



Prochoice
Chrimatistiriaki Ltd

Prochoice Chrimatistiriaki Ltd

**Disclosures in accordance with the Directive for the Capital
Requirements of investment firms for the year ended 31
December 2013**

May 2014

CONTENTS

1. GENERAL INFORMATION AND SCOPE OF APPLICATION	3
2. RISK MANAGEMENT AND GOVERNANCE OF THE COMPANY	4
3. OWN FUNDS.....	5
4. CAPITAL REQUIREMENTS.....	6
4.1. Credit Risk	6
4.2. Operational Risk	10
4.3. Market Risk.....	10
4.4 Liquidity risk.....	11
6. OPERATING ENVIRONMENT OF THE COMPANY.....	12

1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Requirements of the Directive

The information below is disclosed in accordance with Directive DI144-2007-05 of 2012 of the Cyprus Securities and Exchange Commission (“CySEC”) for the Capital Requirements of Investment Firms.

The information that Prochoice Chrimatistiriaki Ltd (“the Company”) discloses herein relates to the year ended 31 December 2013.

Principal Activities

Prochoice Chrimatistiriaki Ltd was incorporated in Cyprus 7th May 2008 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company has applied for and obtained a licence in July 2009 from the Cyprus Securities and Exchange Commission (CySEC) to operate as a Cyprus Investment Firm for the provision of services of Brokerage and Investment Advice services. In February 2011 the Company applied for and obtained an extension of its authorisation to provide additional ancillary services. It is noted that the Company’s licence for the service of Investment Advice lapsed in 2011 following twelve months of not providing this service.

Currently, the Company is authorized to provide the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
	Foreign exchange services where these are connected to the provision of investment services
	Investment research and financial analysis of other forms
	Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

During the year the Company was operating online through its Online Trading Platform at the website www.pro-choice.com.cy.

Prochoice Chrimatistiriaki Ltd is a member of A.L. Prochoice Group Public Ltd (30,35%) which is a public company listed on the Cyprus Stock Exchange (CSE) since 2001. It is also a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

Disclosure Policy

The Company discloses information in relation to its capital requirements on an annual basis.

The disclosures are published on the website of the Company five months after the financial year end.

Scope of the Disclosures

Prochoice Chrimatistiriaki Ltd does not have any subsidiaries and therefore the information presented in this report relates solely to the Company.

2. RISK MANAGEMENT AND GOVERNANCE OF THE COMPANY

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

The Company's risk management procedures are established to identify and analyse the risks faced by the Company. Their purpose is to set appropriate risk limits and controls, to monitor risks and adherence to limits, to manage the Company's financial risk and to minimize the effects of fluctuations in financial markets on the value of the Company's financial assets and liabilities. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities.

The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of its business, and is comprised of the following components:

- Board of Directors
- Investment Committee
- Risk Management Department
- Compliance and Anti-money Laundering Function
- Accounting and Finance
- Internal Audit

Board of Directors

The main responsibilities of the Board of Directors are the following:

- Setting the strategies and objectives of the Company;
- Overseeing the internal control system of the Company
- Approving internal documents, policies and procedures
- Following any changes in the investment services market, investigating competition and deciding about the development of new products and the expansion of the Company

Investment Committee

The Investment Committee determines the risk pricing policy of the Company.

Risk Management Department

The Company's risk management department is separate and independent from the other functions and activities of the Company. The Risk Management Department ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks.

Compliance and Anti-money Laundering Function

The Company, following the Law on Prevention and Suspension of Money Laundering and Terrorist Financing (N188 (I)/2007) and the Directive D1144-2007-08 of 2012 of the Cyprus Securities and Exchange Commission for the Prevention of Money Laundering and Terrorist Financing, follows documented procedures for the prevention of transactions that may be related to money laundering and Terrorist Financing. Detailed procedures relating to the prevention of money laundering followed by the company are included in the "Procedures Manual for Prevention and Suspension of Money Laundering and Terrorist Financing."

Accounting and Finance Department

The Accounting and Finance Department is responsible for monitoring the Company's capital adequacy and the timely submission of Common Reporting templates to CySEC.

Internal Audit

The Internal Audit function is outsourced. The internal auditors are independent and report directly to the Board of Directors.

The main responsibilities of the internal audit are the following:

- Assess and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- Issue recommendations based on the result of work carried out;
- Verify compliance with the procedures set by the Law or by the internal operations of the Company;
- Report in relation to internal audit matters.

3. OWN FUNDS

The Own Funds of the Company consist solely of Tier 1 Capital, which is made up of share capital and reserves (retained earnings and audited loss form current year).

Intangible assets and computer software are deducted from the Company's original own funds (Tier 1).

The Own Funds of the Company are analyzed in Table 1 below:

Table 1: Capital Base	
	31 December 2013 €000
<i>Original Own Funds (Tier 1)</i>	
Share Capital	852
Retained Earnings	(479)
Audited income (negative) from current year	(86)
Intangible assets and computer software	-
Total Eligible Own Funds	287

Share Capital

The Company's issued share capital as at 31 December 2013 amounted to €852.000, divided into 852.000 ordinary shares of €1 each.

4. CAPITAL REQUIREMENTS

Minimum regulatory capital requirements

The capital requirements of the Company as at 31 December 2013 were 61 thousand Euros and are analyzed in Table 2 below:

Table 2: Minimum Capital Requirements	
Risk Type	Minimum Capital Requirements €000
Credit Risk	37
Market Risk	-
Operational Risk	24
Total	61

The Capital Adequacy ratio of the Company as at 31 December 2013 was 37, 9%.

4.1. Credit Risk

General

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has policies to limit the amount of credit exposure to any financial institution.

The Company has credit exposure to the banks with which it deposits funds in Cyprus and abroad.

The Company has credit risk exposure from clients since it provides credits to some of them. It is noted however, that the Company didn't provide new loans to clients during 2013.

During 2013 due to the fact that the company cannot perform the investment activity of dealing for own account, it had no investments in shares in any stock market.

According to the Standardised approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, after the consideration of various mitigating factors, according to

the exposure class to which they belong. For exposures to institutions, the risk weight depends on the term of the exposure (more favorable risk weights apply where the exposure is under three months) and on the sovereign risk rating. The main categories of exposures the Company is exposed to with regards to Credit risk are deposits with banks, trade and other receivables and fixed assets.

Prochoice Chrimatistiriaki Ltd did not hold any derivatives and did not enter into any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions or margin lending transaction, hence the Company does not face counterparty credit risk.

The Company applies the Simple Approach for credit risk mitigation purposes. During 2013, the Company didn't use any form of collateral to reduce its credit risk exposures.

Capital Requirements

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

Table 3 below presents the allocation of credit risk in accordance with the Standardised Approach exposure classes:

Table 3: Exposure classes and minimum capital requirements				
Asset Class	Average exposure value	Exposure value before and after credit risk mitigation and before Credit Conversion Factor	Exposure value before and after credit risk mitigation and after Credit Conversion Factor	Minimum Capital Requirements
	€000	€000	€000	€000
Institutions	382	374	374	13
Corporates	238	291	284	23
Other Items	17	13	13	1
Total	637	678	671	37

Risk Weighted Assets and Credit Quality Steps

Institutions

For the credit ratings of institutions, the Company has used the ratings provided by S&Ps to rate its exposures. The Company's exposures under this category were located in institutions in Cyprus, Greece and United Kingdom.

Corporates

Exposures to corporates were unrated. As a result, a 100% risk weight was used.

Other Items

The Other Items category includes cash in hand, fixed assets and tax receivables. A risk weight of 100% has been applied to all other items, except to cash in hand where 0% risk factor has been applied.

The following table presents the exposures of the Company before and after credit risk mitigation by Credit Quality Step “CQS” and asset class.

Table 4: Exposure amount before and after credit risk mitigation by credit quality step and asset class as at 31/12/2013				
Asset Class	CQS 1 €000	CQS 5 €000	Unrated/ Not Applicable €000	Total €000
Institutions <i>(CQS based on the credit rating of the country in which the institution is incorporated)</i>	0	374	-	374
Corporates	-	-	291	291
Other Items	-	-	13	13
Total	0	374	304	678

Maturity of the exposures

Table 5 presents the breakdown of exposure classes per residual maturity

Table 5: Exposure classes and residual maturity			
Asset Class	Current account/ Less than 3 months €000	More than 3 months or no maturity €000	Total €000
Institutions	260	114	374
Corporates	7	284	291
Other Items	-	13	13
Total	267	411	678

Table 6 presents the exposures of the company after credit risk mitigation by geographic area:

Table 6: Exposure classes and geographical distribution				
<u>Asset Class</u>	Cyprus	Greece	UK	Total
	€000	€000	€000	€000
Institutions	332	42	0	374
Corporates	291	-	-	291
Other Items	13	-	-	13
Total	636	42	0	678

Table 7 below presents the breakdown of the Company's exposures after credit risk mitigation into industry sectors, analyzed by asset class:

Table 7: Breakdown of exposures to industry sectors			
<u>Asset Class</u>	Financial/ Banking Services	Other	Total
	€000	€000	€000
Institutions	374	-	374
Corporates	150	141	291
Other Items	-	13	13
Total	524	154	678

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Company recorded no provisions and impairments for its exposures as at 31/12/2013.

4.2. Operational Risk

General

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. The directors are responsible for managing operational risk and have identified the following risks which are considered significant to the Company.

Technology

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure.

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

Regulation

The Company is regulated by the Cyprus Securities and Exchange Commission. The regulatory environment is regularly changing and imposes significant demands on the resources of the Company. As the Company's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The Company receives revenue from markets not regulated by the Cyprus Securities and Exchange Commission.

Capital Requirements

The Company applies the Basic Indicator Approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk. The minimum capital requirements under this approach, amounts to 24 thousand Euros.

4.3. Market Risk

General

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

Foreign Exchange risk

Foreign exchange risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company keeps mainly its accounts in Euro therefore no foreign exchange rate risk exists.

Interest rate risk

Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Company. The Company considers interest rate risk to be significantly low.

Capital Requirements

As the Company has no trading book, it calculates its capital requirements on foreign exchange risk only. However, as at 31/12/2013, the Company's open position in foreign currencies is low and as a result, the Company does not hold any capital for foreign exchange risk.

4.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The company holds in separate accounts the funds of its clients. Therefore the company considers liquidity risk to be significantly low.

5. REMUNERATION DISCLOSURES

In accordance with paragraph 15 of Part 2 of Annex XII of Part C of the Directive DI144-2007-05 of 2012 of the CySEC, the Company should disclose information about its remuneration policy and practices followed for those categories of staff whose professional activities have a material impact on its risk profile.

Due to its size and the principle of proportionality, which takes into account the scale, nature and complexity of activities of the Company, the Company considers all its employees as persons with material risk impact on the Company.

The Company's remuneration policy is set by the Board of Directors. The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, individual performance and the remuneration offered by other companies that are similar in size and range of activities.

The remuneration structure offered by the Company to management and staff comprises solely of a fixed salary cash component. The Company's remuneration policy does not include any variable pay component (cash or non-cash).

The Company's annual remuneration to management and staff as at 31 December 2013 is shown in the Table below:

	As at 31 st December 2013			
	No. of staff	Annual Remuneration €000		
		Fixed	Variable	Non cash
Senior Management and Executive Directors	4	129	-	-
Other staff	2	25	-	-
Total	6	154	-	-

The category "Senior Management and Executive Directors" includes Executive Directors and heads of departments.

Other staff includes the remaining persons employed by the Firm during 2013.

6. OPERATING ENVIRONMENT OF THE COMPANY

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

Cyprus and the Eurogroup (together with the International Monetary Fund) reached an agreement on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing and to restore the viability of the financial sector, with the view of restoring sustainable economic growth and sound public finances over the coming years. The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100.000 in accordance with EU legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatization. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank and the International Monetary Fund, to finalize the Memorandum of Understanding within April 2013, which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approvals.

On 22 March 2013 the House of Representatives voted legislation relating to capital controls affecting transactions executed through banking institutions operating in Cyprus. The extent and duration of the capital controls is decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and were enforced on 28 March 2013. However, the Central Bank of Cyprus begun withdrawing some of restrictive measures during 2014. The Cyprus Government promised that up to the end of 2014, most of the restrictive measures will have been withdrawn. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations.

The uncertain economic conditions in Cyprus, the unavailability of financing, the loss and/or blockage of funds, together with the current instability of the banking system and the anticipated overall future economic recession, could affect:

- (1) the ability of the Company to generate income from clients and
- (2) the ability of the Company's trade and other debtors to repay the amounts due to the Company.

The Company's management has assessed:

- (1) whether any impairment allowances are deemed necessary for the Company's financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using "incurred loss" model required by International Accounting Standard 39. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.
- (2) the ability of the Company to continue as a going concern.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.