FFINEU
investments limited

FFINEU Investments Limited

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

CONTENTS

1 General Information and Scope of Application

1.1 Corporate Information

FFINEU Investments Limited (the "Company") is registered in Cyprus since August 5th 2013, with Registration Number HE324220 as a limited liability company under the Companies Law, Cap. 113. FFINEU Investments Limited is a Cyprus Investment Firm, authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC), since May 20th 2015, with Licence Number 275/15, under the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) and subject to CySEC Rules.

The Company has the license to provide the following investment and ancillary services:

Investment Services
▪ Reception and transmission of orders in relation to one or more financial instruments ▪ Execution of orders on behalf of clients ▪ Dealing on Own Account ▪ Investment Advice

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 or other forms

1.2 Regulatory framework

The purpose of the disclosure policy is for FFINEU Investments Limited to comply with the disclosure requirements as laid down in the relevant EU Capital Requirements Regulation (EU) No 575/2013 as amended and the relevant requirements of Directive 2013/36/EU, as amended (hereinafter the "Legislation").

The Pillar III Disclosures report of the Company sets out both quantitative and qualitative information required 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" or the "CRR") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of investment firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The CRR is based on three pillars:

- Pillar I has to do with the standards that set out the minimum regulatory capital requirements required for credit, market and operational risk;
- Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes. Under this pillar, investment firms have to evaluate and assess their internal capital requirements; and

- Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place.

The information that FFINEU Investments Limited discloses herein relates to the year ended 31st December 2017.

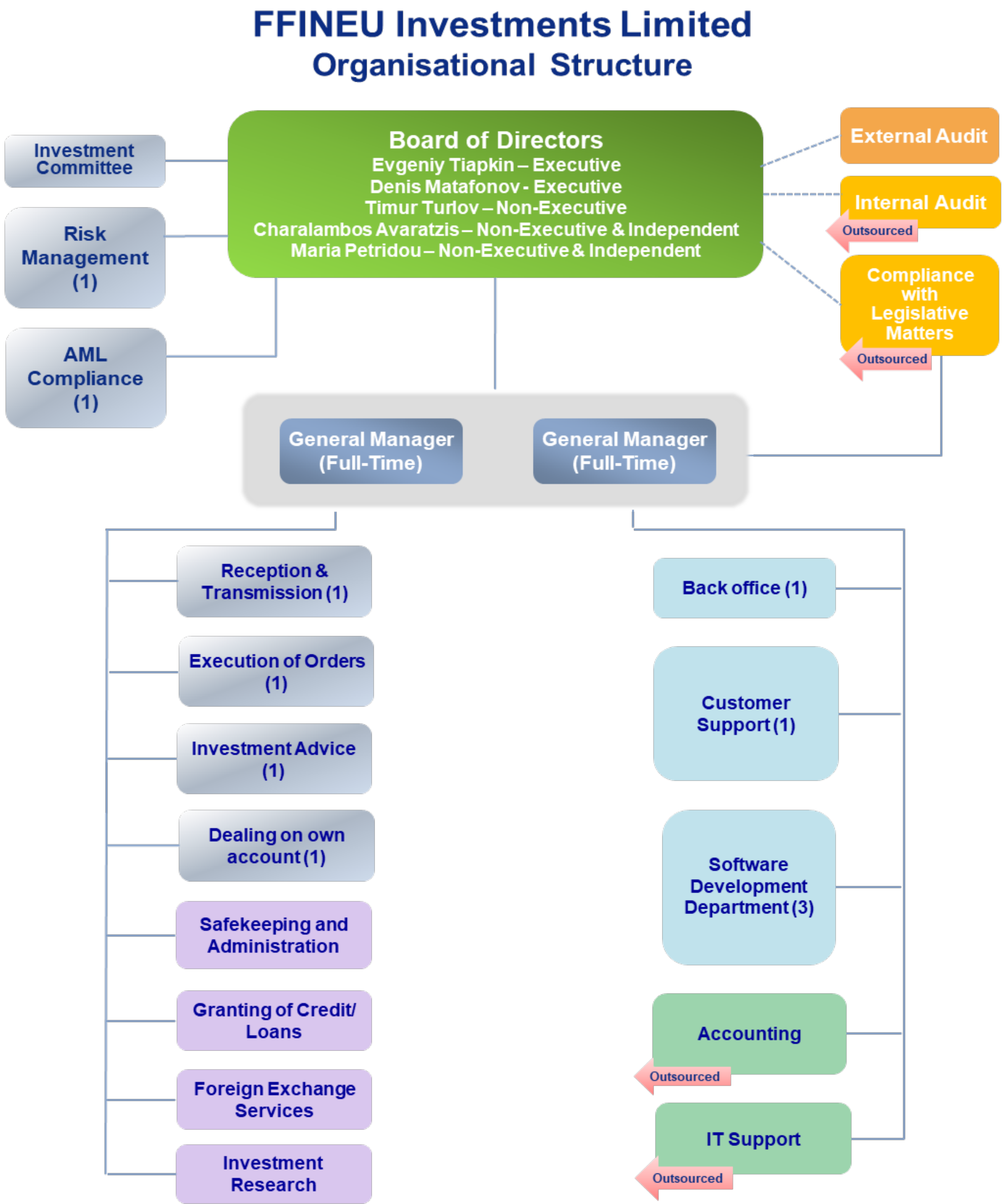
1.3 Pillar 3 Disclosure Policy

The Company's policy is to meet all required Pillar III disclosure requirements as detailed in Part Eight of the CRR. The Company will prepare and publish the report on the Company's website www.ffineu.eu on an annual basis, no later than April 30th, and submit the external auditors' audit opinion with regards to Pillar 3 Disclosures to CySEC the latest by May 31st each year. The Risk Manager and Compliance Officer is responsible to prepare, update and ensure its implementation. It is the responsibility of the Board to approve the policy.

1.4 Scope of Disclosures

The Company is making the disclosures on an individual (solo) basis.

1.5 Organisational Structure



2 Risk Management Framework and Governance of the Company

2.1 Risk Management

The Company shall implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company shall adopt effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

Risk Management and Compliance will be performed by the same person since the company has made necessary arrangements to ensure that the independent operation of each function will not be jeopardized.

The Risk Management reports directly to the Executive Officers and the BOD. The Risk Manager provides annual risk management reports to Senior Management and is responsible for evaluating and managing the Company's risks at all times. Such reports should also be presented to the BOD and minutes of such meetings attached to the relevant reports should be submitted to CySEC within twenty (20) days from the day of the meeting, and not later than four months from the end of each calendar year.

Risk Management Framework

The Risk Management framework includes the identification, assessment, treatment and reporting of internal and external risks. The following steps of the risk management process are defined:

- **Risk identification** is a sub-process to identify and categorize risks that could affect the Company. The outcome of risk identification is a list of potential risks with a certain structure which the Company is exposed to;
- **Risk assessment** is a sub-process to determine the potential impact of an individual risk assessing both the likelihood that it will occur and the impact if it should occur, and then combining the result according to an agreed rule to give a single measure of potential impact. The Company considers 2 main elements of risk assessment: risk quantification and estimation of impact of risks;
- **Risk treatment** is a sub-process of selection and implementation of measures to handle the risks and their possible impact. These measures can include avoiding and fully or partially taking the risks and management of their possible likelihood and impact. The Company uses 3 main techniques to treat the risks: risk limitation and control, risk mitigation and risk monitoring;
- **Risk reporting** is a sub-process to provide the senior management with an overview of the risk profile of business, both at a given point in time and in regard to observing and monitoring trends and developments over an extended time period.

2.2 Board of Directors

The Board of Directors consists of five (5) members. Two (2) Executive Directors, one (1) Non-Executive Director and two (2) Non-Executive and Independent Directors headed by the Chairman. The Board is the management body of the Company and it essentially exercises substantial control over the Company's activities and affairs.

The non-executive directors are persons of reputation, experienced and well known in the business community for their skills and abilities, who can assist the Company to achieve its goals. The Chairman of the Board is primarily responsible for leading the Board and ensuring its effectiveness. He is responsible for setting the BOD's agenda and ensuring the Directors receive information in an accurate, clear and timely manner. He will be responsible for promoting effective decision-making, ensuring the performance of the BOD.

The main responsibilities of the Board of Directors are:

- Formulating the Company's future strategy in terms of the development of existing and new services and the Company's presence in the local and international financial markets;
- Governing the Company by broad policies and objectives, formulated and agreed upon by the directors and employees;
- Ensuring that sufficient resources are available to the Company to carry out its operations;
- Reviewing and discussing the written reports prepared by the Risk Manager and identifying the risks faced by the Company.

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 Board conducts meetings on a regular basis and at least once in a quarter.

2.3 Information flow on risk to the Board of Directors

All risks related to the Company are communicated to the management body through the following reports which are prepared annually, reviewed and approved by the Board.

- Risk management report
- Internal Audit report
- AML Compliance Officer report
- Compliance Officer report
- Internal Capital Adequacy Assessment Process report
- Financial Statements

2.4 Board – Recruitment Policy

Along the lines of the changes in the regulatory reporting framework, the Company plans to establish and implement a Board Recruitment Policy within 2018 with the aim to identify, evaluate and select candidates as well as ensure appropriate succession. The purpose is when recruiting new members to ensure compliance with the relevant legislation and Company's policies and procedures. Potential member candidates must be qualified with specialized skills, available to commit adequate time and have a sound understanding the company's activities and the main risks.

2.5 Board – Diversity policy

The Company recognizes the benefits of having a diverse Board of Directors to achieve a variate of views and experiences and to facilitate independent opinions and sound decision-making within the Board.
In line with the recent changes in the regulatory reporting framework (CRR), the Company is in the process of establishing a dedicated diversity policy in relation to the Board of Directors

2.6 Directorships held by members of Board

The table below provides the number of directorships the members of the Board of the Company hold at the same time in entities other than the Company. 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.

Table 1: Directorships held by members of Board

Name of Director	Position within The Company	Directorships – Executive in other companies	Directorships – Non Executive in other companies
Denis Metafonov	Executive Director	1	0
Evgenii Tiapkin	Executive Director	0	0
Charalambos Avaratzis	Non – Executive Director	1	1
Maria Petridou*	Non- Executive Director	3	0
Timur Turlov	Non-Executive Director	3	0

Note: Alina Machkovska resigned on 15 November 2017 and Evgenii Tiapkin was appointed on 8 September 2017.
*Maria Petridou resigned on the 27/04/2018

2.7 Risk Manager

The Board appoints the Risk Manager who heads the Risk Management function of the Company. The Risk Manager is to ensure 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 reports to the Senior Management of the Company.
The Risk Manager bears the responsibility to monitor the following:

- the adequacy and effectiveness of the risk management policies and procedures that are in place,
- the level of compliance by the Company and its relevant persons with the adopted policies and procedures, in addition to the Company's obligations stemming from the relevant laws,
- the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

Moreover, the Risk Manager is responsible for making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies identified, as aforementioned.

2.8 Money Laundering Compliance Officer

The Board appoints a Compliance Officer, to head the Compliance Function of the Company in order to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively. The Compliance Officer is independent and reports directly to the Senior Management of the Company, having at the same time the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer's main responsibilities, inter alia, to:

- monitoring and assessing the level of compliance risk that the Company faces, considering the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed,
- monitoring the adequacy and effectiveness of the measures and procedures of the Company,
- developing, designing and re-designing the appropriate procedures of the Company, to prevent and resolve potential conflicts of interest, ensuring that all the procedures regarding the Company's conflict of interest policy are in place, as well as establishing and maintaining Chinese Walls procedures between the various organizational units of the Company,
- communicating the relevant statutes of the IOM to each employee and notify them of any relevant changes therein that relates to his/her role and responsibilities in the Company.

The Compliance Officer needs to communicate to the Company's Management an annual report on compliance issues raised during the year. This report must be presented to the BOD and discussed.

The Compliance Officer is responsible for the preparation of the Company's Risk Management Manual regarding Anti-Money Laundering and Terrorist Financing and its regular update.

2.9 Internal Audit

The Internal Audit Function is outsourced. The Internal Auditor reports to the Senior Management and the Board of the Company and is separated and independent from the other functions and activities of the Company. The Internal Auditor bears the responsibility to:

(a) 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
(b) issue recommendations based on the result carried out in accordance with point (a)
(c) verify compliance with the recommendations of point (b)
(d) provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor has access to the Company's premises, systems, information, personnel and financials.

The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken according to the Board's assessment and prioritization.

2.10 Risk Management Committee

The Risk Management Committee of the Company is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment and ancillary services to Clients, as well as the overall risks underlying the operations of the Company.

To this effect, the Company has adopted and maintains an applied risk management framework/policy, which identifies the risks relating to the Company's activities, processes and systems and sets the risk tolerance levels of the Company.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the said risk management framework/policy and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

2.11 Board Declaration – Adequacy of the Risk Management arrangements

The Company has set up risk management systems with regards to the Company's profile and strategy and has established a Board Declaration on the Adequacy of the Risk Management Arrangements.

2.12 Risk appetite statement

The Company has a low risk appetite in respect to investing and to managing business and operational activities.

By this the Company means that the culture of risk is engrained within the Company's culture. The very nature of business, broking in derivatives, puts risk awareness at the centre of our management controls when conducting business. Management takes a very conservative view in its approach to obtaining new areas of business.

This is reflected in the Company's governance, controls and activities. There is an experienced management team of proven ability to ensure that the business remains tightly controlled within the standards that the Company aspires to.

2.13 Internal Capital Adequacy Assessment

Further to the requirements of Pillar I, a more detailed approach on managing risks is achieved through the preparation of the Pillar II requirements and more precisely the Internal Capital Adequacy Assessment Process (ICAAP) report which follows the requirements under Regulation (EU) No. 575/2013 and relevant guidelines issued by CySEC.

The ICAAP will enable the Company to identify the requirements for any additional capital over and above the capital allocated under Pillar 1. The ICAAP report is a key tool for both the Company and the regulator as it approaches the risk assessment from a holistic perspective enabling the Company to assess and match risks as much as possible, reducing its residual risk and enabling more precise future growth planning.

The Company is in the process for implementing an ICAAP document for the year 2017.

3 Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while increasing the return to shareholders by aiming to improve the debt to equity ratio.

The adequacy of the Company's capital is monitored by reference to the provisions of the Capital Requirements Regulation and the CySEC Capital Requirements Directives 144-2014-14 and 144-2014-15 bringing into force the regulatory provisions of Basel III.

The Basel III consists of three pillars:
(I) **Pillar I** - Minimum capital requirements
(II) **Pillar II** - Supervisory review process
(III) **Pillar III** - Market discipline

Pillar I – Minimum Capital Requirements

The Company adopted the Standardized approach for Credit and Market risk and the Basic Indicator approach for Operational risk.

According to the Standardized 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 Standardized 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 utilizes the basic indicator approach for the calculation of its operational capital requirement.

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 risks not fully addressed in Pillar I, such as liquidity risk, compliance risk, reputational and information technology 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.

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.

4 Own Funds

The Own Funds of the Company as at 31st December 2017 consisted solely of Tier 1 Capital and amounted to USD 904 thousand. An analysis of the Company's capital base is presented in Table 2 below:

Table 2: Composition of the capital base of The Company

Capital Base/Own Funds	31 December 2017 $'000
Common Equity Tier 1 Capital (CET1)	
Share Capital	741
Share premium	384
Retained Earnings	(599)
Profit & Loss, as per published financial statements	(774)
Non reciprocal shareholder contribution	1,272
Transalation Reserve	(47)
Additional deductions due to the CRR	(73)
Total Common Equity Tier 1 Capital	**904**
Tier 2 Capital	-
Total Capital (Tier 1 and Tier 2)	**904**

Further breakdown of own funds is provided in **ANNEX I** & **ANNEX II.**

Authorized Share Capital

Under its Memorandum the Company fixed its share capital at 300.000 ordinary shares of nominal value of €1 each.

Issued Share Capital

Upon incorporation on 05 August 2013 the Company issued 250.000 ordinary shares of €1 each at par.

On 21 November 2016, the Company issued and allotted to the sole shareholder of the Company additional 50.000 ordinary shares at €1 each at par and a premium of €14 each.

Own Funds

As at 31st December 2017, the Company's own funds amounted to **USD 904 thousand**, which is above the minimum initial capital of Euro 730 thousand (USD 875 thousand).

Capital Adequacy Ratio

As at 31st December 2017 the Capital Adequacy Ratio was 22,97%.

During 2017, the Company extended its license with the investment service of Dealing on Own Account. As a result, as at 31 December 2017, the Company was subject to a minimum Pillar I capital adequacy ratio of 8%, plus additional capital buffers. In particular,

- The Company is subject to a capital conservation buffer of 1,25% as per the transitional implementation provisions for buffers.
- Since the Company has not yet been exempted by the Central Bank of Cyprus ("CBC") from the requirement to maintain an institution-specific Countercyclical Capital Buffer ("CCyB") for the year 2017. Nevertheless, the institution-specific CCyB of the Company as at the reporting date was 0%.
- The Company is also subject to a systemic risk buffer of 1% for its exposures to Estonia, if any, in response to the decision of the Cyprus Macroprudential Authority for the capital buffers (i.e. CBC) to adopt, via reciprocity, a macroprudential measure adopted by the relevant Estonian authority. It should be noted that the Company as at 31/12/2017 had no exposure(s) to Estonia, thus no systemic risk buffer was required.

Consequently, as at the reference date, the Company's overall minimum capital requirement was 9,25%.

The Company's actual capital adequacy ratio for the year ended 31 December 2017 was above the minimum requirement, as indicated by the table in ANNEX I.

5 Capital Requirements

The total capital requirements of the Company as at 31st December 2017 amounted to USD 315 thousand and are calculated for each category of risk in table 3.

Table 3: Minimum Capital Requirements

31 December 2017	**Minimum Capital Requirements $'000**	**Risk Weighted Assets $'000**
Risk Category		
Credit Risk	299	3.735
Market FX Risk	16	202
Operational Risk	-	
Total	**315**	**3.937**

The Company follows the Standardized Approach for the Pillar 1 capital requirements calculations for Credit and Market Risk and the Basic Indicator Approach for Operational Risk.

Credit Risk

Credit risk arises when a failure by counter parties 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 products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Company applies the Standardized Approach for the calculation of its minimum capital requirements for credit risk. As at 31st December, the Company did not have any collaterals or guarantees and therefore did not make use of Credit Risk Mitigation techniques.

Table 4: Exposure Amount, Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

		31 December 2017 $‘000
Exposure Class	**RWA**	**Minimum Capital Requirements**
Corporates	1.982	159
Institutions	1.601	128
Other Items	152	12
Total	**3.735**	**299**

Use of ECAIs

The Company shall disclose the names of the nominated ECAIs and the exposure values along with the association of the external rating with the credit quality steps. In determining risk weights for use in its regulatory capital calculations, the Company uses Moody’s as External Credit Assessment Institution (ECAI).

Table 5: ECAI Association with each credit quality step

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

Exposures to unrated institutions are assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favourable risk weight 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 credit quality step 5.

The Other Items category includes property, plant and equipment and cash in hand. 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 CySEC.

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").

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

Table 6: Exposure to Institutions by CQS

		31 December 2017 $'000
Credit Quality Step	**Exposure values before credit risk mitigation $'000**	**Exposure values after credit risk mitigation $'000**
CQS 4	6	6
CQS 6	8	8
Unrated	3.231	3.231
Total	**3.245**	**3.245**

Securitisations

The Company is not an active participant in the origination of securitisations (meaning pooled assets with tranched risk), and accordingly detailed Pillar 3 disclosures are not made.

Residual Maturity of exposures

Table 6 below displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2017.

Table 7: Residual Maturity per Exposure Class

Allocation of exposures by residual maturity			**31 December 2017 $'000**
Asset Class	**< 3 months**	**> 3 months or N/A**	**Total**
Corporates	1.854	95	1.949
Institutions	995	149	1.144
Other Items	2	150	152
Total	**2.851**	**394**	**3.245**

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

Table 8: Geographic distribution of exposures

Exposure Classes by Country				**31 December 2017 $'000**
Exposure Class	**Cyprus**	**Russia**	**Other**	**Total**
Corporates	62	450	1.437	1.949
Institutions	1.095	-	49	1.144
Other Items	152	-	-	152
Total	**1.309**	**450**	**1.486**	**3.245**

Table 9 below analyses the distribution of the Company's counterparties by industry:

Table 9: Exposures by Asset Class by Industry Segment

Exposures by Asset Class by Industry Segment			**31 December 2017 $'000**
Exposure Class	**Financial**	**Other**	**Total**
Corporates	1.949	-	1.949
Institutions	1.144	-	1.144
Other Items	9	143	152
Total	**3.102**	**143**	**3.245**

Table 10 shows the Company's average credit risk exposure during 2017, analyzed by exposure class:

Table 10: Average Exposure Amount per Exposure Class

Average Exposure for 2017		**31 December 2017 $'000**
Asset Classes	**Original exposure amount, net of specific provisions**	**Average Exposure Value**
Corporates	1.949	733
Institutions	1.144	584
Other Items	152	79
Public Sector Entities	-	-
Total	**3.245**	**1.396**

Operational Risk

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

Capital Requirements

For the calculation of operational risk in relation to the capital adequacy reports, the Company applies the Basic Indicator Approach. The following table shows the calculation of the capital requirements for Operational Risk:

Table 11: Capital Requirement for Operational Risk under Basic Indicator Approach

Operational Risk (Basic Indicator Approach)	2015 $'000	2016 $'000	2017 $'000	Average $'000	Capital Requirements 31 Dec 2017 $'000
Net Income from Activities	(1)	(34)	(31)	-	-

The operational risk was calculated, however due to the fact that the Net Income for years 2015-2017 was negative this resulted to no capital requirements for Operational risk.

Market risk

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 optimising the return.

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. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and Russian Rubles. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Liquidity risk

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

Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

Reputation risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by Clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large Clients, poor Client service, fraud or theft, Client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company applies procedures to minimize this risk.

6 Remuneration

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

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

Directors or employees of the Company do not receive performance-based remuneration. Bonuses and other remunerations are not based or linked to sales targets (sale of specific financial instruments or of a specific category of financial instrument), or the value of transactions, or the value of clients' deposits, or on retention of clients, or on the number of new clients attracted, or on any other clients' connected performance.

The 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. Staff engaged in control functions is independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

The remuneration of the Senior Management (including Non-Executive Directors) and other staff whose actions have a material impact on the risk profile of the Company in 2017 was as shown in the following table:

Table 12: Remuneration as at 31st December 2017

Aggregate Remuneration as at 31st December 2017 (USD)					
	No. of staff	**Fixed**	**Variable**	**Non cash**	**TOTAL**
Senior Management (Board of Directors including the General Manager)	8	214.598	29.449	-	244.047
Total	**8**	**214.598**	**29.449**	**-**	**244.047**

Three members of the Board are not remunerated by the Company. The fees of non-executive directors include fees payable to them as members of the Company's Board as well as for being members of the Board's committees. They include the fees for the period that they serve as members of the Board.

Table 13: Remuneration per business area as at 31st December 2017

Business Area	As at 31st December 2017 (USD)			
	No. of beneficiaries	Fixed	Variable	Aggregate Remuneration
Control functions	3	35.946	3.000	38.946
Executive & Non-Executive Directors	3	141.613	26.449	168.062
Accounting, Brokerage& Back Office	2	37.039	0	37.039
Total	**8**	**214.598**	**29.449**	**244.047**

7 Leverage ratio

The Leverage ratio is a new 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.

The Leverage ratio is defined as the capital measure (i.e. the Company's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regards to the Leverage ratio. It is noted that the final calibration, and any further adjustments to the definition, were completed within 2017, with a view to migrating to a Pillar I minimum capital requirement on 1 January 2018.

The Company's Leverage ratio as at the reference date was 27,87%, the minimum allowable being 3%.

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

Table 14: Summary reconciliation of accounting assets and Leverage ratio exposures

		Applicable Amounts $'000
1	Total assets as per published financial statements	1.210
4	Adjustments for derivative financial instruments	-
7	Other adjustments	2.035
8	Total leverage ratio exposure	3.245

The following table provides a breakdown of the exposure measure by exposure type:

Table 15: Leverage ratio common disclosure

		CRR Leverage ratio exposures $'000
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	3.318
2	(Asset amounts deducted in determining Tier 1 capital)	(73)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	3.245
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
19	Other off-balance sheet exposures (sum of lines 17 to 18)	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	Tier 1 capital	904
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	3.245
Leverage ratio		
22	Leverage ratio	27,87%

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

Table 16: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		CRR Leverage ratio exposures $'000
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	3.245
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	3.245
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
EU-7	Institutions	1.144
EU-8	Secures by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	1.949
EU-11	Exposures in default	-
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	152

Description of the processes used to manage the risk of excessive leverage
In order to manage the risk of excessive leverage, the Company monitors its Leverage ratio on a monthly basis and ensures that it is always above the current 3% limit.

8 ANNEX I – Balance Sheet Reconciliation

	31 December 2017 $'000
Share Premium	384
Share Capital	741
Retained Earnings	(599)
Profit & Loss	(774)
Non reciprocal shareholder contribution	1.272
Intangible assets/Goodwill, as per published financial statements	-
Additional deductions due to the CRR	(73)
Transalation Reserve	(47)
Adjustments to Own Funds for the purposes of Own Funds	-
Total Own Funds	**904**

9 ANNEX II – Own Funds Disclosure Template

At 31 December 2017	Transitional Definition	Full - phased in Definition
	$'000	**$'000**
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1.125	1.125
Retained earnings	(1.373)	(1.373)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	(47)	(47)
Funds for general banking risk	1.272	1.272
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**977**	**977**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-
Additional deductions of CET1 Capital due to Article 3 CRR	(73)	(73)
Intangible assets (net of related tax liability)	-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**(73)**	**(73)**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**904**	**904**
Tier 2 (T2) capital before regulatory adjustments	**-**	**-**
Tier 2 (T2) capital: regulatory adjustments	-	-
Total regulatory adjustments to Tier 2 (T2) capital	**-**	**-**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**904**	**904**
Total risk weighted assets	**3.937**	**3.937**
Capital ratios		
Common Equity Tier 1	22,97%	22,97%
Tier 1	22,97%	22,97%
Total capital	22,97%	22,97%

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.