates in policies and procedures.
- Changes in key personnel.
- Trainings.

## **1.5. Risk Statement**

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

The overall future economic outlook of the economy remains unstable due to the latest developments in the Ukrainian-Russian conflict.

In this respect, the Company has updated its Business Continuity Plan.

### **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. By implementing the strategy, the Company is able to mitigate its exposure to these risks.

### **Risk Appetite**

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets and objectives and is one of the strategic oversight tools available to the Senior Management.

The positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analysed and approved by the Board. The Company's risk appetite strategy is implemented by the Senior Management in collaboration with the Board and applied by all departments of the Company.

Essential indicators for determining the Risk Appetite are regularly monitored to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of a recovery plan in the most severe cases.

The table below indicates the Company's levels of risk appetite.

<b>Capital Indicator</b>	<b>Normal</b>	<b>Warning</b>	<b>Limit</b>
Own Funds	≥€277k	<€231k	€185k
Common Equity Tier 1 Ratio	≥100%	<75%	56%
Tier 1 Capital Ratio	≥125%	<100%	75%
Total Capital Ratio	≥150%	<125%	100%
Liquid Assets	≥€92k	<€77k	€62k

## 1.6. Declaration of the Management Body

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management framework is the sum of systems, policies, processes, and employees of the Company that identify, assess, mitigate, and monitor all sources of risk that could have a material impact on the Company's operations.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.



## 2. CORPORATE GOVERNANCE

The systems of risk management and internal control include risk assessment, management or mitigation of risks, use of control processes, information and communication systems and processes for monitoring and reviewing their effectiveness. The risk management and internal control systems are embedded in the operations of the Company and can respond quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

### 2.1. The Board of Directors

The Board has the overall responsibility for the establishment and oversight of the Risk Management Framework. The Company has in place the Internal Operations Manual which describes the activities, processes, duties and responsibilities of the Board, Committees, Senior Management, and employees. The Board additionally implements and maintains adequate risk management policies and procedures which identify the risks relevant to the Company and sets the level of risk tolerated by the Company.

The Company's Non-executive Directors are experienced professionals that are invited to participate in other companies' boards from time to time. The number of directorships held by the members of the Board shall in those cases not exceed the maximum number allowed.

In line with this, the Company is responsible to approve and monitor its Board members in terms of conflicts of interest, as well.

The following table summarizes the number of positions that each member held on 31 December 2022:

Director	Position	Executive Directorships	Non-Executive Directorships
Evroula Papadopoulou	Executive Director	1	0
Matej Homola	Executive Director	1	0
Michal Ait Amer Meziane	Non-Executive Director	0	1
Georgios Stylianou	Independent Non-Executive Director	1	2
Eleni Mathikoloni	Independent Non-Executive Director	0	2
Georgios Panagitsas	Independent Non-Executive Director	1	1

### 2.3. Board Recruitment

The Company and its shareholders rely on a strong Board; therefore, they carefully evaluate the recruitment of all Directors and ensure appropriate succession planning. The persons proposed for the appointment need to have specialised skills and/or knowledge to enhance the collective knowledge and experience of the Board. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the existing Board to ensure selecting the most appropriate candidate. The following comes into consideration:

- Skills and/or knowledge in accounting, finance, banking, law, and business administration
- Sufficient knowledge and experience in the financial industry
- Integrity, honesty, and the ability to secure public confidence
- Sound business judgment
- Risk management experience

### 2.4. Policy on Diversity

The Company recognizes the value of a diverse and skilled workforce and management body, as diversity is an asset to organizations and linked to better economic performance.

The Company considers itself diverse regarding its main workforce and has in place a diversity policy in relation to its management body and all employees. The Company while assessing diversity should consider the following aspects:

- Educational and professional background
- Gender (to ensure gender balance)
- Age (to ensure adequate representation of population)
- Geographical provenance (to ensure sufficient knowledge and views on the culture, market specificities and legal frameworks of the areas the Company is active in)

### 2.5. Policy on Information flow on risk to the management body

In line with the regulatory requirements, the Company has been able to maintain a good reporting flow, as it can be seen below:

Report Name	Owner of Report	Recipient	Frequency
Audited Financial Statements	External Auditor	Board, CySEC	Annually
Risk Management Report	Risk Manager	Board, CySEC	Annually

Anti-money laundering Officer`s Report	Anti-money laundering officer	Board, CySEC	Annually
Internal Auditor`s Report	Internal Auditor	Board, CySEC	Annually
Market Discipline and Disclosures	Risk Manager	Board	Annually
Compliance Officer`s Report	Compliance Officer	Board, CySEC	Annually
Internal Capital Adequacy and Risk Assessment Process	Risk Manager	Board	Annually
Suitability Report	External Auditor	Board, CySEC	Annually
Form 165-01	Risk Manager	Board, CySEC	Quarterly

### 3. REMUNERATION

Remuneration refers to payments or compensations received for services or employment. The Company has established and implemented a Remuneration Policy which is applicable for its employees as well as its Senior Management.

Based on the above, the Policy includes the information about the base salary and any variable components of the salary that an employee or executive may receive during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities.

The Company is responsible among other things for the following:

- a) to evaluate the employees performance;
- b) to review the organizational structures, as and if needed;
- c) to ensure the consistent and improved implementation of the conflicts of interest and conduct of business requirements in the area of remuneration;
- d) to monitor implementation of the remuneration policies and practices approved by the Board;
- e) to control and possibly mitigate risks that remuneration policies and practices create, if any risks are identified;
- f) to ensure that the scope and purpose of the remuneration policies relate to categories of staff which include senior management, personnel in control functions and employees whose professional activities have a material impact on their risk profile;
- g) to ensure that the remuneration of personnel in control functions and senior management should be independent from the business units they oversee, have appropriate authority, and be remunerated according to the achievement of the objectives linked to their functions and independent of the performance of the business areas they control.

The Company's Policies comply with the following principles, in a manner appropriate to its size, internal organisation and the nature, scope and complexity of its activities:

- The Policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the acceptable levels of tolerated risks of the Company.
- The Policy is in line with the Company's business strategy, objectives, and values. The Policy has been designed to serve the Company's long-term interests, while it has incorporated measures to avoid conflicts of interest.
- The Company is responsible for ensuring the implementation of the Policy and to periodically review it and suggest changes that may be necessary for ensuring that the Company's talent is retained.
- The implementation of the Policy is reviewed at least annually, subject to independent internal review for compliance with policies and procedures adopted by the Board.

- The remuneration of the personnel in control functions is in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they oversee.
- The remuneration of the Senior Management and personnel in control functions are directly overseen by the Board.

In relation to variable components of remuneration, it is designed to ensure that the total remuneration remains at competitive levels thus rewarding the personnel for their performance whilst remaining aligned with the department's and/or the Company's performance and long-term targets.

The total remuneration consists of fixed remuneration and possible variable remuneration components. The principals of the variable component of remuneration for these categories of employee are based primarily by qualitative criteria and secondly by quantitative criteria.

In addition to the aforementioned, the following principles for variable elements of remuneration shall also apply:

- 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. The overall results of the Company when assessing individual performance and financial and non-financial criteria are also taken into account;
- the total variable remuneration does not limit the ability of the Company to strengthen its capital base;
- guaranteed variable remuneration is not consistent with sound risk management and shall not be a part of prospective remuneration plans;
- 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. This includes the possibility to pay no variable remuneration.
- payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct;
- the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required;
- the allocation of the variable remuneration components within the Company also considers all types of current and future risks.

Additionally, taken into consideration CySEC's Circular C487, the Company is not obliged to establish a Nomination Committee as the Company is not considered as Significant CIF.

**Table 1: Remuneration analysis split by Senior Management and key management personnel**

<b>2022</b>	<b>Employees</b>	<b>Fixed remuneration €000</b>	<b>Variable remuneration €000</b>	<b>Total remuneration €000</b>
<b>Senior Management</b>	2	71	0	71
<b>Key personnel</b>	5	118	2	120
<b>Non-executive Directors</b>	4	11	0	11

**Table 2: Remuneration analysis split by Senior Management and key management personnel**

<b>Business Area</b>	<b>Total remuneration €000</b>
Control Functions	<b>123</b>
Brokerage Department	<b>24</b>
Back-Office Department	<b>40</b>
IT Department	<b>2</b>
Monitoring Department	<b>9</b>
Portfolio Management Department	<b>20</b>
<b>Total</b>	<b>218</b>

## 4. OWN FUNDS

The Company is classified as a Class 2 Investment Firm and as such it should maintain own funds of at least the higher between:

- its fixed overheads requirement calculated in accordance with Article 13 of IFR;
- its permanent (initial) minimum capital requirement in accordance with Article 14 of IFR; or
- its K-factor requirement calculated in accordance with Article 15 of IFR

### 4.1. Initial capital requirement

In relation to the Title III of the Law 165(I)/2021 the initial capital of a CIF required pursuant to Section 16 of the Investment Services and Activities and Regulated Markets Law for the authorisation 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 and for a CIF authorised to provide any of the investment services or perform any of the investment activities listed in points (1), (2), (4), (5) and (7) and which is not permitted to hold client money or securities belonging to its clients shall be €750k. For all other CIFs the initial capital shall be €150k.

Since the Company is not authorized to provide the service of Dealing on own account, its initial minimum capital requirement is €150k.

### 4.2. Fixed Overheads requirement

The fixed overheads requirement is calculated in accordance with the provision of Article 13 of IFR. Specifically, the fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available). Investment firms shall use figures resulting from the applicable accounting framework.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements for the year 2022 is €185k as per the tables below.

Item	€'000
<b>Total expenses of the previous year after distribution of profits</b>	<b>911</b>
<b>Total deductions</b>	<b>(172)</b>
(-) Staff bonuses and other remuneration	-
(-) Employees', directors' and partners' shares in profits	-

(-) Other discretionary payments of profits and variable remuneration	(71)
(-) Shared commission and fees payable	(32)
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	-
(-) Fees to tied agents	(69)
(-) 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	-
(-) 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	-
<b>Annual Fixed Overheads</b>	<b>739</b>
<b>Fixed Overheads requirement (25%)</b>	<b>185</b>

### 4.3. K-factors

The K-factors are newly implemented indicators reflecting several areas of risks. According to Article 15 of the IFR, the K-factor requirement shall amount to at least the sum of the following:

- a) Risk-to-Client (RtC) K-factors;
- b) Risk-to-Market (RtM) K-factors;
- c) Risk-to-Firm (RtF) K-factors

As for the Company being classified as Class 2 CIF, only the RtC K-factors are applicable as well as the K-NPR as part of the RtM K-factors.

#### 4.3.1. RtC F-factors

The below are the K-factors constitute the RtC K-factors with the respective coefficients.

#### **K-AUM – Assets Under Management**



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 converted into the entities' functional currency at that time, excluding the three most recent monthly values.

The K-AUM has the 0.02% coefficient.

The table below shows the Total AUM in accordance with the Article 17(1) of IFR:

	Amount		
	December 2022 €'000	November 2022 €'000	October 2022 €'000
<b>Total AUM (average amounts)</b>	-	-	-
Of which: AUM - Discretionary portfolio management	-	-	-
Of which: AUM formally delegated to another entity	-	-	-
AUM - Ongoing non-discretionary advice	-	-	-

### **K-CMH: Client Money Held**

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 nine months, excluding the three most recent months.

The K-CMH for the segregated accounts has the 0.4% coefficient and the K-CMH for the non-segregated accounts has the 0.5% coefficient.

The table below shows the Total CMH values in segregated accounts and non-segregated accounts in accordance with the Article 18(1) of IFR:

	Amount		
	December 2022 €'000	November 2022 €'000	October 2022 €'000
CMH - Segregated (average amounts)	177	61	21
CMH - Non-segregated (average amounts)	-	-	-

### **K-ASA: Assets Safeguarded and Administered**

ASA shall be the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months.

The K-AUM has the 0.04% coefficient.

The table below shows the Total ASA values as an arithmetic mean in accordance with the Article 19(1) of IFR:

	Amount		
	December 2022 €'000	November 2022 €'000	October 2022 €'000
<b>Total ASA (average amounts)</b>	<b>115</b>	<b>31</b>	<b>8</b>
<i>Of which: Fair value of financial instruments (Level 2)</i>	-	-	-
<i>Of which: Fair value of financial instruments (Level 3)</i>	-	-	-
<i>Of which: assets formally delegated to another financial entity</i>	115	31	8
<i>Of which: assets of another financial entity that has formally delegated to the investment firm</i>	-	-	-

### K-COH: Client Orders Handled

COH shall be the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months.

The K-COH for the cash trades has the 0.1% coefficient and the K-COH for the derivative trades has the 0.01% coefficient.

The table below shows the arithmetic mean amount of COH in cash trades and derivatives in accordance with the Article 20(1) of IFR:

	Amount		
	December 2022 €'000	November 2022 €'000	October 2022 €'000
<b>COH - Cash trades (average amounts)</b>	<b>0</b>	<b>0</b>	<b>-</b>
Of which: Execution of client orders	0	0	-

Of which: Reception and transmission of client orders	-	-	-
<b>COH - Derivative (average amounts)</b>	<b>1,030</b>	<b>258</b>	<b>28</b>
Of which: Execution of client orders	1,030	258	28
Of which: Reception and transmission of client orders	-	-	-

#### 4.3.2. RtM F-factors

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR.

As a Class 2 CIF the Company must calculate its K-NPR requirement by reference to trading book positions. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

The Company is exposed to market risk resulting from exposure to foreign exchange originating from its banking book positions. The Company has calculated the net foreign exchange exposure of €149k and as such its K-NPR represented by the foreign exchange risk requirement amounted to €12k due to its exposure to foreign exchange risk.

#### 4.3.3. K-Factors requirements

<b>Item</b>	<b>Factor amount €'000</b>	<b>K-factor requirement €'000</b>
<b>TOTAL K-FACTOR REQUIREMENT</b>		<b>13</b>
<b>Risk to client</b>		<b>1</b>
Assets under management	-	-
Client money held - Segregated	177	1
Client money held - Non - segregated	-	-
Assets safeguarded and administered	115	0
Client orders handled - Cash trades	0	0
Client orders handled - Derivatives Trades	1,030	0
<b>Risk to market</b>		<b>12</b>
K-Net positions risk requirement		12

#### 4.4. Own Funds composition

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:

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

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

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

The “D” is defined in Article 11 of IFR.

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

**Table 3: EU IF CC1.01 - Composition of regulatory own funds**

		€'000	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	<b>OWN FUNDS</b>	<b>284</b>	
2	<b>TIER 1 CAPITAL</b>	<b>284</b>	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>284</b>	
4	Fully paid up capital instruments	8	Ref. 1 (Equity)
5	Share premium	524	Ref. 2 (Equity)
6	Retained earnings	(1,165)	Ref. 4 (Equity)
7	Previous years retained earnings	(1,165)	Ref. 4 (Equity)
8	Profit eligible	-	N/A
9	Accumulated other comprehensive income	-	N/A
10	Other reserves	968	Ref. 3 (Equity)
11	Minority interest given recognition in CET1 capital	-	N/A
12	Adjustments to CET1 due to prudential filters	-	N/A
13	Other funds	-	N/A
14	<b>(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>-</b>	<b>N/A</b>
15	(-) Own CET1 instruments	-	N/A
16	(-) Direct holdings of CET1 instruments	-	N/A
17	(-) Indirect holdings of CET1 instruments	-	N/A
18	(-) Synthetic holdings of CET1 instruments	-	N/A
19	(-) Losses for the current financial year	-	N/A

20	(-) Goodwill	-	N/A
21	(-) Other intangible assets	-	N/A
22	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	N/A
23	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	N/A
24	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	N/A
25	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment	-	N/A
26	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment	-	N/A
27	(-) Defined benefit pension fund assets	-	N/A
28	(-) Other deductions	-	N/A
29	CET1: Other capital elements, deductions, and adjustments (Note 1)	(51)	Ref. 2 (Assets)
30	<b>ADDITIONAL TIER 1 CAPITAL</b>	-	<b>N/A</b>
31	Fully paid up, directly issued capital instruments	-	N/A
32	Share premium	-	N/A
33	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	N/A
34	(-) Own AT1 instruments	-	N/A
35	(-) Direct holdings of AT1 instruments	-	N/A
36	(-) Indirect holdings of AT1 instruments	-	N/A
37	(-) Synthetic holdings of AT1 instruments	-	N/A
38	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment	-	N/A
39	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment	-	N/A
40	(-) Other deductions	-	N/A
41	Additional Tier 1: Other capital elements, deductions and adjustments	-	N/A
42	<b>TIER 2 CAPITAL</b>	-	<b>N/A</b>

43	Fully paid up, directly issued capital instruments	-	N/A
44	Share premium	-	N/A
45	(-) TOTAL DEDUCTIONS FROM TIER 2	-	N/A
46	(-) Own T2 instruments	-	N/A
47	(-) Direct holdings of T2 instruments	-	N/A
48	(-) Indirect holdings of T2 instruments	-	N/A
49	(-) Synthetic holdings of T2 instruments	-	N/A
50	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment	-	N/A
51	(-) T2 instruments of financial sector entities where the investment firm has a significant investment	-	N/A
52	Tier 2: Other capital elements, deductions and adjustments	-	N/A

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

**Table 4: Capital Adequacy Ratios**

OWN FUNDS COMPOSITION	31/12/2022
<b>Own Funds</b>	<b>€'000</b>
Share Capital	532
Retained earnings	(1,165)
Other reserves	968
Intangible assets	(-)
Additional deductions in relation to ICF	(51)
Common Equity Tier 1 Capital (CET1)	<b>284</b>
Additional Tier 1 Capital (AT1)	-
<b>Tier 1 Capital (T1=CET1+AT1)</b>	<b>284</b>
Tier 2 Capital (T2)	-
<b>Total Capital (TC=T1+T2)</b>	<b>284</b>
<b>OWN FUNDS REQUIREMENT</b>	<b>€'000</b>
Initial Capital	150

Fixed Overheads Requirement	185
K-Factors Requirement	13
<b>Own Funds Requirement</b>	<b>185</b>
<b>CAPITAL RATIOS</b>	
<b>CET 1 Ratio</b>	<b>153.89%</b>
Surplus(+)/Deficit(-) of CET 1 Capital	181
<b>Tier 1 Ratio</b>	<b>153.89%</b>
Surplus(+)/Deficit(-) of Tier 1 Capital	146
<b>Own Funds Ratio</b>	<b>153.89%</b>
Surplus(+)/Deficit(-) of Total capital	100

As per the above results, the Company on 31 December 2022 maintained adequate own funds to cover its capital requirements as it did during the entire year under review.

#### 4.5. 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	Capital Instruments Main Feature	Common Equity Tier 1
1	Issuer	Wonderinterest Trading 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	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6	Amount recognised in regulatory capital	532k
7	Nominal amount of instrument	532k
8	Issue price	1 EUR each
9	Redemption price	N/A

10	Accounting classification	Shareholder's Equity
11	Original date of issuance	04/2021
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
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

#### 4.6. Balance Sheet Reconciliation

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

**Table 6: EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statement**

		<b>Balance sheet as in published/audited financial statements €'000</b>	<b>Cross reference to EU IF CC1</b>
	<b>Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements</b>		
1	Property, plant and equipment	-	N/A
2	Investors' Compensation Fund	51	27
3	Trade and other receivables	105	N/A
4	Cash and cash equivalents	365	N/A
	<b>Total Assets</b>	<b>520</b>	
	<b>Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements</b>		
1	Trade and other payables	185	N/A
	<b>Total Liabilities</b>	<b>185</b>	

	Shareholders' Equity		
1	Share capital	8	4
2	Share premium	524	5
3	Advances from shareholders	968	8
4	Accumulated losses	(1,165)	6
	<b>Total Equity</b>	<b>335</b>	

#### 4.7. Reporting obligations

As a Class 2 investment firm, the Company shall report to the regulator all the following information on a quarterly and yearly basis respectively:

- Level and composition of own funds
- Own funds requirements
- Own funds requirement calculations
- The level of activity in respect of the conditions set out in Article 12(1), including the balance sheet and revenue breakdown by investment service and applicable K-factor
- Concentration risk
- Liquidity requirements

#### Concentration risk

Investment firms shall monitor and control their concentration risk by means of sound administrative and accounting procedures and robust internal control mechanisms as per Part Four of IFR.

The Company shall monitor the limits set out by the Article 37 of IFR, as well.

#### Liquidity requirement

Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement as per Part Five of IFR.

The instruments that are eligible to be qualified as liquid assets shall be mainly coins and banknotes and unencumbered short-term deposits at a credit institution. The following table represents the Company's liquidity requirement:

Item	€'000
Liquid Assets	255
Requirement (1/3 of Fixed Overheads Requirement)	62

<b>Surplus</b>	<b>194</b>
----------------	------------

## **5. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS**

Further to the Chapter 2 and Paragraph 18 of the Law, the Company shall have in place 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 CIFs themselves are or might be exposed. The arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale, and complexity of the activities of the CIF concerned and they shall be subject to regular internal review.

The ICAAP report is a key tool for both the Company and the regulator as it approaches the risk assessment from a holistic perspective enabling the Company to assess and match risks as much as possible, reducing its residual risk and enabling more precise future growth planning.

The Company prepares the ICAAP Report on a solo basis and considers all the risks faced by the Company, their possible impact, likelihood of their mitigation and amount of capital that it needed against them.

The ICAAP Report outlines how the Company has implemented and embedded the internal capital adequacy assessment process within its business, taking into consideration its risk profile, risk appetite and capital needs. Specifically, the ICAAP Report includes procedures and measures adopted by the Company to ensure:

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

The Company recognises the importance of the ICAAP Report as it justifies its business strategy and risk assessments. Following the implementation of the new regulatory framework, the Company should establish new procedures to comply with the new thresholds in relation to own funds, own funds requirements, concentration risks and liquidity requirements.

## **6. OTHER RISKS**

### **6.1. Operational Risk**

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

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

- Internal Fraud - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud - theft of information, hacking damage, third – party theft and forgery.
- Compliance - Brand impairment, Complaint handling, third country regulator retaliation, E-commerce global taxation matters.
- Clients, Products and Business Practice - market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.

In order to control the exposure to Operational Risks, the management has established two key objectives:

- To minimize the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of Operational Risk is directly related to effective and efficient management practices and high standards of corporate governance.

To that effect, the management of Operational Risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing Operational Risk exposures through a consistent set of processes that drive risk identification, assessment, control, and monitoring.

The Company implements the below Operational Risk Mitigation Strategies to minimize its Operational Risk Exposure:

- The development of Operational Risk awareness and culture.
- The provision of adequate information to the Company's management, in all levels, to facilitate decision making for risk control activities.
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.

- The improvement of productivity, efficiency, and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management and a Risk Management Committee. The board further reviews any decisions made by the Management while monitoring their activities.
- Detection methods are in place to detect fraudulent activities.
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employ specialized tools and methodologies to identify, assess, mitigate, and monitor Operational Risk. These specialized tools and methodologies assist Operational Risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

## **6.2. Interest Rate Risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank, which attracts interest at normal commercial rates, the Company has no other significant interest-bearing financial assets or liabilities. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

## **6.3. Reputation Risk**

Reputation risk is describing factors that can affect Company's reputation. It is essential for the Company to maintain an excellent reputation as it assists in keeping a positive public image and building the client base. Reputation risk can be:

- Direct – risk stemming from clients' actions or internal issues, such as clients' complaints
- Indirect - risk resulting from the actions of the employees
- Peripheral - risk arising from the actions of business partners, e.g., Tied Agents or Liquidity Providers.

The Company has in place policies and procedures to prevent the escalation of clients' complaints as the Company provides transparent and quality service to its clients.

## **6.4. Strategic Risk**

Strategic Risk could occur due to 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.

### **6.5. 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 are conducted with a view to minimize the Company's exposure to business risk. These are analysed and taken into consideration when implementing the Company's strategy.

### **6.6. 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 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 very low.

### **6.7. Legal and Compliance Risk**

Compliance risk corresponds to the risk of legal, administrative, or disciplinary sanctions or material financial losses, arising from failure to comply with the provisions governing the Company's activities. The Company shall always act in accordance with applicable regulatory rules, as well as professional, ethical, and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all its counterparties, employees, and shareholders.

The Compliance Officer verifies that all laws, regulations, and principles applicable to the Company's activities are observed, and that all staff respect the code of conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational damage, performs compliance controls at the highest level and assists with the day-to-day operations.

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

### **6.8. IT Risk**

IT risk occurs due to inadequate information technology and infrastructure, inadequate IT strategy and policy and inadequate use of the Company's information technology. The

Company has in place policies that are describing 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.

## **6.9. Conduct Risk**

Conduct risk is defined as the risk of an action, by an individual, financial institution or the industry, which leads to customer detriment or undermines market integrity. This can bring sanctions and negative publicity. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct. Consequently, conduct risk arises from failures of designated liquidity providers located in third countries associated with the Company.

Additionally, the Company is exposed to negative balances with its Liquidity Providers, in case of fast-pacing volatile market, where the LP cannot close a position at the Company's stop out limit. Therefore, the Company may be exposed to conduct risk arising from inadequate agreements with the LPs and/or with the third parties that hold client's funds.

As part of risk management policy and tools, the Company has procedures in place to diversify its liquidity providers and monitor their financial position on an on-going basis. The financial soundness of the LPs is being monitored and the Company is ready to switch to alternative LPs, if necessary. Furthermore, the receivable/payable amounts with the LPs are monitored on a regular basis. In particular, the Company examines its existing procedures and arrangements with respect to the products offered and services provided.



## **7. INVESTMENT POLICY DISCLOSURE AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS DISCLOSURE**

Investment Firms which meet the criteria of Paragraph 26(8) of the Law, whose average on and off-balance sheet assets over the four-year period are less than €100m, are exempted from the disclosure requirement regarding Investment policy as well as from the disclosure of information on Environmental, Social and Governance risks.

The Company meets the criteria of the paragraph 26(8) of the Law, thus is exempted from the disclosure requirement regarding Investment policy and regarding Environmental, Social and Governance risks.