

FINANCIAL SERVICES LIMITED



## M.G.T.M. Financial Services Ltd

*Regulated by the Cyprus Securities and Exchange Commission License no. 270/15*

# Disclosure and Market Discipline Report

Made in accordance with the Cyprus Securities and Exchange Commission Directives 2013/36/EU, DI144-2014-14, DI144-2014-15 and Regulation 575/2013  
As at 31 December 2017

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**Disclaimer:**

The Pillar 3 disclosures report has been prepared purely to comply with the Capital Requirements Directive, in seeking to explain the basis on which the Company has prepared and disclosed certain capital requirements and to provide information about the management of certain risks. They do not constitute any form of Financial Statement and must not be relied upon in making any judgment on the Company.

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## **A.Introduction**

### **A1. Pillar III Regulatory Framework and Scope of Application**

Pillar III disclosure is a requirement of the European Union's Capital Requirements Regulation 575/2013 and Directive 2013/36/EU, as implemented by CySEC Directives 144-2014-14 and 144-2014-15 (where applicable). Pillar III aims to encourage market discipline by developing a set of disclosure information, which gives access to market participants, regarding to the Company's capital adequacy and to each material category of risk it faces. Additionally, it aims to provide information regarding the risk assessment and the risk mitigation process which was followed by the Company during 2017.

According to Basel III regulations, there are three pillars, which are designed to promote market discipline through the disclosure of important financial information regarding the risk exposures of the Company and of the risk management process followed.

The current regulatory framework consists of three pillars:

**Pillar I:** Sets out the minimum capital requirements for the Company to be able to cover the credit risk, market risk and operation risk.

**Pillar II:** Sets out the supervisory review which requires the regulators to undertake a qualitative review of the Company's capital allocation techniques (ICAAP) and compliance with the relevant standards.

**Pillar III:** Sets out the required disclosures to allow market participant to gain access and better understand the risk profile of the Company, to assess/review important information of the capital structure, risk exposures, the risk management process followed and most important the capital adequacy of the Company.

The Board of Directors and Senior Management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including Pillar 3 disclosures.

#### **Definitions:**

- M.G.T.M Financial Services Ltd : the "Company",
- Cyprus Securities and Exchange Commission: "CySEC"
- Directive DI144-2007-05, DI144-2014-14 and DI144-2014-15 of the Cyprus Securities and Exchange Commission and Regulation 270/15 and Directive 2013/36/EU of European Commission for the Prudential Supervision and Capital Requirements of Investment Firms: the "Directives".
- Frequency: The Company will be making these disclosures annually.
- Media and Location: The disclosure will be published on our website: <http://www.mgtmfs.com>
- Scope of report: The disclosures are in accordance to the audited financial statements of the Company for the year ended 31 December 2017. The information contained in the Pillar III Market Discipline and Disclosure report is verified by the Firm's external auditors.

## **A2. Business Background**

The Company was incorporated in Cyprus on 23.04.2014 as a limited liability company under the Cyprus Companies Law, Cap. 113. M.G.T.M Financial Services Ltd is a licensed Cyprus Investment Firm regulated by the Cyprus Securities & Exchange Commission (CySEC) with license number 270/15.

### **A2.1 Group Structure:**

The Company is under the common control of Metropol Group that operates in such sectors as stock brokering, asset management, consulting, commercial banking, non-financial investing, mining, setting up industrial holdings, real estate and running a network of tour agencies.

### **A2.2 Services offered by the Company:**

M.G.T.M Financial Services Ltd obtained an Investment Firm authorization from the Cyprus Securities and Exchange Commission (CySec) to offer:

#### **Investment Services:**

1. Reception and transmission of orders in relation to one or more financial instruments,
2. Execution of Orders on Behalf of Clients,
3. Dealing on Own Account and
4. Investment Advice

#### **Ancillary Services:**

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management
2. Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected to the provision of investment services.
5. Services Related to Underwriting

## B. Risk Management & Corporate Governance of the Company

### B1. Risk Management

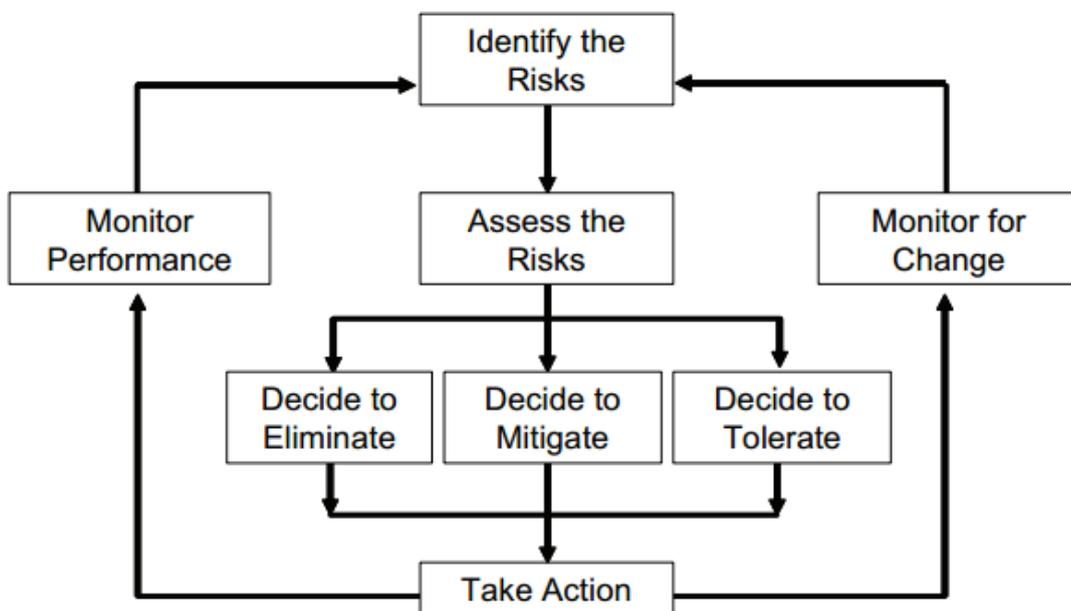
Risk Management is "the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating".

It is an iterative process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact.

#### B1.1.1 Risk Management Approach

Risk exists in every aspect of the Company's business throughout its operating environment, and is a core consideration within the Strategic Plan. The Company's approach to risk management is based on the principle that risk management capability must be embedded within the businesses' front line teams to be effective. This overriding principle embodies the following concepts:

- Management, Senior Management and Risk Management Committee use the Risk Management Framework (hereafter "RMF"), which assists in the appropriate balancing of both the risk and reward components; and
- Employees are responsible for risk management in their day to day activities.



### Risk Management Principles and Governance

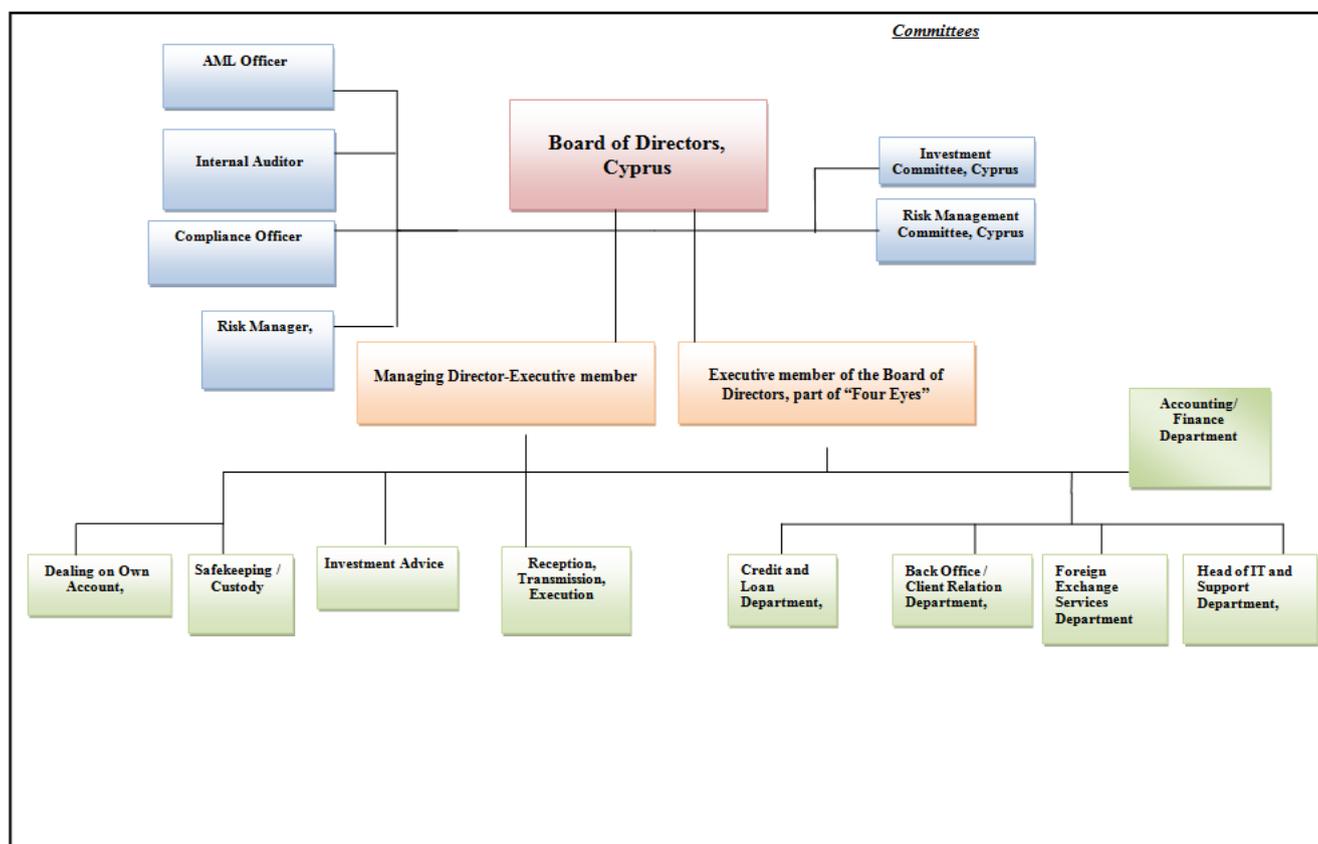
The Company's business model requires the identification, assessment, measurement, aggregation and management of the risks, and the allocation of capital among the business. Risk and capital are managed via a framework of principles and measurement and monitoring processes that are closely aligned with the activities of the Company:

- Core risk management responsibilities are embedded in the Board of Directors and delegated to senior management responsible for execution and oversight. The Board regularly monitors the risk and capital profile.
- The Company operates a Three Lines of Defence (“3LoD”) risk management model. The 1st Line of Defence (“1st LoD”) are all the business divisions and services who have responsibility for day to day risk management. The 2nd Line of Defence (“2nd LoD”) are all the independent risk and control functions, who oversee, support, monitor and report risks. The 3rd Line of Defence (“3rd LoD”) is Internal Audit, which assures the effectiveness of the risk governance framework. All 3LoD are independent of one another and accountable for maintaining structures that ensure adherence to the design principles at all levels.
- Risk strategy is approved by the Board of Directors on an annual basis and is defined based on the Risk Appetite and Strategic and Business Plan in order to align risk, capital and performance targets.

All material risk types are managed via risk management processes, including: credit risk, market risk, operational risk, liquidity risk, business risk, reputational risk and compliance risk. Measurement approaches for quantifying risk and capital demand are implemented across the material risk types. Non-standard risks (reputational risk, model risk, compliance risk) are implicitly covered in the risk management framework, primarily within operational and strategic risk. Systems, processes and policies are critical components of the risk management capability.

## B2. Corporate Governance

### Diagram of Organizational Structure



## **Board of Directors:**

The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies, set the strategy of the Company. The Board is responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management and Internal Audit) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body. In addition, the Risk Management and Investment Committees are communicating their suggestions and findings to the Board, as and if necessary.

**1. Risk Management Function:** The Risk Manager ensures that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager shall report to the Senior Management of the Company.

The Company's operations are regulated by CySEC with supervision focusing on licensing, capital adequacy, risk concentration, conduct of business as well as organizational and reporting requirements.

Several layers of management provide cohesive risk governance:

- The Board of Directors is informed regularly and – as necessary – on special developments in the Company's risk situation, risk management and risk controlling, as well as on reputation and material litigation cases.
- At the meetings of the BOD, the Risk Manager reports on credit, market, liquidity, business, compliance, operational as well as litigation and reputational risks. The Risk Manager deliberates with the Senior Management on issues of the aggregate risk disposition and the risk strategy and supports the Board of Directors in monitoring the implementation of this strategy.
- The Board of Directors is responsible for managing the Company in accordance with the law and the Articles of Association with the objective of creating sustainable value in the interest of the company, thus taking into consideration the interests of the shareholders, employees and other stakeholders. It is responsible for establishing a proper business organization, encompassing an appropriate and effective risk management.

The Risk Manager has responsibilities for the management of all credit, market and operational risks as well as for the comprehensive control of risk, such as liquidity risk, and continuing development of methods for risk measurement. In addition, the Risk Manager is responsible for monitoring, analysing and reporting risk on a comprehensive basis, including asset and liability gap, capital, liquidity, legal, compliance and regulatory risks, as well as other non-financial risks.

**2. Compliance Function:** The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer is to establish, implement and maintain adequate policies and procedures designed to detect any risk of

failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

**3. Internal Audit Function:** The Internal Auditors review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

#### **4. Anti-Money Laundering Compliance Officer**

Anti-Money Laundering Officer reports directly to the Board of Directors and is responsible for:

- Ensuring implementation of the procedures described in the Company's AML Procedures Manual
- Ensuring that Company employees attend training sessions on anti-money laundering and terrorist financing procedures
- Ensuring that all clients' accounts must be opened only after the relevant pre-account opening due diligence and identification measures and procedures have been conducted, according to the principles and procedures set in the AML Manual
- Compliance with high standards of anti-money laundering (AML) practice in all markets and jurisdictions in which the Company operates
- Ensuring the implementation of the "know your client" procedures of the Company
- Gathering information with regards to the new customers of the Company • Analyzing the customers' transactions
- Continuous improvement of the existing control procedures
- Providing a written annual report to the Board of Directors on the matters of own responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

The corporate governance of the Company regarding risk management is considered adequate through the establishment of an effective risk oversight structure. The internal organisational controls are in place to safeguard that the Company accelerate the ability to identify, assess and mitigate the relevant risks. Also the aim of the Company and in general the risk management function is to quickly recognize potential adverse events, be more proactive and forward looking and establish the appropriate risk responses were deemed necessary and at all times to comply with the relevant legislation.

## C. Regulatory Pillar 1 Risk Management

### C1. Credit Risk

#### *Definition and Risk Identification:*

Credit Risk arises when counterparties fail to discharge their obligations towards the Company, thus reducing the amount of future cash inflows from the financial assets at hand on the Company's balance sheet.

These transactions are typically part of traditional non-trading activities or direct trading activity with clients.

Based on the annual risk identification and materiality assessment, credit risk contains three material categories, namely default risk, industry risk and country risk.

- Default risk, the most significant element of credit risk, is the risk that counterparties fail to meet contractual obligations in relation to the claims described above;
- Industry risk is the risk of adverse developments in the operating environment for a specific industry segment leading to the deterioration of the financial profile of counterparties operating in that segment and resulting in increased credit risk across this portfolio of counterparties;
- Country risk is the risk that the Company may experience unexpected default or settlement risk and subsequent losses, in a given country, due to a range of macro-economic or social events primarily affecting counterparties in that jurisdiction including: a material deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets, government repudiation of indebtedness, or disruptive currency depreciation or devaluation.

#### *Risk Mitigation Policies:*

- Measure and consolidate all credit exposures to each obligor, in line with regulatory requirements.
- Manage credit exposures on the basis of the "one obligor principle", under which all facilities to a group of borrowers which are linked to each other (i.e., by one entity holding a majority of the voting rights or capital of another) are consolidated under one group.
- Regularly monitor the credit rating of all obligors.

#### *Credit Risk Analysis*

The Company implements the Standardised Approach to quantify the Credit Requirements, which correspond to the credit risks that it faces.

The below tables summarize the credit exposure of the Company by asset class, by country and by residual maturity as at 31 December 2017:

*Table 1: Credit Risk Capital Requirements by Asset Class*

<b>Asset Class</b>	<b>Exposure amount (\$ amount in thousands)</b>
Corporate (100%)	5
Institutions (20%-100%)	2,819
Other Assets (0-100%)	24
<b>Total Risk weighted assets (RWA)</b>	<b>2,848</b>

Table 2: Credit Risk Capital Requirements by Country

Country	Exposure amount (\$ amount in thousands)
Cyprus	243
Russian Federation	2,780
<b>Total</b>	<b>3,023</b>

## C2. Market risk

### *Definition and Risk Identification:*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### a) **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in a foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the company's measurement currency. The main sources of foreign exchange risk for the company are certain institution balances in foreign currencies.

#### b) **Interest rate risk**

Interest rate risk is the risk that the value of financial assets or liabilities may fluctuate as a result of changes in the market interest rate environment which might include changes in the overall level of interest rates, the volatility of interest rates and the interest rate spreads. This particular risk is considered low due to the operational model of the Company. Other than cash at bank, which attracts interest at normal commercial rates, the Company has no other significant interest bearing financial assets or liabilities.

### *Risk Mitigation Policies:*

- The management and the accounting department of the Company monitor the exchange rate fluctuations on a continuous basis in order to limit the effect of this particular risk.
- Low market risk appetite
- Independent calculation of the results of market activities by the risk function

### *Market Risk Analysis*

The Company adopted the Standardized approach for Market risk. The standardized measurement method for the capital requirement for position risk in equities adds together the long and short positions of equities according to predefined models to determine the capital requirement.

Table 3: Position Risk on Foreign Exchange

Currency	Exposure amount (\$ amount in thousands)	Short/Long
Euro (EUR)	211	Long
US Dollar (USD)	752	-
Russian Ruble	112	Long
<b>Total Risk weighted assets (RWA)</b>	<b>323</b>	<b>Long</b>

### C3. Operational risk

#### *Definition and Risk Identification:*

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide range of issues.

Management realizes that it is much more difficult to identify, quantify and manage operational risk than credit or market risk. Data on operational risk is not exhaustive.

Some specific risks of Operational nature include:

- Business Continuity/Systems failure Risk - utility disruptions, software failures, hardware failures,
- Control Failure Risk - data entry errors, accounting errors, failed mandatory reporting, negligent loss of Client assets, product defects,
- Internal or external Fraud Risk - misappropriation of assets, account churning, tax evasion, intentional mismarking of positions, bribery, theft of information, hacking damage, third-party theft and forgery fiduciary breaches.
- Insurance Risk,
- Terrorism Risk,
- Policy Violation Risk,
- Third Party dependency Risk (e.g. internet provider),
- Outsourcing Risk,
- Information and Technology Risk,
- Physical Security Risk,
- Personnel issues/loss of key employees Risk,
- Loss of data Risk,
- Systems failure Risk
- External events (e.g. power-cut),

#### *Risk Management & Mitigation Policies:*

In 2016, the Company further enhanced its capabilities in Operational Risk Management, in conjunction with the Three Lines of Defence (“3LoD”) Program. This included the increased clarification of the roles and responsibilities of the first and second line in managing operational risk, strengthening governance and delivery of improved tools to support risk identification and assessment.

The Company takes decisions to manage operational risks, both strategically as well as in day-to-day business. Two principles form the foundation of operational risk management:

Operational Risk Principle I: Risk Owners have full accountability for their operational risks and have to manage against a defined risk specific appetite.

Risk owners are accountable for managing all operational risks in their business/processes with an end-to-end process view, within defined operational risk specific appetite and for identifying, establishing and maintaining first level controls.

Operational Risk Principle II: The Board of Directors establishes the risk management framework and defines the Risk Appetite.

The Company manages operational risk using the Risk Management framework which enables the determination of the operational risk profile in comparison to the risk tolerance, to systematically identify operational risk themes and concentrations, and to define risk mitigating measures and priorities.

The company manages their operational risk through:

- Operational Losses. Measuring and tracking operational losses and incidents across the organization to identifying root causes, mitigating risks, and ensuring that losses are within acceptable levels.
- Third-Party Management. Relying on business partners and third-parties to provide marketing and technology services, seeking to minimize high-risk third-party relationships.
- IT Risk. Managing IT infrastructure to ensure system availability and capacity to meet business requirements as well as to protect against natural and manmade threats, including cyber-attacks.
- On-going Development: The implementation of new technologies creates new opportunities, but also new risks. The Company has a low appetite for IT system-related incidents which are generated by poor change management practices.

In order to cover the broad range of risk types underlying operational risk, the Company adopted a number of operational risk management techniques. These aim to efficiently manage the operational risk in the Company's business and are used to identify, assess and mitigate operational risks:

- Emerging Risk Identification: The Company's assesses and approves the impact of changes on its risk profile as a result of new products, outsourcing activities, strategic initiatives, and divestments as well as material systems and process changes. Once operational risks are identified and assessed, they are compared to the relevant risk appetite metric and either mitigated or accepted. Risks which violate applicable national or international regulations and legislation cannot be accepted; once identified, such risks must always be mitigated.
- Risk Mitigation: When the Company implements risk mitigating measures, it systematically monitors their resolution. Residual operational risks rated significant or above need to be accepted by the Senior Management/Board of Directors.
- Key Risk Indicators are used to monitor the operational risk profile and alert the organization to impending problems in a timely fashion. KRIs enable the monitoring of the Company's control culture and business environment and trigger risk mitigating actions. They facilitate the forward looking management of operational risks, based on early warning signals.
- Fraud Risk is managed based on the *Prevention and Suppression of Money Laundering and*

*Terrorist Financing Laws of 2007, 2010, 2012 and 2013* (AML Law) as well as other legal and regulatory requirements via a risk based approach. In line with regulatory requirements, a risk assessment is performed on a regular basis.

- We manage Business Continuity Risk with the Business Continuity Plan which outlines core procedures for the relocation or the recovery of operations in response to varying levels of disruption. Within this program, each of the core business functions set up, maintain and periodically test business continuity plans to promote continuous and reliable service.
- The Operational Risk in Technology is managed, following international standards for IT management.

### ***Operational Risk Analysis***

*Table 4: Operational Risk Capital Requirements*

<b>Operational Risk</b>	<b>Exposure amount (\$ amount in thousands)</b>
Year 3	-
Year 2	193
Year 1	288
<b>Capital Requirements</b>	<b>36</b>
<b>Risk weighted exposure</b>	<b>451</b>

## **D. Other risks not covered in Pillar 1**

### **D1. Compliance risk**

#### ***Definition and Risk Identification:***

Compliance risks arise from violations of, or non-conformance with, the Law, Directives and Circulars issued thereof, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company mainly to financial losses due to imposed fines from the Regulators.

#### ***Risk policy and management tools:***

The objective of the Company is to meet all legal and regulatory requirements imposed by CySEC by establishing the relevant policies and procedures based on the legislation in order to minimize the materiality of this risk. 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.

### **D2. Liquidity risk**

#### ***Definition and Risk Identification:***

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. Liquidity risks can also arise either via extreme market conditions and/or failures of designated counterparties that the Company associates with.

At 31 December 2017 the Company's main financial liabilities comprise payables to the Clients under Brokerage, Custody and Asset Management Agreements. As the legislation explicitly prohibits the use by the Investment Company of clients' funds for its own purposes - the equivalent amounts of cash were at the same time in the clients' bank and broker accounts of the Company.

#### ***Risk policy and management tools:***

The company maintains sufficient liquidity to manage known and unanticipated funding needs. Liquidity is managed in accordance with a framework of policies and controls such as:

- maintaining sufficient cash deposits and highly liquid assets
- Performing monthly reconciliations of cash balances.

No maturity table disclosing the undiscounted cash flows of the underlying liabilities has been presented as all outstanding balances are due within 12 months and consequently their carrying amounts are representative of their contractual cash flows and the impact of discounting is not significant. Additionally the Company holds in segregated accounts all the clients' funds and therefore considers that the liquidity risk is significantly low.

### **D3. Reputation risk**

#### ***Definition and Risk Identification:***

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.

#### ***Risk policy and management tools:***

The Company identifying, assessing, limiting, mitigating and monitoring key reputational risks through:

- **Customer Perspective.** The Company will enhance its customers' experience when doing business with us and address any issues in a timely and effective manner.
- **Employee Perspective.** The Company will strive to be the employer of choice in its industry and maintain a high level of employee satisfaction.
- **Shareholder Perspective.** The Company will deliver superior shareholder returns and create significant shareholder value by allocating capital to the highest risk-adjusted return opportunities.
- **General Public and Media Coverage.** The Company will closely follow coverage in the press, social media, and other public forums to monitor reputational risk levels.

While every employee has a responsibility to protect the Company's reputation, the primary responsibility for the identification, assessment, management, monitoring and, if necessary, referring or reporting, of reputational risk matters lies with Senior Management. Each employee is under an obligation, within the scope of his/her activities, to be alert to any potential causes of reputational risk and to address them according to the Framework. If a potential reputational risk is identified, it is required to be referred for further consideration from the Senior Management. In the event that a matter is deemed to carry a material reputational risk, is be referred to the Board of Directors.

## E. Capital Requirements

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.

The Company is required to report on a quarterly basis its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The Senior Management and the Accounting Department monitor the reporting obligation and put in place policies and procedures in order to meet the relevant regulatory requirement.

The Company uses the standardized approach for the quantification of credit, market and operational risks.

The total Capital Requirements as at 31 December 2017 are shown in the table below:

*Table 5: Capital Adequacy Ratio*

<b>Capital Ratio</b>	<b>31 December 2017 (\$ amount in thousands)</b>
<b>Risk Weighted Assets Exposure:</b>	
Credit Risk	2,848
Market Risk	328
Operational Risk	451
<b>Total Risk Exposure amount</b>	<b>3,627</b>
<b>Total Eligible Own Funds</b>	<b>1,077</b>
<b>Capital Adequacy Ratio</b>	<b>29,67%</b>
<b>Minimum Capital Adequacy Ratio</b>	<b>8%</b>

The Capital Adequacy ratio of the company for the year ended 31 December 2017 is **21,67%** higher than the minimum required 8% and is generally maintained at high levels as per Board of Directors policy. During the year 2017, the ratio never fell below of what is deemed minimum by CySEC.

M.G.T.M Financial Services Ltd calculates its regulatory own funds and capital adequacy ratio on an individual basis. The Company's Eligible Own Funds includes only Original Own Funds (Tier 1 Capital). Tier 1 capital is a core measure of a Company's financial strength from a regulator's point of view. It is composed of share capital, share premium and reserves (excluding revaluation reserves) including the profits and losses brought forward as a result of the application of the final profit or loss.

The table below presents the Company's capital base as at 31 December 2017:

*Table 6: Eligible own Funds*

<b>As at 31 December 2017:</b>		<b>\$</b>
Share Capital		57,289
Share Premium		950,453
Accumulated losses		194,230
<b>Total Equity</b>		<b>1,201,972</b>
<b>Other Deductions:</b>		
Investors Compensation Fund		(125,244)
<b>Total Deductions</b>		<b>(125,244)</b>
<b>Total Eligible Own Funds</b>		<b>1,076,728</b>

## F. Disclosure regarding the remuneration policy and practices of the Company

The Company's Board of Directors is responsible for the adoption, periodic review and implementation of the Company's Remuneration Policy. The Board of Directors has approved the Remuneration Policy that has been drafted by the Senior Management of the Company based on Part Eight of Regulation (EU) No 575/2013 of the European Parliament.

The Company's Remuneration Policy fulfils the Company's obligation under Part Eight of Regulation (EU) No 575/2013 of the European Parliament. Responsible body for the implementation of the Company's Remuneration Policy shall be the Board of Directors. The responsibility of the Board is to prepare the decisions regarding the Remuneration Policy, including those which have implications for the risk and risk management of the Company and to table the said decisions or proposals for final deliberation. Additionally, the Compliance Officer of the Company is advising the Board regarding remuneration matters in order to ensure that any developments in the regulation will be implemented by updating the remuneration policy of the Company accordingly to comply with the provisions of the relevant legislation.

During the year 2017, the remuneration of staff consisted of a fixed component only with no variable element. The remuneration of each individual varies and depending from position, education, experience, performance, accountability and responsibility. In addition the Company based on the profitability it may give bonuses to the key employees.

The company's information for the year is presented below:

### a) Aggregate quantitative information on remuneration, broken down by business area

*Table 11: Remuneration by Business Area*

<b>Business Area</b>	<b>No. of Beneficiaries</b>	<b>Fixed Remuneration</b> \$	<b>Variable Remuneration</b> \$
Control Functions	5	65,626	-
<b>Total</b>	<b>5</b>	<b>65,626</b>	<b>-</b>

### b) Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investing firm, indicating the following:

*Table 7: Remuneration by Position/Role*

<b>Position/Role</b>	<b>No. of Beneficiaries</b>	<b>Fixed Remuneration</b> \$	<b>Variable Remuneration</b> \$
Senior Management (Executive and Non-Executive Directors incl. the General Manager, CEO and Department Heads)	5	65,626	-
Other Staff whose actions have a material impact on the risk profile of the institution	-	-	-
<b>Total</b>	<b>5</b>	<b>65,626</b>	<b>-</b>

## G. Leverage

The leverage ratio is a newly established monitoring tool which allows competent authorities to assess the risk of excessive leverage in their respective institutions. It is a simple, non-risk-based ratio that has been introduced in the Basel III framework to constrain the build-up of excessive leverage. This new regulatory and supervisory tool has been running since 1st January 2015.

In accordance with part seven, article 429 of Regulation (EU) No 575/2013 of the European Parliament and of the Council, the leverage ratio shall be calculated as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. For the purposes of calculations, the capital measure shall be the Tier 1 Capital while the total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure.

The table below summarizes the leverage ratio of the Company as at 31 December 2017:

*Table 8: Leverage Ratio*

<b>Leverage Ratio</b>	<b>31 December 2017</b> <b>(\$ amount in thousands)</b>
Exposures Values	3,023
Tier 1 Capital	1,077
<b>Leverage ratio</b>	<b>35.63%</b>

In order to manage the risk of excessive leverage, the Company ensures that its Leverage ratio is always above the current 3% proposed regulatory limit. Furthermore, the Company monitors its leverage ratio on a quarterly basis.