I.W.G International Wealth Group Ltd

Pillar III Disclosures Report

YEAR ENDED 31 DECEMBER 2019

JUNE 2020

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1. Introduction

1.1 Company Information

I.W.G International Wealth Group Ltd (the "Company" or the "IWG") is authorized by the Cyprus and Exchange Commission (the "CySEC" or the "Commission") to operate as a Cypriot Investment Firm (the "CIF"), under the license number 380/19, to provide the following investment:

Investment Services

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

Cross Border Services to Member States for the above services to the following Member States:

Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

The Company is also a member of the Investor Compensation Fund pursuant to the Investor Compensation Fund Directive DI87-07 (the "ICF Directive") of 2019, as amended in 2020.

1.2 Scope of Application

The Company reviewed its Group structure in accordance with the relevant provisions of CySEC's Directive 144-2014-14 (the "Directive") and Regulation EU No.575/2013 (the "CRR") and reached to the conclusion that the Company does not fall under the consolidated supervision by CySEC. Therefore, the information presented in the Pillar III Disclosures Report (the "Report"), is on an individual (solo) basis. The Report is based on the audited financial statements of the Company for the year ended 31st December 2019; which is prepared in accordance with International Financial Reporting Standards (the "IFRS") as adopted by the European Union (the "EU") and the requirements of the Cyprus Companies Law, Cap.113.

1.3 Pillar III Regulatory Framework

This Report has been prepared in accordance with Section 4 (Paragraph 32) of the Directive for the prudential supervision of investment firms which implements the CRR and the European Directive 2013/36/EU (the "CRD IV"), as well as the relevant provisions of new Law 87(I)/2017 (the "Law"), as amended. It is noted that the Law 144(I)/2007 has been replaced by Law 87(I)/2017 on the 3rd January 2018, for the purpose of harmonization with European Directive 2 2014/65/EU (the "MIFID II") which applies to CIFs, market operators, data reporting service providers (the "DRSP"), and third- country firms providing investment services or activities through the establishment of a branch in the Republic.

The European Union's Basel II Accord and the Capital Requirement Directive consist of the following three pillars:

- Pillar 1 sets out the minimum capital required to meet the firm's credit, market and operational risk;
- Pillar 2 requires the firm to assess whether its Pillar 1 capital is adequate to meet its risks and makes this subject to annual review by the appropriate regulator (CySEC); and
- Pillar 3 requires disclosure of specified information about the firm's underlying risk management controls and capital position, including disclosure requirements for remuneration.

Disclosures Policy

The Company discloses information in relation to its capital requirements on an annual basis in compliance with applicable legislation, regulatory and accounting risk disclosure standards. The 2019 Report of the Company sets out both quantitative and qualitative information required in accordance with Part 8 "Disclosures by Institutions" of the CRR. Articles 431 to 455 of the CRR specify the Pillar III framework requirements.

According to the Directive, the risk management disclosures should be included in either the financial statements of the CIFs if these are published, or on their websites. The Company is responsible to submit its external auditor's verification report to CySEC the latest within five months from the end of each financial year. However, due to the pandemic outbreak of Covid-19 (the "Coronavirus") in Cyprus and the uncertainty that this may have on the Regulated Entities' operations, CySEC has issued Circular C381 following Circular C373 granting an extension to the deadline for submitting the Pillar III Disclosure Report for the year ended 2019, and as a consequence the Report should be published to CySEC the latest by July 31st 2020. The verification from the external auditors should be submitted by the Company by August 31st 2020.

The CRR provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. 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.

2.1 Disclosures and Confidential Information

The CRR also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

2.2 Medium and Publication of the Report

The Company's Report is subject to internal review and validation prior to being published on its website. The Company has included its 2019 Report as per the Directive on its website http://interwealthgroup.com as it does not publish its financial statements. Verification of this Report has been made by the external auditors and sent to CySEC.

3. Governance Arrangements and Board of Directors

The Board of Directors (the "Board") has the overall responsibility for the Company and approves and oversees the implementation of the Company's strategic objectives, risk prevention strategy and internal governance. The Board ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards, and oversees the process of disclosure and announcements. The Board is responsible for providing effective supervision of senior management, and monitors and periodically assesses the effectiveness of the Company's governance arrangements and takes appropriate steps to address any deficiencies.

The Board is responsible for the oversight and approval of the procedures and rules in relation to the Risk Management Function and for ensuring that the Company manages all its risk exposures adequately and as per the requirements of CySEC.

The Risk Management Committee approves the Group's business plans, budget, Internal Capital Adequacy Assessment Process (the "ICAAP") and also monitors the Group's risk profile and capital adequacy position.

3.1 Composition of Board of Directors & Risk Committee

During the period under review the Board is comprised of four executive directors and two non-executive independent directors. The table below shows the position of each director

Board of Directors

Name of Director	Position	Country
Patricia Clare Summerfield	CEO	Cyprus
Flora Parker	Executive Director	Cyprus
Dr Florian Rabe	Executive Director	Cyprus
Dusan Thomas Zachystal	Executive Director	US
Chantelle Yasmin Elmi	Non-Executive Independent Director	UK
Jay Ajay Patel	Non-Executive Independent Director	UK

Risk Committee

Name of Director
Patricia Clare Summerfield
Chantelle Yasmin Elmi
Jay Ajay Patel
Dusan Thomas Zachystal

3.2 Board Recruitment

The Company has a a written recruitment policy for the selection and appointment of the Board members. In addition, one of the Board's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

Board members shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. Specifically, the members need to have integrity, honesty, the necessary qualifications, education, skills and experience in order to perform their duties. They also need to have financial knowledge, as well as experience relevant with the Company's activities in general and with financial matters. Prior to their appointment the proposed persons should obtain the approval of CySEC meeting with the Company's regulatory requirements.

The members of the Board should commit the necessary time and effort to fulfil their obligations.

The Company does have a diversity policy. The Company recognizes the benefits of having a diverse Board which includes and makes use of differences in the skills, experience, knowledge and background between members of the Board. Therefore, diversity is taken into consideration when determining the optimum composition of the Board.

3.3 Board of Directors - Risk Management Declaration

The Board in its duty to oversee the Company's operations is responsible for reviewing the effectiveness of the Company's risk management arrangements, systems and controls, which are designed to manage risks. These are designed to manage rather than eliminate the risks of not achieving business objectives, and as such offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board assures on its annual declaration that it has in place adequate risk management systems and controls with regards to the Company's risk profile and strategy and appropriate mechanisms in order to avoid or minimise loss.

3.4 Remuneration Policy

The Remuneration Policy of the Company sets out the principles governing the Company's remuneration practices. The Remuneration Policy is reviewed and approved by the Board of Directors of the Company, and the provisions are applicable to each Director, Officer and Employee of the Company. It is drafted in accordance with the requirements of the Investment Services and Activities and Regulated Markets Law of 87(I)/2017 and and with the Guidelines GD-IF-07, Guidelines on remuneration policies and practices.

The Company's remuneration policy promotes sound and effective risk management and does not encourage risk-taking; the remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interest. Employees in control functions are independent from the business units they control and are rewarded for the achievement of specific goals related to their control functions.

The remuneration of the employees whose professional activities have a material impact on the

Company's risk profile is constituted totally of fixed salaries and is not performance related. The employees' total remuneration consists of: a) a fixed component, b) annual bonus, subject to specified criteria c) social insurance d) 13th salary.

The Company's annual bonus policy is based on:

1. The achievement of business and individual performance objectives of each employee, as set in their annual evaluation forms, according to the review and appraisal by the management;
2. The business unit concerned;
3. The overall results of the Company.

The Company does not pay any transaction-based commissions or any other form of variable remuneration.

The Remuneration Policy for non-executive directors consists of a fixed annual fee for occupying a seat on the Board. The Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of the Board members is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of the Board meetings.

The total remuneration of the directors and senior management for 2019 is presented in the table below:

Positions	Number of Persons
Non-Executive Directors	2
Senior Management	4

Senior Management consist of the Chief Executive Director, the Head of Portfolio Management Director, the Head R&T Department and the Head of Advisory and Operations Department.

3.5 Investment Committee

The Company has established an Investment Committee, the main responsibility of whom is to set the investment policy of the Company according to the market environment at the time and formulate the framework in which the asset management and client investment advisory functions of the Company should operate. The purpose of the Investment Committee is to establish and oversee the best possible practice for the investment services provided by the Company.

The Investment Committee:

- Establishes the discretionary investment manager selection process and reviews it as necessary from time to time in order to ensure its integrity.
- Monitors the performance of the approved discretionary investment managers.
- Decides which discretionary investment managers should be added or removed from the approved list.
- Following appropriate research, provides to the discretionary investment managers and investment advisors guidelines on investment products and financial instruments for the clients.
- Establishes procedures for assessing investment risk tolerance for clients.
- Decides the fee schedule to be charged to the clients for the services provided

The scope of the Investment Committee’s activities covers the following:

- Examination of the macroeconomic environment.
- Assess and recommend the appointment and termination of investment managers and monitor their performance.
- Provide financial and investment recommendations.
- Develop investment strategies to meet annual objectives.
- Review the quarterly statements of account and investment performance.
- Determine investment mandates
- Review compliance with investment mandates on a regular basis.
- Review performance and portfolio risk profiles.
- Review the domestic and global economic and, as appropriate, political background and consider the implications on the financial markets.
- Review the current asset profile for each portfolio
- Review and advice on any actuarial advice.
- Investigate and provide advice on any other proposal or topic referred to it.

The members of the Investment Committee consist of the Chairman, two executive directors, one non-executive director, and any member(s) appointed by the Board. The Investment Committee may invite members of management and other persons to its meetings as it may deem desirable or appropriate. The Investment Committee shall report regularly to the Board summarizing its actions and any significant issues considered by it.

4. Risk Governance

IWG is committed to good risk management and prioritises risk management through its functional structure, governance processes, monitoring and reporting activities and its emphasis on the Company’s vision and values.

IWG’s risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to IWG’s activities and where appropriate, to set the level of risk tolerated by the Company. The current risk management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.

Within the Company's risk management framework there are structures that provide for the validation role of risk management, compliance and internal audit functions. Even though these are distinct functions in the Company's structure, and they perform very specific duties in the overall risk management framework, there is a considerable degree of overlap and intersect present.

The Accounts Department, the Operations Department, the Internal Auditor, Risk Management and Compliance Functions work in concert considering the nature, scale and complexity of the business of the Company, and the nature and range of investment services and activities undertaken in the course of IWG’s business. The integrated objective of these distinct functions is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring structure.

The Accounts Department is responsible for the completeness, accuracy and validity of the books, records and financial and management accounting reports of all the company’s operations. The Company establishes, implements and maintains accounting policies and procedures which enables the Company, at the request of CySEC, to deliver in a timely manner to CySEC financial reports which will reflect a true and fair view of its financial position and which comply with all applicable accounting standards and rules. The Accounts Department is responsible for the day-to-day recording of all financial information, control of all receipts and payments, internal management reporting and external financial reporting. The senior management team will ensure the completeness of the records.. The accounting entries affecting the clients' assets are always segregated from the Company's assets and such records and accounts are kept in a way that ensures their accuracy, enabling the Company at any time and without delay to distinguish assets held for one client from assets held for any other client, and from the Company's own assets. The Accounting Department is also responsible for the management accounts which are feeding into the capital adequacy requirements monitoring.

The Internal Auditor is responsible for ensuring that the Company's business is conducted according to rules, policies and procedures, which comply with the requirements imposed on the Company by the Law and the regulations published by the Commission from time to time. In addition, the internal auditor is responsible for implementing the Company's risk management policy, to ensure that anything which might adversely affect the Company's business is promptly detected and effectively dealt with. The Internal Auditor is responsible for conducting independent appraisals of the Company's activities, functions and operations to ensure that an adequate framework of internal controls has been established and is operating effectively.

Pursuant to the regulatory obligations of the Company and with the view to complement the Internal Governance framework of the Company, the Board has appointed a Compliance Officer. The main duty of the Compliance Officer is the continuous assessment of the adequacy and effectiveness of the measures and procedures that are applied in the Company with a scope of early detection and minimization of any failure by the firm to comply with its obligations under the Investment Services and Activities and Regulated Markets Law. The Compliance Officer is independent and reports directly to the senior management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information.

Given the desired specialization of duties in the overall risk management function and based on particular knowledge and expertise, the Company's Risk Management Function focuses on the financial risk management area, with emphasis given on quantitative issues regarding financial types of risk. Compliance and Internal Audit roles are clearly defined for the management of compliance risk and operational risk respectively.

4.1 Risk Management Function

The Risk Management Function is charged with the responsibility of monitoring the adequacy and effectiveness of the Company's risk management policies and procedures. Risk management is fundamental to IWG's business and plays a crucial role in enabling management to operate more effectively in a changing and demanding environment.

The Risk Management Function is independent from business line management, is part of the second line of defense and independently assesses all material risks. The remuneration for this function is set annually and does not depend on any variable conditions other than the additional time spent for the performance of the duties. The Risk Manager reports to the senior management and the Board and monitors the implementation of the Company's agreed policy as defined by the Board and the various CySEC regulations. Risk management aims to continuously develop and improve risk measuring and monitoring mechanisms. In addition, the Risk Management Function is responsible for reviewing and updating the Company's risk management policies and procedures.

The Company considers that the risk management systems put in place are adequate with regard to the institution's profile and strategy.

4.2 Company's Strategies and Processes

Within the overall risk management framework, the Company aligns the risk management strategies with its business strategies, processes and capabilities. In its organizational structure, the Company defines specific tasks and reporting relationships as well as designates clear risk owners as these are defined by the nature of the business/operation and the risks inherent in this business/operation (i.e. specialization and risk ownership as per type of risk). The Company then specifies permissible and desirable actions.

The specific policies and strategies aiming at managing each specific risk are determined by the Company's Board which has the oversight role. In addition, the Investment Committee may co-ordinate decision-making and provides oversight in relation to the relevant Risk Management Function. The Board develops company-wide and specific risk policies, assigns owners of significant risks and evaluates the effectiveness of the policies in place for managing specific risks.

For the critical role of Risk Management, Compliance and Internal Audit Functions there are clear strategies and policies as these relate to each responsibility and framework of these functions. Compliance and Internal Audit roles are clearly defined for the management of compliance (legal and regulatory) risk and operational risk respectively.

4.3 Risk Reporting and Measurement Systems

Communication of information at all relevant levels of the Company is defined by the organizational structure which clearly specifies reporting lines and allocates functions and responsibilities; the Company maintains internal reporting at various risk types, frequency, and depth of reports. IWG's internal reporting is intended to provide the Board (or other relevant body) with knowledge about specific risks, including the level of exposures versus limits, trends in risk factors, risk diversification and concentration, limits violation and other information relevant in the policies of the Company.

The Internal Auditor reports directly to the Board, thus maintaining its independence. The Risk Management Function and the Compliance Function are also reporting to the Board and the general managers, for the enforcement of the relevant risk management and compliance policies and guidelines.

4.4 Risk Appetite Statement

Risk appetite is an integral element in our business planning processes via our risk plan and strategy, to promote the appropriate alignment of risk, capital and performance targets, while at the same time considering risk capacity and appetite constraints from both financial and non-financial risks. Compliance of the plan with our risk appetite and capacity is also tested under stressed market conditions. Top-down risk appetite serves as the limit for risk-taking for the bottom-up planning from the business functions.

The setting of risk appetite is a process to decide the level of risk that the Company is willing to accept to safeguard capital and profits, whilst achieving the Company's strategic objectives. The Company uses risk appetite as a strategic concept to determine its risk-based limits.

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

1. The Capital Adequacy Ratio for the eligible own funds is targeted to be equal or greater to 8%,
2. The Company has zero tolerance towards internal fraud and non-compliance with regulatory requirements;
3. The Company has low tolerance towards operational risks / losses.

The Company will only take reasonable risks that:

4. Fit the Company's strategy and capability
5. Can be understood and managed
6. Do not expose the Company to:
    - Material financial loss impacting financial viability and strategy execution of the Company.
    - Material breach of external regulations leading to loss of critical operational/business license and/or substantial fine.
    - Damage of the Company's reputation and brand name.

Ultimate responsibility for setting the Company's risk tolerance boundaries and for the effective management of risk rests with the Board. The Board and senior management periodically review the Company's risk profile and trends and monitoring the Company's ongoing performance against its desired risk appetite.

5. Key Risk Categories

The Company considers its operations to be prudent and risk averse, with the business objective of achieving client satisfaction and financial strength of the company. The Company is exposed to credit risk, liquidity risk and capital risk management arising from the financial instruments it holds.

The Company has risk management policies, practices and reporting in place for each category of risk it is exposed to. The inherent risks have been identified and analysed for their impact on IWG below:

5.1 Credit Risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management
Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

i) Risk management (continued)

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(ii) Impairment of financial assets

The Company adopts the Standardised approach for Credit Risk, and it has no significant concentration of credit risk. In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms and policies. The Company's strategy is to limit the level of credit exposure to any debtor and therefore ensures that the services are provided to customers with a high credit quality and funds are held with financial institutions of high creditworthiness and the Company effort is to limit the amount of credit exposure to any financial institution.

5.1.1 Trade receivables and accrued income

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a provision matrix (collective) approach for all trade receivables and accrued income using the following five step approach:

1. Determine the appropriate groupings of receivables into categories of shared credit risk characteristics;
2. Determine the period over which historical loss rates are obtained to develop estimates of expected future loss rates;
3. Determine the historical loss rates;
4. Consider forward looking macro-economic factors and adjust historical loss rates to reflect future economic conditions;
5. Calculate the expected credit losses.

To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 360 days past due on its contractual payments.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The Company then determines the relevant ageing analysis for each group of trade receivables in order to create an expectation based on the past history of the proportion of receivables that will not be recoverable once they get the specific point past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and accrued income are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 360 days past due.

The Company has not recognized any expected credit losses in relation to its trade receivables and accrued income, since the Company has no history of losses and all receivables are collected within the credit period granted to the customer.

5.2 Market Risk

Market risk is the risk that the Company's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, equity and bond prices and foreign exchange rates.

The market risks for the Company are kept at minimum level because IWG does not in effect deal on its own account. As a consequence, the Company:

- Continues to have low level of market risk. It does not enter into any positions in securities and other financial instruments which are held for trading purposes and are subject mainly to market risks and exposures.

    - Is not exposed to risk arising from unsettled transactions and other transactions where counterparty risk arises. The internal capital is adequate for material market risks that are not subject to an own funds' requirement.

    - Has adopted the standardized approach for market risk. Currency risk is limited to the fluctuation of the company's revenues as far as those are based on the value of the clients' portfolios which will be impacted by currency fluctuations and is therefore considered small.

    - With regards to clients' portfolios, the Investment Committee actively addresses and mitigates market risk through global diversification and implementation of robust parameters that client portfolios adhere to.

    - Does not have any major exposures to foreign-exchange risk, in respect of losses which the Company may suffer in the event of adverse exchange-rate movements.

5.3 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 as the Company has no significant interest-bearing assets or liabilities. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest- bearing financial instruments was immaterial.

5.4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The

Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's does not have a policy of hedging foreign exchange risk exposure arising from transactions from future commercial transactions and recognised assets. As at 31 December 2019 the Company had no significant balances in foreign currencies. The Company did not trade in 2019 as they were regulated on the 16 October 2019.

5.5 Liquidity Risk

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

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31-Dec-2019	Carrying Amounts	Contractual Cash Flows	3 – 12 months
Payables related to parties	0	0	0
Total	0	0	0

5.6 Operational Risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. IWG recognizes operational risk as a significant risk category and strives to manage this within acceptable levels through strong governance arrangements, effective risk management processes and adequate internal control mechanisms appropriate to the Company’s size, nature, scale and complexity. The Company calculates its operational risk using the basic indicator approach.

5.7 Legal and 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.

Legal risk is the risk of loss arising from non-compliance or violation of legal contracts and lawsuits. Legal risk is identified and managed by the Company’s senior management and the Board. The Company’s legal counsels play an active role in the identification and management of legal risk.

The Company seeks to bring the highest standard of compliance and best practices to the Company. In keeping with our core values, we also endeavor to comply with the highest professional standards of integrity and behaviour, which builds trust.

Compliance risk is managed through internal policies and procedures, which include legal, regulatory and other technical requirements relevant to the business. The Compliance Function provides training to ensure that all employees are familiar with their regulatory obligations. The Compliance Officer also provides advice on regulatory issues. The Compliance Function independently monitors the business units to ensure adherence to policies and procedures and other technical requirements.

The Compliance Function works closely with business and operational units to ensure consistent management of compliance risk. The Compliance Officer is charged with developing and maintaining constructive working relationships with regulatory authority.

In reviewing the customer risk assessment, we have determined that the Company is:

- Conducting its activities in accordance with the relevant laws, regulations and CySEC Directives;
- Adhering to the disclosures it has made to CySEC and investors;
- Implementing and following a supervisory system and/or compliance policies and procedures that are reasonably designed to ensure that the Company's operations are in compliance with the law.

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

Furthermore, the Company is subject to the Prevention and Suppression of Money Laundering and Terrorist Financing Law (the "AML Law"). Compliance with the AML Law, against money laundering and terrorist financing is ongoing. The requirements provided by the AML Law and the relevant CySEC AML Directive are set out in the Company's AML Manual which incorporates IWG's client acceptance policy.

IWG implements an anti-money laundering procedure, which calculates the risk rating of clients taken on and regularly monitors any changes to the risk ratings of existing clients. Clients are risk weighted according to the money laundering and/or terrorist financing risks they potentially pose. This risk rating includes cross referencing clients against international databases of adverse client information (including persons named on the United Nations lists and other sanction lists). Clients are assessed as being high, normal or low risk, at the client on boarding procedure. For high risks clients are required to satisfy enhanced due diligence processes.

5.8 Strategic Risk

Strategic risk is the risk of loss arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

The Company’s exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

5.9 Reputational Risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company.

Business reputations are hard to win but quickly lost. Loss of confidence by any group of stakeholders can quickly lead to the decline of any enterprise, most strikingly in investment service businesses. Safeguarding the Company’s reputation is of paramount importance to its continued success and is the responsibility of every member of staff.

IWG has various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. The Company is aware of the impact of practices that may result in a breakdown of trust and confidence in the organization. The Company’s as well as the Group’s policies and practices are regularly reinforced through transparent communication, accurate reporting, continuous group culture and values assessment, internal audit and regulatory compliance review, and risk management practices.

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company has policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The Company’s Board are made up of high calibre professionals who are recognised in the industry for their integrity and ethos; this adds value to the Company.

5.10 Capital Risk Management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company. Such procedures are explained in detail in the Policy and Internal Operations manual of the Company.

The Company is further required to report on its capital adequacy each quarter and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of accounts to monitor the financial and capital position of the Company.

5.11 Residual Risk

The risk that recognized credit risk mitigation techniques used might be proved less effective than expected. The residual credit risk identifies, analyses the concentration of residual risk and takes measures to limit if below the level of acceptable risk. The Company as a general rule does not provide direct credit facilities to any of its clients.

5.12 Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

Investment performance is monitored as part of our investment risk management process. In addition, bank deposits are spread to different credit institutions which mitigate risk against a key dependency on any banking institution.

Building the company to diversity the customer base is a company priority.

5.13 Securitization Risk

It is the risk entailed in the process through which an issuer creates a financial instrument by combining other financial assets and then marketing different tiers of the repackaged instruments to investors. This risk arises from securitization transactions in relation to which the investment firms are investor, originator or sponsor, including reputational risks (such as arise in relation to complex structures or products). The Company is not involved in securitization transactions.

5.14 Risk of Excessive Leverage

The Risk of Excessive Leverage is the risk entailed in the utilization of borrowed money. Companies that are highly leveraged may be at risk of bankruptcy if they are unable to make payments on their debt; they may also be unable to find new lenders in the future.

Leverage Ratio

According to the "Basel III leverage ratio framework and disclosure requirements" issued by the Basel Committee on Banking Supervision (the "BCBS"), an underlying cause of the great financial crisis was the build-up of excessive on- and off-balance sheet leverage in the banking system. In many cases, banks built up excessive leverage while maintaining seemingly strong risk-based capital ratios. The ensuing deleveraging process at the height of the crisis created a vicious circle of losses and reduced availability of credit in the real economy.

The BCBS introduced a leverage ratio in Basel III to reduce the risk of such periods of deleveraging in the future and the damage they inflict on the broader financial system and economy. The Leverage Ratio is also intended to reinforce the risk-based capital requirements with a simple, non-risk-based "backstop". The Leverage Ratio defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure, expressed as a percentage and the minimum requirement is set at 3%. The Company's leverage ratio as at the reference date is set at 90.34%.

The Company does not have any loans or credit margins to finance its assets or operations. The Company is able to withstand a range of different stress events with respect to the risk of excessive leverage.

The table below, provides a reconciliation of accounting assets and leverage ratio exposures:

	€000
Total Assets as per financial statements	83
Less: Investors Compensation Fund (already deducted from capital)	(6)
Total Assets for Leverage ratio	77
Equity as per financial statements	69
Less: Investors Compensation Fund (already deducted from capital)	(6)
Equity for Leverage ratio	63
Leverage Ratio	81.82%

5.15 Emerging Risks

Emerging risks are newly developing or changing risks that are difficult to quantify and could have major impact on society and industry including systemic risk. Emerging risks have uncertain impact, probability and timeframe that could cause various risks to the Company. We analyze each risk and, if needed, develop and apply mitigation and management plans.

The Company's profitability could be adversely affected by the worsening of general local, European and global economic conditions and could significantly affect the Company's customers' activity levels and financial position.

Response to Covid-19 and Company's Commitment

The current outbreak of Covid-19 has created an unprecedented challenge to the global economy. Governments, central banks and regulatory authorities have responded to this challenge with a number of regulatory measures. Global stock markets have fallen rapidly, their sharpest monthly decline since the start of the financial crisis in 2008, and the risk of a second wave of the pandemic later this year creates further uncertainty.

The Company has adapted a dynamic business model, ready to withstand possible market volatilities and anomalies that are caused due to the rapid developments of the virus. Furthermore, the Company follows all of the government and health authorities' guidelines and instructions, regarding the protection measures against the virus. The senior management reviewed, updated and put in effect the business continuity plan to ensure operational resiliency and assesses the situation daily, remaining vigilant, and following all recommendations from the regulatory authorities.

As the Coronavirus continues to spread in Cyprus and across the globe, the Company took a number of measures to respond to this public health emergency. First and foremost, IWG's number one priority is the safety and well-being of its people, clients, families, and the communities in which we live and work. Emphasis was given on preventative hygienic practices by employees and visitors to its facilities. The Company invested in remote work tools and systems; and arranged for employees to work from home and it appears that the tools, technology, capacity, and security measures in place are able to support effectively the business operations.

IWG has to assess the direct and indirect consequences of the outbreak of Covid-19 and how these could potentially affect the Company by analysing the working capital requirements and liquidity and be prepared for both best- and worst-case scenarios.

Despite the fact that the pandemic is showing signs of slowing down in our country, it is highly unlikely that our economy will return to its pre-Covid-19 era soon. Therefore, we should even be prepared to witness another recession following the 2013 banking crisis.

6. Capital Management

The Company implements procedures and takes the necessary actions to maintain its capital above the minimum level as prescribed by the relevant legislation.

6.1 Internal Capital Adequacy Assessment Process Report

In accordance with the Directive, on the Capital Requirements of Investment Firms, the Company has in place effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which the Company is or might be exposed.

Further to the requirements of Pillar I, a more detailed approach on managing risks is achieved through the preparation of the Pillar II requirements and more precisely the ICAAP report. The Company does not have to prepare an ICAAP, by preparing this report together with other quarterly risk statistics the company is meeting with the regulatory obligations

6.2 Stress Tests

Stress testing is the process by which the Company's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Company's business including the projected capital and liquidity positions.

Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Determining the risk profile of the Company
- Evaluating of the Company's capital adequacy in absorbing potential losses under stressed conditions.
- Evaluating the Company's risk management strategy and determining whether any corrective actions need to be taken.
- Determine whether the Company's exposures correspond to its risk appetite.

The Company, during the year, did not perform any stress tests as it was newly licensed, however will carry this out in 2020 in order to gain an overview of its exposure or vulnerability to the impacts of exceptional but possible events. Following the identification of material risks, the Company will apply scenario analysis, sensitivity analysis and reverse stress test under the business and regulatory practice to test whether such factors may have a substantial impact on its prudent and solvent operations.

6.3 Capital Adequacy

The Board has a policy of continuously monitoring capital adequacy levels and aims to maintain a capital adequacy ratio above the minimum regulatory requirements, ensuring that there is sufficient capital to support the Company during stressed conditions. During 2019 the Company had fully complied with all externally imposed capital requirements as shown in the table below.

Pillar 1 Capital Requirements for 31 December 2019 (€'000)		
	RWA	Capital Requirements
Capital Requirements/Risk Weighted Assets		
Credit, Counterparty Credit and Dilution Risks and Free Deliveries Capital Requirement	76	
Settlement/Delivery Risk		
Position, Foreign Exchange and Commodities Capital Requirement		
Operational Risk Capital Requirements		--
Additional risk exposure amounts due to fixed overheads	67	
Total Risks	143	
Total Capital (Own Funds)	64	50
(Deficit)/Surplus Capital Against Total Risks	(79)	
Total Capital Adequacy Ratio		44.72%

According to article 93 of the EU Regulation 575/2013, the Company's own funds must in no case fall below the level of initial capital required at the time of its authorization. The own funds of the Company have not decreased during 2019 below the limits provided for in Article 92 of the EU Regulation 575/2013.

6.4 Own Funds

Under the EU Directive No. 575/2013, Own Funds consist of Tier 1 capital and Tier 2 with Tier 1 capital consisting of the sum of common equity Tier 1 (CET1) capital and additional Tier 1 capital. Tier 1 capital is the core capital including equity capital and disclosed reserves.

CET1 items of an institution consist of:

1. Capital instruments
2. Share premium accounts
3. Retained earnings
4. Accumulated other comprehensive income
5. Other reserves, and
6. Funds for general banking risk

Additional Tier 1 capital consists of capital instruments and their associated premium accounts that generally have the same characteristics as CET1 capital instruments but can have integrated call options as long they may be exercised at the sole discretion of the issuer. Additional Tier 1 capital ranks after tier 2 capital in case of insolvency.

Tier 2 capital consists of capital instruments and subordinated loans and associated share premium accounts as well as:

1. for institutions calculating risk-weighted exposure amounts under the standardized approach: general credit risk adjustments, gross of tax effects, of up to 1,25 % of risk-weighted exposure amounts
2. for institutions calculating risk-weighted exposure amounts under the advanced approaches: positive amounts, gross of tax effects, resulting from the calculation laid down in Articles 158 and 159 up to 0,6 % of risk weighted exposure amounts

6.5 Return on Assets

The Return on Assets is an indicator of how profitable a company is relative to its assets. It gives an idea as to how efficient management is, at using its assets to generate earnings. It is calculated as net profit divided by average total assets.

The Company did not trade in 2019.