



Prochoice
Chrimatistiriaki Ltd

Prochoice Chrimatistiriaki Ltd

Disclosures in accordance with Part Eight of Regulation (EU) No 575/2013 of the
European Parliament

YEAR ENDED 31 DECEMBER 2015

May 2016

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1. General Information and Scope of Application

Requirements of the Regulation (EU) No 575/2013

The information below is disclosed in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “Regulation”) and paragraph 32(1) of DI144-2014-14 (the “Directive”) of the Cyprus Securities and Exchange Commission (the “CySEC”) for the prudential supervision of investment firms. In accordance with the abovementioned Regulation and Directive, Prochoice Chrimatistiriaki Ltd (“the Company”) has an obligation to publish information in relation to risks and risk management on an annual basis at a minimum.

The information that the Company discloses herein relates to the year ended 31 December 2015.

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 with Number 100/09 in July 2009 from the CySEC to operate as a Cyprus Investment Firm.

Also, the company is a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

Currently, the Company has a license to offer the following ancillary services based on the applicable laws and regulations of the period under review:

Ancillary Services
Safekeeping and administration of financial instruments, including custodianship and related services
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.

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. Governance – Board and Committees

2.1 The Board

The Board of Directors, which consists of both executive and non-executive independent members, has overall responsibility for the establishment and oversight of the Company's risk management and governance framework. The following are part of the responsibilities of the Board of Directors in relation to risk management:

- 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

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed.

The Board is satisfied that financial controls and systems of risk management are robust. The Board comprises of 2 executive directors and 4 independent non-executive directors.

2.2 Board - Recruitment and Diversity Policy

It is the Board's responsibility to identify, evaluate and select candidates for the Board of the Company and thus a predetermined procedure is followed for such a selection.

Specifically, the members need to have integrity and 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. Part of the duties of the Board of Directors is to find and evaluate, based on the above mentioned criteria, possible candidates who would be able to respond to the demands of the Board of Directors of the Company.

The Company recognizes the benefits of having a diverse Board of Directors 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 of Directors.

2.3 Investment/Risk Committee

The company has an Investment/Risk committee (IRC) which is comprised of the CEO of the company and 2 non-executive directors and reports to the Board. The role of the IRC includes the oversight and challenge of the Company's risk appetite and the recommendation to the Board of any changes to risk appetite, the assessment of any future risks, the review and challenge, where appropriate, of the outputs from the Asset and Liability Management Committee (ALCO) and Risk Management Committee (RMC) and to oversee that a supportive risk culture is appropriately embedded in the business. During the year 2015 the Investment/ Risk management committee has met four times.

2.4 Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities, including Prochoice Chrimatistiriaki Ltd. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. For the purposes of the below, executive or non-executive directorships held within the same group count as single directorship.

Name of Director	Position within Prochoice	Number of Directorships
Antonis Antoniou	Executive	1
Andreas Leonidou	Executive	1
Stelios Koiliaris	Non-Executive	1
Stavros Stavrou	Non-Executive	3
Stefanos Hailis	Non-Executive	2
Sergios Sergiou	Non-Executive	1

2.5 Structure and Organization of the Risk Management Framework

The Company's risk management policies 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 regularly to reflect changes in market conditions and the Company's activities.

Under authority delegated by the board, the Executive Directors develop and implement risk management systems, policies and procedures.

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 Function
- Compliance and Anti-money Laundering Function
- Accounting and Finance
- Internal Audit

Board of Directors

As described in paragraph 2.1 above the Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

Investment Committee

The Company has established an Investment Committee which is consisted of three members, the main responsibility of which is to set the investment policy of the Company according to the market environment at the time and formulates the framework in which the asset management and client investment advisory functions of the Company should operate.

Risk Management Function

The Risk Management function adapts and maintains specific policies and risk management procedures that enable the identification of the Company's risks. The risk management function is independent from any other units with administrative power and reports to the Board of Directors and the Investment Committee. It is responsible for providing advice to the Board with regards to the risk management policy of the Company and to ensure that any rewards are weighted by their associated risks. The risk management function also advises various Company business units on risk-return profiles associated with their operations and asset classes they are dealing with. It monitors the implementation of the Company agreed policy as defined by the Board of Directors 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 Risk Management function is responsible to assess and report to the Board and the Investment Committee all data, events, actions and new expansion or entry to new investments that can expose the Company to any type of risk, which will have an impact to the Company's operating functions. The Risk Management function 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 has a compliance officer who is responsible for identifying, assessing, advising, monitoring and reporting on the investment firm's compliance risk. Company compliance supports business in complying with current and emerging regulatory developments, including money laundering and terrorist financing control, identifying and managing market abuse and mitigating reputation risk. The compliance framework of the Company is based on the principles of effective compliance risk management as required by the law and different directives issue by supervisory authorities in Cyprus as well as different directives issue by European bodies.

The Company, following the Law on Prevention and Suspension of Money Laundering and Terrorist Financing (N188 (I)/2007) and the Directive DI144-2007-08 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 department is responsible for the management accounts which are feeding into the Capital Adequacy requirements monitoring and the preparation and timely submission of the relevant reports to the CySEC. Furthermore, the Accounting Department is responsible for monitoring the Company's exposure to credit and market risks. It is also responsible for the safekeeping of clients' funds.

Internal Audit

The Internal Audit function is outsourced and is administratively independent from any other units of the Company and reports directly to the Board of Directors and the Audit Committee. 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. Information flow on risk to the management body

Communication of information at all relevant levels of the Company is defined by its organizational structure, which clearly specifies the reporting lines and allocates functions and responsibilities.

The Accounting Department, the Operations Department, and the Internal Audit, Risk Management and Legal and Compliance functions work in concert taking into account 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 this 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.

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.

Risk information flows up to the Board of Directors directly through the functions of Risk Management, Internal Audit and Compliance, through the Audit Committee and the Investment Committee.

4. Board Declaration – Adequacy of risk management arrangements

The Board of the Company is responsible for reviewing the effectiveness of the Company's Risk Management arrangements and systems of financial and internal control. 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 considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

5. Board Risk Statement

The Company's risk statement is provided in Appendix I. This is approved by the Board and describes the Company's overall risk profile associated with the business strategy.

6. Capital Management

The adequacy of the Company's capital is monitored by reference to the provisions of the Capital Requirements Regulation (the "Regulation" or "Regulation (EU) 575/2012") and the Capital Requirements Directive as this is transposed by the CySEC (the "Directive" or "DI 144-2014-14"). Together the Regulation and Directive, referred to as CRDIV package, is an EU legislative package covering prudential rules for banks and investment firms and through a transitional period starting from 2014, will bring into force the regulatory provisions of Basel III.

The Basel III consists of three pillars:

- (I) Minimum capital requirements
- (II) Supervisory review process
- (III) Market discipline

Pillar I – Minimum Capital Requirements

The Company adopted the Standardised approach for Credit and Market risk and the Fixed Overhead approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong.

The Standardised measurement method for the capital requirement for market risk adds together the long and short market risk positions according to predefined models to determine the capital requirement.

For operational risk, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds.

According to the CySEC Directive DI144-2014-14, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will

be responsible to submit its external auditors' verification report to CySEC within five months of each financial year.

The Company has included its risk management disclosures on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors and sent to CySEC.

Capital adequacy ratio

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

During 2015 the Company had fully complied with all externally imposed capital requirements as shown in the table below:

Table 1: Capital Adequacy Ratio	31 December 2015
	€000
Eligible Own Funds	
Common Equity Tier 1 Capital	
Share capital	852
Retained Earnings	(652)
Audited income (negative) from current year	(55)
Intangible assets	(2)
Total Common Equity Tier 1 Capital	143
Capital Requirements	
Credit risk	17
Market Risk	-
Additional Capital Requirements due to Fixed Overheads	82
Total Capital Requirements	82
Capital Adequacy Ratio	13,92%

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

Intangible assets and computer software are deducted from the Company's Common Equity Tier 1 Capital.

Share Capital

The Company's issued share capital as at 31 December 2015 amounted to €852 thousands, divided into 852.000 ordinary shares of €1 each.

Large exposures

The Company's exposures to shareholders and connected parties, as at the reference date, exceeded the maximum permitted large exposure limits of CySEC's Directive 144-2014-14. The Company took immediate actions to rectify the issue within the first quarter of 2016.

7. 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 statement of financial position 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. The Company deposits its funds in reputable financial institutions in order to minimize its credit risk. The Company's policy is not to invest on own account in the stock market. Its assets are kept in the banks as well as assets used on hardware and software in order to execute the day to day work.

The Company has credit risk exposure from clients since it provides credits to some of them. It is noted however, that the Company did not provide new loans to clients during 2015.

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. 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.

During 2015, the amount given as credit to customers is covered by shares own by customers and the shares that the customers are trading through the Company. The Company used eligible shares (e.g. shares listed in recognised exchange or included in a main index) received by its clients to reduce its credit risk exposures to those clients. The Company applies the Comprehensive Approach for Credit Risk Mitigation (hereinafter "CRM") purposes.

Capital Requirements

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

Table 2 below presents the allocation of credit risk in accordance with the Standardized Approach exposure classes:

Table 2: Exposure classes and minimum capital requirements				
Asset Classes	Average exposure value	Exposure value before and after CRM	Risk Weighted Assets	Minimum Capital Requirements
	€000	€000	€000	€000
Institutions	335	266	93	7
Corporates	105	102	55	4
Public Sector	44	43	44	3
Other Items	28	23	25	3
Total	512	434	217	17

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights

The Company uses external credit ratings from Fitch. These ratings are used for all relevant exposure classes.

In the cases where the three credit ratings differ, the Company takes the two credit assessments generating the two lowest risk weights and then it uses the credit assessment that corresponds to the higher risk weight.

Exposures to rated institutions are risk weighted based on the credit assessment of the institution itself and the residual maturity of the exposure as per Article 120 of CRR. Exposures to unrated institutions are assigned a risk weight according to the Credit Quality Step (hereinafter "CQS) to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favorable risk weights of 20% if specific conditions are met.

Exposures to corporate clients were risk weighted by 100% risk factor since they were all unrated and were incorporated in countries with no credit rating or with credit assessment up to CQS 5.

The Other Items category includes cash in hand, fixed assets and other receivables for which the Company is unable to determine the counterparty. A risk weight of 100% was applied to Other Items, with the exception of cash at hand, for which a 0% risk weight factor was assigned.

The Public sector entity includes the Company's exposure to Investors' Compensation Fund as per paragraph 13(3) of Directive DI144-2014-15 on the national discretions of the CySEC.

The Company has used the credit step mapping table below to map the credit assessment to credit quality steps:

CQS	Fitch
1	AAA to AA-
2	A+ to A-
3	BBB+ to BBB-
4	BB+ to BB-
5	B+ to B-
6	CCC+ and below

Table 3 below presents the exposures of the Company before and after CRM by CQS:

Table 3: Exposures before and after CRM by CQS		
CQS	Exposure amount before CRM €000	Exposure amount after CRM €000
1	2	2
2	-	-
3	-	-
4	-	-
5	283	283
6	24	24
Unrated/Not Applicable	125	84
Total	434	393

Table 4 presents the breakdown of exposure classes per residual maturity:

Table 4: Exposure classes and residual maturity			
Asset Classes	Current account/ Less than 3 months €000	More than 3 months or no maturity €000	Total €000
Institutions	216	50	266
Corporates	-	102	102
Public Sector Entities	-	43	43
Other Items	5	18	23
Total	221	213	434

Table 5 presents the exposures of the company after CRM by geographic area:

Table 5: Exposure classes and geographical distribution				
Asset Classes	Cyprus €000	Greece €000	UK €000	Total €000
Institutions	81	183	2	266
Corporates	102	-	-	102
Public Sector Entities	43	-	-	43
Other Items	23	-	-	23
Total	249	183	2	434

Table 6 below presents the breakdown of the Company's exposures after CRM into industry sectors, analysed by asset class:

Table 6: Breakdown of exposures to industry sectors			
Asset Class	Financial/ Banking Services €000	Other €000	Total €000
Institutions	266	0	266
Corporates	102	0	102
Public Sector Entity	43	0	43
Other Items	7	16	23
Total	418	16	434

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).

8. 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. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

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 Fixed Overhead approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk since it falls under Article 95(1) of the Regulation. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

- a. the sum of the risk weighted assets calculated for credit and market risks; and
- b. 12,5 multiplied by the one quarter of the fixed overheads of the preceding year.

The following table shows the calculation of the Risk Weighted Assets for Operational Risk based on the Fixed Overheads methodology:

Type of risk	Risk weighted Assets €000
Credit risk	215
Market risk	-
Fixed Overheads	1.027
Total	1.027

The additional Risk Weighted Assets calculated under the Fixed Overheads Approach, amounts to 812 thousands.

9. Market Risk

General

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income or the value of its holdings of financial instruments.

Management of market risk

The Company's products can be divided into two: those which relate to a liquid financial market in which it is normally easy for the Company to hedge and those for which there is not an easily accessible and cost-effective hedging mechanism.

The Company does not take proprietary positions based on an expectation of market movements.

During 2015 due to the fact that the company cannot perform the investment activity of dealing for own account, it had no investments in bonds or shares in any stock market.

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 31/12/2015, the Company's open position in foreign currencies is zero and as a result, the Company does not hold any capital for foreign exchange risk.

10. 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.

Management of liquidity risk

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

11. Remuneration Disclosures

In accordance with the Regulation, 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 mainly of a fixed salary cash component. The Company's remuneration policy includes variable pay component (cash based) in the form of bonuses.

The Company's annual remuneration to management and staff as at 31 December 2015 is shown in the Table below:

	As at 31 st December 2015			
	Number of beneficiaries	Annual Remuneration €000		
		Fixed	Variable Cash based	Variable Non cash
Senior Management and Executive Directors	2	79	0	0
Other staff	4	76	0	0
Total	6	155	0	0

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 2015.

Business Area	As at 31 st December 2015
	Aggregate Remuneration €000
Administrative and Operational Services	43
Finance and accounting	15
Trading	58
Control functions	39
Total	155

Appendices

Appendix I - Board Approved Risk Statement

The principal activity of the Company is the provision of financial services within the meaning and terms of the Investment Services and Activities and Regulated Markets Law of 2007 (the “Law”), as amended. As a result of these activities the Company faces a variety of risks. Therefore, the Company’s Risk Management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company’s activities. 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.

The Risk Management function ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks.

The Company’s Risk Profile is managed as follows:

a) Credit Risk Management – Compliance with CRR

Capital adequacy is closely monitored by the Accounting Supervisor with quarterly reporting provided to the Board and to the CySEC. The purpose of capital is to provide sufficient resources to absorb the losses that the Company does not expect to make in the normal course of business (unexpected losses).

According to section 67 (2) of the Law, CIF own funds must in no case fall below the level of initial capital as provided in section 10 of the Law. The own funds of the Company have not decreased during 2015 below the limits provided for in section 67 of the Law.

The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

The Pillar 1 minimum capital requirement is calculated by exposure using a Minimum Capital Adequacy Ratio of 8% as defined by the relevant CySEC Directive.

b) Operational Risk management - Application of the Basic Indicator Approach

The Company manages operational risk through a control-based environment in which processes are documented and systems are reviewed and upgraded. This is enhanced by continuous monitoring. The Company’s Policy Manual outlines roles and responsibilities of each department and the procedures the Company has in place to mitigate operational risk arising from the investment and ancillary services it offers to clients, clients’ assets and systems.

The Company’s Business Continuity Plan is designed to prevent, manage and resolve crisis situations. It aims at minimization of the risk of forcing the Company to suspend its operations, minimization of possible effect of temporary suspension of the Company’s activities and letting the Company recover its normal course of business, which may slow down in a crisis situation.

c) Market Risk

Market Risk is defined as the risk of financial loss as a result of changes in interest rates, exchange rates, stock prices and commodity prices. The Standardized Approach is used to calculate the Company’s market risk capital requirements.

Currency Risk: Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's management monitors the exchange rate fluctuations on a continuous basis in order to act accordingly.

As at the year end, the Company's capital requirements for currency risk were nil as it had no positions denominated in currencies other than the EUR which is the reporting currency.

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 management monitors interest rate fluctuations on a regular basis in order to act accordingly. The Company's current income and operating cash flows are independent of fluctuations of the market interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to closely monitor liquidity on a continuous basis in order to ensure, as far as possible, that it will always have sufficient cash and other liquid assets to meet its liabilities when due.

Strategy 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 managed by the performance of a risk analysis of the Company's future strategic actions, such as the development of a new product or service and the expansion to a new market.

Reputation Risk

Reputational risk is the risk arising from an adverse perception of the image of the Company that whether true or false, could harm the Company and lead to decreased clientele, reduction of income and/ or legal actions against the Company. The Company has transparent policies and procedures in place in order to provide the best possible service to its clients and mitigate such risks.

Compliance Risk

The Company's current income and operating cash flows are independent of fluctuations of the market interest rates. Other than cash at bank, which may attract interest at normal commercial rates, the Company has no other interest bearing financial assets or liabilities.

Regulatory risk is the risk the Company faces by not complying with relevant laws and directives issued by its supervisory body. This risk is mitigated by the continuous monitoring of applicable laws and regulations exercised by the Company's Compliance Officer.

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

Appendix II - Balance sheet reconciliation

Balance Sheet Description, as per published financial statements	Amounts
	€000
Share Capital	852
Reserves	(707)
Total Equity as per audited accounts	145
Intangible Assets	(2)
Total Regulatory Own Funds (Refer to Table 1 above)	143

Appendix III - Own funds disclosure template under the Transitional and fully phased in definition

At 31 December 2015	Transitional Definition	Full - phased in Definition
	€000	€000
Common Equity Tier 1 capital: instruments and reserves Capital instruments and the related share premium accounts	852	852
Retained earnings	-	-
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	652	652
Common Equity Tier 1 (CET1) capital before regulatory adjustments	200	200
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-
Intangible assets (net of related tax liability)	2	2
Losses for the current financial year	55	55
Regulatory adjustments relating to unrealised gains and losses	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	57	57
Common Equity Tier 1 (CET1) capital	143	143
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	143	143
Tier 2 (T2) capital before regulatory adjustments	-	-
Tier 2 (T2) capital: regulatory adjustments	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	143	143
Total risk weighted assets	1.027	1.027
Capital ratios and buffers		
Common Equity Tier 1	13,92%	13,92%
Tier 1	13,92%	13,92%
Total capital	13,92%	13,92%

Definitions:

The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.