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Wise Wolves Finance

"According to 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 and amending Regulation (EU) No 648/2012"

May 2018

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Regulated by CYSEC (Cyprus Securities and Exchange Commission) under License № 337/17

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1 GENERAL INFORMATION AND SCOPE OF DISCLOSURES

Requirements of the Directive

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 of the Cyprus Securities and Exchange Commission (the "CySEC") for the Prudential Supervision of Investment Firms, where the Firm has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The information that Wise Wolves Finance Ltd ("the Company") discloses herein relates to the year ended 31st December 2017.

Company Incorporation and Principal Activities

Wise Wolves Finance Ltd is an independent investment company established in 2016 in Cyprus as part of Wise Wolves Group (WWG), providing Investment services in international stock market with focus on European Union, Russia Federation and CIS countries. It is authorized and regulated as a Cyprus Investment Firm ("CIF") by the CySEC, under the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), and subject to CySEC Rules, with License Number 337/17 since 25 September 2017.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

Investment Services	Ancillary Services	Financial Instruments
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services	1. Transferable securities 2. Money-market instruments 3. Units in Collective Investment Undertakings 4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives

Investment Services	Ancillary Services	Financial Instruments
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	instruments, financial indices or financial measures which may be settled physically or in cash 5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event) 6. Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF 7. Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls 8. Derivative instruments for the transfer of credit risk 9. Financial contracts for differences 10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures, not otherwise mentioned in this Part, which have the characteristics of other financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses are subject to regular margin calls
	Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings	
	Foreign exchange services where these are connected to the provision of investment services	
	Investment research and financial analysis or other forms	

Scope of Disclosures

Since 14 December 2017, the Company is controlled by Wise Wolves Group Ltd, incorporated in Cyprus which owns 100% of the Company's shares.

2 RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

The Company's Risk Management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all risks. The Company is exposed to and has flexibility to accommodate any change in business activities.

The Risk Management department shall be responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing and preservation of confidential information. The Risk Management department is also responsible for the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.

The scope of the Risk Management department conserving risk management is to provide their services in accordance with the provisions of the Act and the Directives issued by the CySEC, as well as the internal regulations of the Company.

The Company will either employ on a full time basis or outsource the position of the Head of the Risk Management department or the General Manager will perform the duties of the Head of the Risk Management department subject to CySEC approval.

2.1 Board of Directors

The Board of Directors of the Company consists of two Executive Directors and two independent Non-Executive Directors. All the members of the Board of Directors are Cypriot residents.

The members of the Board of Directors exercise effective control on the company's affairs and the non-executive members of the Board exercise control over the business carried out by the executive members of the Board.

The main responsibilities of the Board of Directors are:

- To establish, implement and maintain decision-making procedures and an organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities;
- To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities;

- To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the CIF;
- To employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- To establish, implement and maintain effective internal reporting and communication of information at all relevant levels of the CIF;
- To maintain adequate and orderly records of its business and internal organization;
- To ensure that the performance of multiple functions by its relevant persons does not and is not likely to prevent those persons from discharging any particular function soundly, honestly, and professionally.

Furthermore, the Board is responsible for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties.

The Chairman of the Board of Directors is responsible for the proper running of the Board and should ensure that all the issues on the agenda are sufficiently supported by relevant information. The Chairman also ensures that all directors are suitably informed on issues that arise during Board meetings.

At the compliance with the abovementioned requirements, the Company takes into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.

The three lines of defense provide an objective overview to the Board of Directors.

2.2 Risk Manager

The Risk Manager reports directly to the Board of Directors and bears the responsibility for the following:

- Establish, implement and maintain adequate risk management policies and procedures, which identify the risks relating to the Company's activities and processes;

- Development of administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems;

- Development of risk management policy for clients for the following risks:
    - Market risk (Foreign exchange risk);
    - Operational Risks;
    - Liquidity risk;
    - Credit risk.

- Analyze for the Board and Senior Management the potential hazards associated with the recommended framework on which investment decisions are based, with association of other Company's function.

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In addition, the Risk Manager is responsible for:

- Credit assessment (including quality and financial analysis) of clients when opening a new client account and classification of clients according to the Company's risk criteria and limits;
- Monitoring of credit risks undertaken by the company for each client and as a whole;
- AML risk management in cooperation with AMLO;
- Building a risk aware culture within the organization and providing the relevant training;
- Maintenance of appropriate internal control systems designed to manage key risk areas.

Finally, the Risk Manager shall:

- Monitor the adequacy and effectiveness of its risk management policies and procedures;
- Monitor the level of compliance by the Company and its employees with the arrangements, processes and mechanisms adopted;
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in the risk management arrangements and procedures;
- Reporting to Senior Management, at least annually, on risk management issues indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies identified.

2.3 Risk Management Function

The Company shall always adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance. The Risk Management Department facilitates and monitors the implementation of effective risk management practices by operational management and assists risk owners in defining the target risk exposure and reporting adequate risk-related information throughout the organization.

The Risk Management Department grants credits and loans to Clients, to enable them carry out transactions in one or more financial instruments where the Company is involved in the transaction (marginal trading). The Client is granted credits and loans against securities on its accounts that are considered to be collateral for the credit and loan.

The Risk Management function shall operate independently (subject to the above) and shall be assigned the monitoring of the following:

- the adequacy and effectiveness of the Company's risk management policies and procedures;
- the level of compliance by the Company and its persons with the arrangements, processes and mechanisms adopted;
- the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons

of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

2.4 Compliance Officer / AML Compliance Officer

The Compliance Officer reports primarily to the Executive Director and directly to the Board of Directors. The Company's BoD appoints and MLCO and, where necessary, assistant compliance officers and determines their duties and responsibilities, which are recorded. The MLCO is generally responsible to ensure that the operations and activities of the Company are in compliance with the Law, the Directive, and the general legal and regulatory framework that relate to ML & TF and to review, appraise and report and monitor relevant action(s) on compliance issues as required.

Currently, no AML assistants are employed.

The duties of the Compliance Officer and the AML Compliance Officer include the following:

- Responsibility for oversight of the Company's legal, regulatory and documentary compliance and in particular compliance with the AML Law and directives of CySEC;
- Provide regulatory and compliance advice to the management, employees and Board of Directors;
- Identification and address conflicts of interest;
- Preparation of reports required by the law to the Board of Directors;
- Run checks of the customers identity concerning Money Laundering and involvement in terrorist financing;
- Ensure all internal policies and procedures are up to date and distributed to relevant staff;
- Review and update internal policies when the relevant legislation is amended/other changes required;
- Implement procedures regarding avoidance of conflict of interest, insider dealing, safeguarding of confidential information, money laundering, etc;
- Ensure all customers pass through the Know Customer (KYC) procedure;
- Safeguard customer's personal information and access in the database where such information is stored;
- Ensure that procedures described in the procedures manual are fully implemented;
- Maintain the Watch List and Restricted List in accordance with the provisions of the legislation;
- Monitor customer's transactions for suspicious transactions relating to money laundering;
- Categorize customers in accordance with MiFID requirements;
- Responsible for the reporting of suspicious transactions to the relevant competent authority (MOKAS) as provided in the AML directive of CySEC;
- Responsible for maintaining communication with CySEC and ensure that all reports are submitted to CySEC within stipulated deadlines.

2.5 Internal Audit

The Internal Audit function is outsourced to an external firm. The internal auditor is independent from the other functions and activities of the Company and liaises directly with the Executive Directors, Senior Management and the Board of Directors when deemed appropriate by them.

The duties of the Internal Auditor include:

- To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- To issue recommendations based on the result of work carried out;
- To verify compliance with its recommendations;
- To report in relation to internal audit matters at least annually to the Company's BoD and Senior Management.

2.6 Information flow on risk to the management body

The Board is updated regarding any risk issues by the Risk Manager. In addition, it receives reports on internal audit, compliance and money-laundering issues at least annually. The following table presents the main pieces of information provided to the Board on risk-related issues:

Information	Report prepared by:	Report received by:	Frequency
Risk Management Report	Risk Manager	Board, CySEC	Annually
Internal Audit Report (Outsourced)	Internal Auditor	Board, CySEC	Annually
Compliance Report	Compliance Officer	Board, CySEC	Annually
AML Compliance Report	AML Compliance Officer	Board, CySEC	Annually
Audited Financial Statements	External Auditor	Board, CySEC	Annually

2.7 Board Recruitment Policy

The purpose of this Policy is to set out the recruitment procedures and requirements for the members of the Board of Directors. The Policy has been prepared taking into consideration that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The management of a CIF must be undertaken by at least two persons meeting the requirements below:

- Members of the board shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the board of directors shall reflect and adequately board range of experiences;
- All Board members shall commit sufficient time to perform their functions in the CIF;
- The number of directorships which may be held by a member of the board at the same time shall take into account individual circumstances and the nature, scale and complexity of the CIF's activities. Unless representing the Republic, members of the board of directors of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity

of its activities shall not hold more than one of the following combinations of directorships at the same time:

a) One executive directorship and two non-executive directorships;
b) Four non-executive directorships.

- The board of directors shall collectively possess adequate knowledge, skills experience to be able to understand the CIF's activities, including the principal risks;
- Each member of the board of directors shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

The chairman of the board of directors must not exercise simultaneously the functions of a chief executive officer within the same CIF, unless authorized by the Commission.

2.8 Board Diversity Policy

The purpose of the Board's diversity policy is to create a positive and supporting working environment for all staff and customers, protect employees from being discriminated against because of one or more of the protected characteristics that apply to them, provide equal opportunity for everyone in the workforce, no matter their background or characteristics and promote the diversity of the workforce, including the diversity on the Board of Directors.

Through this policy, the Company aims to ensure that all employees and job applicants are given equal opportunity and that our organization is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result.

The board composition is one of the most important factors for the effectiveness of the business. Composition of the board refers to the diversified backgrounds and expertise of the board members, the suitable balance of power on the board between dependent and independent members as well as the gender diversity which is equally important.

While the diversity shall be pursued, it shall not reduce the importance of other factors such as knowledge, skills, experience, background and reputation.

The Company recognizes that any differences in the ability, background, gender, age, nationality between members of the top management team can lead to value-creation for the company and thus improve performance.

The Company should make the efforts of equality between men and women in leadership positions. A target of at least 25% of the female representation in the board of directors should be met.

2.9 Number of directorships held by members of Board

The table below provides the number of directorships held by each member of the management body of the Company at the same time in other entities, excluding Wise Wolves Finance Ltd and any other companies belonging to the same group as Wise Wolves Finance 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.

It shall be noted that, the Company is not considered significant in terms of its size, internal organization and the nature, scope and complexity of its activities.

Name of Director	Position within the Company	Directorships - Executive	Directorships – Non Executive
Anna Stopnevich	Executive Director, CEO	-	-
Tatiana Ivanova	Executive Director, Chairman	-	-
Svitiana Morozyk	Independent, Non-Executive Director	1	1
Yevheniya Savchenko Paschalides	Independent, Non-Executive Director	1	1

Note: The information in this table is based only on representations made by the Company.

2.10 Board Declaration – Adequacy of the Risk Management arrangements

The declaration on the adequacy of risk management arrangements of the Company is provided in ANNEX I. This is approved by the Board and provides assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

2.11 Risk Statement

The Company's risk statement, which describes the Company's overall risk profile associated with the business strategy, is provided in ANNEX II.

3 CAPITAL MANAGEMENT

The Company's objectives when managing capital are (i) to comply with the capital requirements set by the regulatory (CySEC), (ii) to safeguard the Company's ability to continue as a going concern and (iii) to maintain a strong capital base to support the development of the business. The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of customers, creditors, other market participants and to secure the future development of the Company.

Capital adequacy and the use of the regulatory capital are monitored by the Company's management at least on a monthly basis. The Company submits the relevant capital adequacy forms its Regulator on a quarterly basis. The Company maintains only Common Equity Tier 1 capital as eligible own funds. The risk weighted assets are measured by means of a hierarchy of risk weights classified according to their nature and reflecting an estimate of market, operational and credit risks, taking into account any eligible collateral or guarantee.

The Company is in the process of implementing an ICAAP.

4 OWN FUNDS

An analysis of the Company's capital base is presented in Table 1 below:

Table 1: Composition of the capital base of Wise Wolves Finance Ltd

Composition of Own funds	As at 31st Dec 2017
Description	**EUR '000**
Eligible Own Funds	
Tier 1 positive items:	
- Share capital	2
- Share premium	498
- Retained Earnings	(171)
- Audited profit/(loss) for the period *(net of foreseeable dividends)*	-
Total Own Funds before Deductions:	**329**
Deductions:	
- ICF contribution	(43)
- Intangible assets	(8)
Original Own Funds (Tier 1 Capital)	**298**
Capital Adequacy Ratio	**50,95%**

Further breakdown of own funds is provided in ANNEX III and IV.

Authorized Share Capital

Under its Memorandum the Company fixed its share capital at 5.000 ordinary shares of nominal value of €1 each.

Issued Share Capital

Upon incorporation on 25 October 2016 the Company issued to the subscribers of its Memorandum of Association 1.000 ordinary shares of €1 each at par.

On 16 December 2016, the Company issued additional 1.000 shares of €1 each at a share premium of €198 each. On 21 April 2017, the Company issued additional 300 shares of €1 each at a share premium of €999 each.

On February 2018, the Company issued additional 250 shares of €1 each to the sole shareholder, at a share premium of €999 each.

Deductions from Own Funds

As at 31st December 2017 the Company deducted its intangible assets and Investors Compensation fund from its own funds, as per the requirements of the Regulation and the CySEC circular C162 respectively.

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Capital Adequacy Ratio

The capital adequacy ratio for the year ended 31 December 2017 is 50,95%, which is above the minimum capital adequacy ratio of 8% required by CySEC.

5 MINIMUM CAPITAL REQUIREMENTS

The total capital requirements of the Company as at 31st December 2017 were €44 thousand and are analyzed in Table 2:

Table 2: Minimum Capital Requirements

Type of Risk	RWA €'000	Minimum Capital Requirements €'000
Credit Risk	298	24
Market Risk	-	-
Additional risk exposure amount due to Fixed Overheads	249	20
***Total Capital Requirements* ((MAX((CR + MKR) ; OPR))**	**547**	**44**

The Company follows the Standardized Approach for the measurement of its Pillar 1 capital requirements for Credit and Market Risk and the Fixed Overheads Approach for Operational Risk.

5.1 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 no significant concentration of credit risk. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The main source of Credit risk comes from the Company's deposits with financial institutions i.e. both credit institutions and brokers and from any other outstanding receivables. Additionally, the Company has no significant concentration of credit risk.

Capital Requirements

The Company applies the Standardized Approach for the calculation of its minimum capital requirement for Credit risk.

The Company is having reputable counterparties to act as both credit institution and brokers. Specifically, for credit institutions where a credit rating is available, the Company tries to implement institutions with high credit ratings. The Company has policies in place to ensure that the sales of services are made to customers with an appropriate credit history and monitors on a continuing basis the ageing profile of its receivables. However, no proper assessment is done for the counterparties.

Table 3 below presents the risk weighted assets and capital requirement broken down by exposure class:

Table 3: Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

Exposure Class	As at 31st December 2017 (EUR '000)	
	RWA	Minimum Capital Requirement
Institutions	295	24
Corporates	2	-
Other Items	1	-
Total	**298**	**24**

Risk Weighted Assets and Credit Quality Steps

For the credit ratings of institutions the Company made use of the ratings of Moody's and mapped them to the corresponding Credit Quality Step ("CQS") in accordance with the mapping below:

Credit Quality Step	Moody's
1	Aaa to Aa3
2	A1 to A3
3	Baa1 to Baa3
4	Ba1 to Ba3
5	B1 to B3
6	Caa1 and below

An analysis of the exposures by CQS is provided in the table below:

***Table 4*:** Exposures by CQS

Credit Quality Step as at 31st December 2017 (EUR '000)	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
CQS 5	1	1
Unrated	296	296
Not Applicable	1	1
Total	**298**	**298**

Residual Maturity of exposures

Table 5 below displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2017.

Table 5: Residual Maturity per Exposure Class

Exposure Class	As at 31st December 2017 (EUR '000)		
	Residual Maturity		Total
	≤ 3 months	> 3 months	
Institutions	-	295	295
Corporates	2	-	2
Other Items	-	1	1
Total	**2**	**296**	**298**

The following table presents the countries to which each exposure class is concentrated:

Table 6: Geographic distribution of exposures

Exposure Class	As at 31st December 2017 (EUR '000)		Total
	Cyprus	United Kingdom	
Institutions	285	10	295
Corporates	-	2	2
Other Items	1	-	1
Total	**286**	**12**	**298**

Table 7 below analyses the distribution of the Company's exposures by industry:

Table 7: Distribution of exposures by industry type

Exposure Class	As at 31st December 2017 (EUR '000)		
	Financial / Banking Services	Other	Total
Institutions	295	-	295
Corporates	-	2	2
Other Items	-	1	1
Total	**295**	**3**	**298**

Table 8 shows the Company's original exposure, net of specific provisions and average credit risk exposure during 2017, analyzed by exposure class:

Table 8: Original and Average Exposure Amount per Exposure Class

Exposure Class	Original exposure amount, net of specific provisions	Average Exposure Amount
	(EUR '000)	(EUR '000)
Institutions	295	335
Corporates	2	7
Retail	-	10
Other Items	1	6
Total	**298**	**358**

Impaired and Past Due exposures

Past due exposures are those with delayed payments or in excess of authorized credit limits. Impaired exposures are those which are not considered fully collectable and for which a provision for impairment has been recognized on an individual basis or for which incurred losses exist at their initial recognition.

There were no material impaired or past due exposures as at the 31/12/2017 and no provisions were made up to that date.

5.2 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.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on 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. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

Foreign exchange risk

Foreign exchange risk arises from assets and liabilities being held in a currency, which is different from the functional currency of the Company. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the U.S. Dollar and the Swiss Franc. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

Type	United States Dollars €'000	Swiss Francs €'000
Assets		
Deposits and prepayments	1.846	-
Cash with brokers	(251)	-
Liabilities		
Other creditors	-	(132)
Net exposure	**1.595**	**(132)**

5.3 Operational Risk

General

Exposures to Operational risk arises from inadequate and/or failed internal processes that the Company adopted, from failed systems and from external third parties.

As a result of the abovementioned definition the main Operational Risks that the Company faces include: IT Risk, Compliance Risk, Fraud Risk and Reputational Risk.

Capital Requirements

The Company's operations were minimal during the year of 2017 due to the fact that the Company obtained its license and started it operations at 25/09/2017. As a result of the abovementioned, the Company did not suffer from any operational incidents during 2017.

IT Risk

Information Technology Risk involves risks related to information technology. Such risk, might cause failures to the Company's systems. It is very important to operational losses that relate to IT issues and security breaches are minimized.

Compliance Risk

Compliance risk includes the risk that the Company faces in the case of failure of complying with the current regulation implemented in the country of establishment. Failure to comply with the current regulations might lead to legal or regulatory sanctions and as a result to create material financial loss.

Fraud Risk

Fraud can be two types i.e. Internal Fraud and External Fraud.
Internal Fraud includes fraud that comes within the company. Examples of such cases include misuse of assets, tax evasion, and theft from employees.
External Fraud includes fraud that comes externally, outside the company. Examples of such cases include external theft of information from the systems, third-party theft.

Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding a financial organization's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution.

Reputational risk always follows the materialization of criminal or regulatory risk – to varying extents.

Reputational risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects the Company's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Company to litigation, financial loss, or a decline in its customer base.

Reputational risk poses a major threat to financial organization, like our Company, since the nature of our business requires maintaining the confidence of investors, depositors, creditors and the general marketplace. Financial organizations are especially vulnerable to reputational risk because they can so easily become a vehicle for or a victim of illegal activities perpetrated by their customers. They need to protect themselves by means of continuous vigilance through an effective KYC program.

5.4 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 has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets.

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

Type	Carrying Amounts €'000	Contractual Cash Flows €'000	Within 12 months €'000
Trade and other Payables	13	13	13
Payables to related parties	6	6	6
Total	**19**	**19**	**19**

Capital Requirements

The Company has procedures that their scope is to minimize such losses, such as maintaining sufficient cash and other liquid current assets.

6 REMUNERATION

The purpose of this Policy is to set out the remuneration practices of the Company taking into consideration the salaries and benefits for certain categories of employees, where these shall comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The BoD reviews the policy at least annually, in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standard. The Senior Management keeps records containing information as regards the remuneration of the Company's employees and with the assistance of the Compliance Function, will periodically review the Policy, as and when applicable, and thus adjust it should the need arises for remuneration to include any other possible sources of additional variable components.

Remuneration System

The Company's remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff. Thus, the Company considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long-term success; whilst simultaneously ensuring that the Clients' interests will not be impaired by the remuneration policies and practices adopted by the Company in the short, medium and long term.

The employees' total remuneration consists of a fixed and a variable component. All employees are also eligible for the annual bonus remuneration. The various remuneration components are:

Fixed Remuneration

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. It is, however, at the sole discretion of the Company to pay the employee salary above the minimum amount of remuneration defined by the Employment Law.

The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees and it is reviewed by the Company at such intervals, as it shall decide at its sole discretion, without affecting the other terms of employment.

Benefits provided to the relevant Company employees, such as private health insurance and parking facilities paid by the company, are not employee performance-related and are considered as part of the fixed remuneration.

Variable Remuneration

Variable remuneration is an addition to monthly fixed salary, only paid in cash via the Company's payroll system either via wire transfer or cheque issued on the employee's name.

The Company does not award, pay or provide guaranteed variable remuneration. The amount of the variable remuneration is determined based on the following key factors:

a) The employee's contribution to the implementation of the Company's strategy;
b) The employee's experience (especially in financial markets and over-the-counter ("OTC") markets);
c) The employee's competitiveness;
d) The employee's educational qualifications and willingness to obtain at owns free time the highest level of education in area of their expertise.

Remuneration policies and practices implemented in the Company are internationally simplified to the basic requirements of hiring and maintaining sufficiently professional personnel. The Board of Directors considers such approach as the most practical at the stage of business growth, development and progress. It corresponds to the scaled and complexity of company's first planned operations.
After the achievement of the Company's growth new more stimulating measures (like introduction of the more detailed variable components) might be introduced for the achievement of long term targets.

All of the performance measurements operated to calculate variable remuneration contain applications for all current and future risks and take into account the cost and quantity of the liquidity and capital required. Also, the Company considers the need for consistency with the timing and the likelihood of the Company to receive potential future revenues which will be integrated into current earnings.

Moreover, the fixed and variable components should remain appropriately balanced and the total fixed component should represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components (even to allow for zero variable components to be offered).

Annual Bonus Remuneration

All Company's employees, eligible to an additional discretionary bonus (13th-month payment or other bonuses) in such an amount (if any) and at such terms and conditions as may be decided by the absolute discretion of the Company.

Other Factors

Other factors taken into account for the remuneration of the Company's employees are the following:
a) The financial viability of the Company;
b) The general financial situation and the state in which the Company operates;
c) Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objective set up at the beginning of the period;
d) Each employee's professional conduct with Clients (such as acting in the best interest of the Client, fair treatment of Clients and inducing Client satisfaction), as applicable.

Performance Appraisal

The Company must ensure that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the performance assessment of:
a) The individual (financial as well as non-financial criteria are taken into account; annual performance evaluation and performance rating are taken into account);
b) The business unit concerned; and
c) The overall results of the Company.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel which is based on a set of Key Performance Indicators and Targets, developed for each department.

In general, performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take account the Company's underlying business cycle and risks.

Additionally, performance appraisal on medium and short-term is being performed as follows:

a) Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Company functions, departments and individuals are expected to achieve during the year and half annually;
b) Performance checks and feedbacks: managers provide support and feedback to the concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies;
c) Annual performance review: takes place annually. The annual performance review also determines the level of the annual (one-off) bonus to be awarded to the employees. This bonus depends on the annual performance evaluation of each employee the fulfillment of their annual performance related targets and the annual financial performance of the Company.

Control Functions

The Company must ensure that employees engaged in Control Functions:

a) Are independent from the business units they oversee;
b) Have appropriate authority; and
c) Are remunerated:
    i. Adequately to attract qualified and experienced staff; and
    ii. In accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Further to the above, the Policy is designed to manage the conflicts of interest which might if other business areas had undue influence over the remuneration of employees within Control Functions. Moreover, the need to avoid undue influence is particularly important where employees from the Control Functions are embedded in other business areas.

During the year there were no deferred remuneration, sign-on or severance payments.

The aggregate remuneration of the Company's personnel for the year ended 31st December 2017, broken down by business area, is presented in the following table:

Table 9: Aggregate Remuneration by Business Area

As at 31st December 2017 (EUR '000)	
Business Area	**Aggregated Remuneration**
Control functions	57
Brokerage	54
Safekeeping	15
Total	**126**

Control Function involves Compliance Officer, Risk Manager and Money Laundering Compliance Officer.

Table 10 below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration. During 2017 the Company did not provide any non-cash benefits.

Table 10: Aggregated Remuneration by Senior Management and Other Staff

As at 31st December 2017 (EUR '000)				
Position / Role	**No. of Beneficiaries**	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregated Remuneration**
Senior Management (incl. executive directors)	5	54	3	**57**
Other staff	4	61	8	**69**
Total	**9**	**115**	**11**	**126**

7 ANNEX I – BOARD RISK MANAGEMENT DECLARATION

The Board of Directors ultimately responsible for the risk management framework of the Company. Risk Management framework is the sum of control systems, work processes and internal policies.

System of identification, assessment, mitigation and monitoring of the risks is not yet perfect. However, this is due to the fact that the Company was recently established, and no operations were made in 2017. The Board of Directors should review the limitations and suggestions described in the risk management report and will take appropriate measures in order for the Company to be compliant and in line with its objectives.

8 ANNEX II – RISK STATEMENT

The Company generally plans to maintain low appetite and establishing effective processes in identification, assessment, monitoring and management of risks. A description of the main risks faced by the Company can be found below:

1. Credit Risk

Credit risk is the risk that the Company faces when a counterparty to the Company fails to meet its obligations and would thus result in a financial loss for the Company.

The main source of credit risk from the Company's deposits with financial institutions i.e. both credit institutions and brokers and from any other outstanding receivables. Additionally, the Company has no significant concentration of credit risk.

2. Market risk

The definition of market risk implies that changes in the market prices will have a negative impact on the Company's financial assets and/or its income.

Since the Company does not have a license on dealing on own account, the main source of market risk is the foreign exchange risk which is mentioned above.

Foreign exchange risk arises from assets and liabilities being held in a currency, which is different from the functional currency of the Company. The Company is exposed to currency risk (foreign exchange risk) from various currency exposures primarily with respect to the U.S Dollar and the Swiss Franc.

3. Operational risk

Exposure to operational risk arises from inadequate and/or failed internal processes that the Company adopted, from failed systems and from external third parties.

As a result of the abovementioned definition the main operational risks that the Company faced include: IT, risk, Compliance risk, Fraud risk, Reputational risk.

4. Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position might increase the risk of losses to the Company.

The following table details the Company's remaining contractual maturity for its financial liabilities. The table has been created based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

5. Capital risk

The Company's objective when managing capital are the following: to comply with the capital requirements set by the regulator ("CySEC"), to protect the Company's ability to continue as going concern and to maintain a strong capital base.

9 ANNEX III – BALANCE SHEET RECONCILIATION

Balance Sheet Description as per Financial Statements	As at 31st December 2017 (EUR '000)
Eligible Own Funds	
Share Capital	2
Share Premium	498
Retained earnings	(171)
Audited profit/(loss) for the period *(net of foreseeable dividends)*	-
(ICF Contribution)	(43)
(Intangible assets)	(8)
Original Own Funds (Tier 1 Capital)	***278***
Capital Requirements	
Credit Risk	24
Market Risk	-
Additional risk exposure amount due to Fixed Overheads	20
Total Capital Requirements	***44***
Capital Adequacy Ratio	***50,95%***

10 ANNEX IV - OWN FUNDS DISCLOSURE TEMPLATE

As at 31 December 2017	Transitional Definition	Full-Phased in Definition
	(EUR '000)	(EUR '000)
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	500	500
Retained earnings	(171)	(171)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**329**	**329**
Additional value adjustments	-	-
Intangible assets (net of related tax liability)	(8)	(8)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(43)	(43)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(51)**	**(51)**
Common Equity Tier 1 (CET1) capital	**278**	**278**
Additional Tier 1 (AT1) capital: instruments		
Additional Tier 1 (AT1) capital before regulatory adjustments	**-**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**278**	**278**
Tier 2 (T2) capital: instruments and provisions		
Total regulatory adjustments to Tier 2 (T2) capital	**-**	**-**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**278**	**278**
Total risk weighted assets	**-**	**-**
Capital ratios and buffers		
Common Equity Tier 1	**50,95%**	**50,95%**
Tier 1	**50,95%**	**50,95%**
Total capital	**50,95%**	**50,95%**

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.