



FATHOM
WEALTH MANAGEMENT
ADVISORS

www.fathomwma.com

Fathom Wealth Management Advisors Ltd

Risk Management Disclosures Year Ended 31 December 2017

According to Directives DI144-2014-14 and DI144-2014-15 of the Cyprus Securities & Exchange Commission for the prudential supervision of investment firms and Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms



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1. Introduction

1.1. Corporate Information

Fathom Wealth Management Advisors Ltd (“the Company”) is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) to offer Investment and Ancillary Services under license number 306/16.

The Company is authorized to provide the following investment services:

- Reception and transmission of orders in relation to one or more financial instruments
- Portfolio Management
- Investment Advice

1.2. Pillar III Regulatory Framework

On 26 June 2013, the European Parliament and the Council released a legislative package known as “CRDIV” to strengthen the regulation of the financial sector. The “CRDIV” package replaces the previous European Capital Requirements Directives (2006/48 and 2006/49) and CySEC’s Directives DI144-2007-05 and DI144-2007-06, commonly known as Basel II, in relation to capital requirements and large exposures, with a European Directive (2013/36/EU) and a European Regulation (575/2013). The Regulation (EU) No. 575/2013 (“the Regulation”) is directly applicable as a Single Rule book by all Member State institutions whereas the Directive 2013/36/EU needs to be transposed by all member state regulatory authorities. The transposed Directive of CySEC is Directive DI144-2014-14 (“the Directive”). The main purpose of the Basel III revisions was to make the framework more risk sensitive and representative of actual risk management practices.

The regulatory framework consists of three Pillars:

- **Pillar I** sets out the requirements on calculating the minimum capital required for the Firm to be able to cover credit risk, market risk and operational risk.
- **Pillar II** requires firms to assess their capital requirements in light of any specific risks not captured, or not adequately captured, in the Pillar I calculations.
- **Pillar III** seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management practices.

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the Regulation.

1.3. Basis and Frequency of Disclosure

This document represents the disclosures of Fathom Wealth Management Advisors Limited, in accordance with the Pillar III requirements. These disclosures are made mainly in order to give



information on the risks faced by the Company and how these are dealt with, as well as the basis of calculating the Company's capital requirements.

All disclosures mentioned below are in line with the Company's Annual Report and audited Financial Statements, which are prepared in accordance with the International Financial Reporting Standards ("IFRS"). The information that is disclosed in the report is adequate in order to meet all Pillar III requirements as set out by the Capital Requirements Regulations ("CRR").

The Company's policy is to publish the Pillar III disclosures on an annual basis on its website. The report can be found at: <http://www.fathomwma.com>.

All disclosures made, prior to being published, were reviewed and verified by the Company's Board of Directors.

The Company has commissioned independent auditors to review its Pillar III Disclosures. In accordance with Directive DI144-2014-14, the Company is required to provide a copy of the auditor's verification report to CySEC within five months of each financial year-end.

1.4. Scope of Application

The Company's management, in accordance with the provisions of Part Eight of the Regulation and paragraph 32(1) of the Directive, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The information provided in this report is based on procedures followed by the Company to identify and manage risks for the year ended 31 December 2017 and on reports submitted to the Board of Directors and to CySEC for the year under review.

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

2. Risk Management Framework

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Company's strategy and risk appetite, and that there is an appropriate balance between risk and reward.

The Company's risk management framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the markets in which the Company operates, including regulatory standards and industry best practices.

The Company's risk management framework is applied on an enterprise wide basis and consists of three key elements:

- Risk Governance;
- Risk Appetite; and



- Risk Management Techniques.

2.1.Principles of the risk function

The risk function is based on the following principles, which are aligned with the Company's strategy and business model, and incorporate the recommendations of supervisory bodies, CySEC and best practices in the market:

- (a) business strategy is defined by risk appetite. The Board of the Company determines the quantity and type of risk it considers reasonable to assume in the execution of its business strategy and sets targets that are objective, comparable and consistent with its risk appetite for each key activity;
- (b) the forward-looking approach for all risk types must be part of the risk identification, assessment and management processes;
- (c) the independence of the risk function encompasses all risks and provides an appropriate separation between the risk generating units and units responsible for controlling these risks;
- (d) the risk function has sufficient authority and direct access to the Company's Board and Senior Management for establishing and overseeing risk strategy and policies;
- (e) a culture of risks integrated throughout the Company. It embraces a series of attitudes, values, skills and ways of acting toward risks that are integrated into all processes, including taking decisions on change management and strategic and business planning;
- (f) the risk management framework is subject to an independent review by the Internal Audit function;
- (g) remuneration frameworks are aligned with the Company's risk appetite;
- (h) promote the involvement of all employees in the risk culture, through adequate training at all levels.

2.2.Risk Culture

The Company's risk culture is specified in the principles of responsibility, prudence and compliance, as all units and employees (regardless of the function they carry out) are responsible for ensuring that not only does the Company comply, but also it is prudent and responsible in what it does. This risk culture is also based on the principles of Company's risk management framework and is transmitted to all business and management units and is supported, among other things, by the following drivers:

- (a) involvement of Senior Management in risk control and management, which is shaped in the Board's approval of the risk appetite, corporate frameworks that regulate the risk activity and the internal governance framework, and regular revision of the Company's risk profile, the main potential threats and the relevant events produced in the Company and in the financial sector;
- (b) independence of the control functions (risks, compliance and internal audit), with sufficient authority and direct access to the Board. These control functions are not conditioned by the business lines, and actively participate in taking important risk decisions;



- (c) appropriate documentation of the Company's risk activity, through detailed frameworks, policies and procedures for risk management and control.
- (d) having in place specific policies for compliance, framework for marketing products and services and framework for anti-money laundering and terrorist financing;
- (e) consistency and alignment between risk appetite, risk management and the Company's business strategy;
- (f) main risks are not only analysed when they are originated or when irregular situations arise in the ordinary recovery process, but also on a continuous basis;
- (g) remuneration is aligned with the Company's long-term value and risk management framework.

2.3.Risk Management Policies

The Company is dedicated and committed on taking all the required actions so as to establish adequate and effective risk management policies and procedures that facilitate the monitoring and mitigation of the risks to which it is exposed.

The Company established a Risk Management Manual which forms part of the Company's internal control and corporate governance arrangements. The manual incorporates the following policies:

- (a) Risk Management Framework;
- (b) Risk Governance;
- (c) Key Risks and Mitigation Controls;
- (d) Risk Appetite and Limits;
- (e) Internal Capital and Liquidity Adequacy Assessment Process Policy;
- (f) Pillar III Disclosures Policy;
- (g) Exposure to Shareholders and Directors Policy;
- (h) Risk Monitoring and Reporting.

2.4.Risk Appetite Statement

Risk Appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the board and management confidence to avoid risks that are not in line with the strategic objectives.

The Company implemented and maintains a Risk Appetite Statement which takes into consideration the strategic long term plan, capital planning and the Company's risk management framework.

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.



2.5. Adequacy of the Risk Management Arrangements

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such – offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

2.6. Concise Risk Statement by the Board

The Board considers that the risk profile of the Company is low due to the following reasons:

- (a) The Company's scale of operations is quite small.
- (b) The Company only has face-to-face clients, thus, normal AML risk clients.
- (c) The Company is not holding any clients' funds.
- (d) All of the Company's clients have a business relationship with highly reputable banks.
- (e) No complaints have been received so far.
- (f) No marketing campaigns are being performed.
- (g) The Company is well capitalised.
- (h) The Company has been profitable since inception.

The Company's risk profile is aligned with the Company's strategy and overall vision which is to grow organically to a well-known and reputable financial advisory firm, which provides long-term solutions, mainly, to wealthy individuals.

Own Funds & Capital Adequacy Ratio

During 2017, due to the Company's profitability, the Company further strengthened its capitalization. The below table demonstrates the Company's regulatory own funds and capital adequacy ratio as of the year end of 2016 and 2017.

REGULATORY OWN FUNDS AND CAPITAL ADEQUACY RATIO	31/12/17	31/12/16
	Amount in thousands (EUR)	Amount in thousands (EUR)
Common Equity Tier 1 Capital	143	82
CET1 Capital ratio	<u>60.91%</u>	<u>34.89%</u>



Risk Appetite

During 2017, the Company established a Risk Management Manual which, inter alia, sets out the Company's risk tolerance and appetite towards the risks the Company is exposed to.

The risk appetite becomes concrete in terms of the qualitative and quantitative risk-taking tolerances adopted by the Board. The risk tolerance metrics reflect the profile of the Company's risk profile. The Board shall be reviewing on an annual basis the Company's significant risks in the Risk Appetite Framework and the relevant limits.

3. Risk Governance

The risk governance of the Company is an integral part of the risk management framework and is organized in a way that ensures the establishment of clear responsibility boundaries, proper segregation of duties and the avoidance of conflicts of interests at all levels, including the Board, the Senior Management, the risk management function and the business units.

3.1. Three lines of defence model

The Company uses the three lines of defence governance model which promotes transparency, accountability and consistency through the clear identification and segregation of roles.

The first line of defence consists of the management of business lines. It is the responsibility of first line management to identify and manage risks. This includes, at an operational level, the day-to-day effective management of risk in accordance with agreed risk policies, appetite and controls. Effective first line management includes:

- the proactive self-identification of issues and risks;
- the design, implementation and ownership of appropriate controls;
- a strong control culture of effective and transparent risk partnership.

The second line of defence consists of the risk management and the compliance functions. This line vouches for effective control of risks and ensures they are managed in accordance with the defined risk appetite.

The third line of defence provides independent and objective assurance to the Board and Senior Management on the effectiveness of the first and second lines of defence. This responsibility lies with the internal audit function.



3.2. Responsibilities

3.2.1. Board of Directors

The Board is responsible for the following:

- (a) setting the strategy of the Company;
- (b) setting the Company's risk appetite and ensures that it is reflected in business strategy and cascaded throughout the organization;
- (c) establishing and overseeing an effective governance and organization structure in accordance with legal and regulatory responsibilities that would allow it to put in place effective risk governance;
- (d) assessing and periodically reviewing the effectiveness of the policies, measures, practices and procedures put in place to comply with the obligations under the applicable laws and to take the appropriate measures to address any deficiencies in this respect;
- (e) reviewing periodically the risk management and internal controls framework relative to the Company's risk profile;
- (f) approving risk policies and limits;
- (g) reviewing and approving the Company's internal capital and liquidity adequacy assessment process report;
- (h) reviewing and approving the Company's Pillar III disclosures and the relevant auditor's verification report;
- (i) reviewing and approving the Risk Manager's annual report;
- (j) regularly reviewing and monitoring the actual risk profile and risk limits against the agreed levels, including qualitative measures of risk assessment;
- (k) discussing and monitoring to ensure appropriate action is taken regarding "breaches" in risk limits;
- (l) questioning Senior Management regarding activities outside the Board-approved risk appetite statement, if any;
- (m) appointing the Risk Manager who will head the risk management function;
- (n) ensuring that adequate resources and expertise are dedicated to the risk management function as well as the internal audit function in order to provide independent assurances to the Board and Senior Management that they are operating within the approved risk management framework.

3.2.2. Senior Management

The Company's Senior Management are responsible for the following:

- (a) implementing the risk strategy, as this has been approved by the Board;
- (b) developing, in collaboration with the Risk Manager, policies, methodologies and procedures required to identify, measure, monitor and control every type of risk, in accordance with the nature and complexity of the Company's operations;
- (c) providing leadership in communicating risk appetite to all relevant employees so as to help embed appropriate risk taking into the Company's risk culture;



- (d) setting the proper tone and example by empowering and supporting the Risk Manager in his/her responsibilities;
- (e) incorporating risk appetite into the Company's remuneration and decision-making processes.

3.2.3. Risk Manager

The Company's Risk Manager is responsible for the following:

- (a) identifying and evaluating the fundamental risks faced by the Company;
- (b) implementing policies on risk management and internal controls of the Company;
- (c) adopting and implementing effective arrangements and procedures to manage all types of risks that arise due to the Company's operations in respect of the level of risk tolerance;
- (d) monitoring the adequacy and effectiveness of the Company's risk management policies and procedures;
- (e) monitoring the level of compliance by the Company and the persons employed to the measures and arrangements set for the managing of the risk exposures of the Company;
- (f) educating and training the personnel of the Company on risk related matters;
- (g) requesting sufficient information from all the relevant departments of the Company in order to perform his/her duties;
- (h) monitoring 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 policies, procedures, arrangements, processes and mechanisms or follow such policies, procedures, arrangement, processes and mechanisms;
- (i) preparing written reports to the Senior Management and the Board of the Company making recommendations and indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually;
- (j) examining the capital adequacy and the exposures of the Company;
- (k) examining the financial results of the Company;
- (l) developing an appropriate risk appetite for the Company, in collaboration with the Senior Management, that meets the needs of the Company;
- (m) obtaining the Board's approval of the developed risk appetite and regularly report to the Board on the Company's risk profile relative to risk appetite;
- (n) actively monitoring the Company's risk profile relative to its risk appetite, strategy, business and capital plans, risk capacity, as well as remuneration policy;
- (o) establishing a process for reporting on risk and on alignment (or otherwise) of risk appetite and risk profile with the Company's risk culture;
- (p) ensuring the integrity of risk measurement techniques that are used to monitor the Company's risk profile relative to its risk appetite;
- (q) establishing and approving, in collaboration with the Senior Management, appropriate risk limits that are prudent and consistent with the Company's risk appetite statement;
- (r) acting in a timely manner to ensure effective management, and where necessary mitigation, of material risk exposures, in particular those that are close to or exceed the approved risk appetite and/or risk limits;



- (s) escalating promptly to the Board and Senior Management any material risk limit “breach” that places the Company at risk of exceeding its risk appetite, and in particular, of putting in danger the financial condition of the Company.

3.2.4. Business Line Leaders

Risk management is an on-going activity and an inseparable and integrated part of the Company's business operations and procedures. Therefore, while the Board is accountable for ensuring that the risks faced by the Company are adequately and effectively managed, the owners of processes and line managers, with possible risk exposures, and those responsible for day-to-day risk management activities, are responsible for applying the Company's risk management policies and framework.

In this respect, the business line leaders are responsible for the following:

- (a) being accountable for effective management of the risk within their business unit;
- (b) knowing and applying the requirements of the risk strategy and policies in their area of business;
- (c) ensuring alignment between the approved risk appetite and planning, remuneration, and decision-making processes of the business unit;
- (d) embedding the risk appetite statement and risk limits into their activities so as to embed prudent risk taking into the Company's risk culture and day to day management of risk;
- (e) establishing and actively monitoring adherence to approved risk limits;
- (f) cooperating with the Risk Manager;
- (g) implementing controls and processes to be able to effectively identify, monitor and report against allocated risk limits;
- (h) acting in a timely manner to ensure effective management, and where necessary, mitigation of material risk exposures, in particular those that exceed or have the potential to exceed the approved risk appetite and/or risk limits;
- (i) escalating promptly breaches in risk limits and material risk exposures to the Risk Manager and Senior Management in a timely manner.

3.2.5. Compliance Officer

The Compliance Officer is responsible for assessing compliance risk in relation to matters such as governance and best practices. The Compliance Officer has direct access to the Board and Senior Management.

The Compliance Officer is also responsible for:

- (a) assessing any issues relevant to reputation risk;
- (b) developing a conflicts of interest policy and timely resolving any situations which may give rise to conflicts of interest;
- (c) setting restrictions for personal trading for the Company's employees;
- (d) preparing the Company's remuneration policy;



- (e) preparing and updating, when required, the Company's internal procedures manual, anti-money laundering manual and any other policies required by the regulatory requirements.

In view of the close proximity to matters related to risk management, the Risk Manager and the Compliance Officer shall maintain close cooperation and coordinate their activities.

3.2.6. Internal Auditor

Internal audit is an independent, objective assurance function with reporting lines to the Board and the Senior Management. Internal audit provides an independent evaluation of the controls, risk management and governance processes. The internal Auditor shall, without jeopardizing its independence, co-operate with the Company's Risk Manager and Compliance Officer in order to get an increased understanding of current and evolving key risks.

The Internal Auditor shall also independently analyse the work of the Risk Management and Compliance functions.

In addition to the above, the Internal Auditor is responsible for the following:

- (a) routinely assessing the Company's risk management procedures, controls, framework, practices and risk appetite statement;
- (b) identifying whether "breaches" in risk limits have been appropriately identified, escalated and reported in an efficient and timely manner;
- (c) assessing the design and effectiveness of risk measurement techniques used to monitor the Company's risk profile in relation to its risk appetite;
- (d) preparing written reports to the Senior Management and the Board of the Company making recommendations and indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually.

3.3. Absence of a Risk Committee

It is noted that the requirement for a Cyprus Investment Firm (hereinafter the "CIF") to establish a risk committee applies to "*CIFs that are significant in terms of their size, internal organisation and the nature, scope and complexity of their activities must establish a risk committee*". The Company has determined that it is not "significant" in any of the aforesaid criteria and, therefore, shall not establish a remuneration committee.

3.4. Reporting and Control

In order for the Company to have in place procedures that will allow it to monitor its exposure in risky areas, it undertakes certain reporting requirements towards the top management where the decision making is being carried out.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management and Internal Audit functions) of the Company have an open line of communication with the Board in order to



communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body.

The following table depicts the various reports and information flow submitted to the Board in relation to the year ended 31 December 2017:

	Report Name	Owner	Recipient
1	Risk Manager Report	Risk Manager	CySEC, Board of Directors
2	Compliance Officer Report	Compliance Officer	CySEC, Board of Directors
3	Money Laundering Compliance Officer Report	MLCO	CySEC, Board of Directors
4	Internal Auditor Report	Internal Auditor	CySEC, Board of Directors
5	Audited Financial Statements	External Auditor	CySEC, Board of Directors
6	Quarterly Capital Adequacy Reporting	Risk Manager	CySEC, Senior Management

4. Corporate Governance

4.1. Board of Directors

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors is currently comprised with three Executive and two independent Non-Executive Directors.

4.1.1. Recruitment Policy

Members of the Board shall possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board shall reflect an adequately broad range of experiences to be able to understand the Cyprus investment firm's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations a Cyprus investment firm.

The Company established a Board of Directors and Corporate Governance Manual which includes the Company's recruitment policy in relation to new Board members. No new members have been appointed to the Company's Board during 2017.

4.1.2. Diversity Policy

The Company is committed in promoting a diverse and wide-ranging workplace at all levels of the organization whether this represents background experience, skills, gender etc. It embraces this diversity in the organization, since it recognizes the benefits of it and on the same time allows it to develop in both its business strategy and developing talent at every level in the organization.



The Company established a Board of Directors and Corporate Governance Manual which includes the Company's diversity policy.

The Board reviewed its diversity and concluded that the areas of independence, skills and experience, ethnicity and age are well diversified and no measurable objectives shall be set in achieving additional diversity. The Board all decided that, although women constitute the underrepresented gender in the Board, no action shall be taken at this stage as the Company is quite young, small and with limited scope as well as complexity. After reviewing the Company's growth to be achieved in 2018, the Board shall re-address this matter and, if it considers it necessary, to set measurable objectives as per the Company's policy.

4.1.3. Other Directorships

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profitmaking or charitable organizations, are not taken into account for the purposes of the below.

Name of Director	Total companies in which he acts as director (including Fathom Wealth Management Advisor Ltd)	Directorships which relate to Group companies
Fotios Mavrokefalos	1	0
Christos Mavrokefalos	1	0
Dimitris Foutsis	1	0
Marios Kyriakidis	3	0
Ioannis Louloudakis	3	0

5. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern. 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

The Company adopted the Standardized approach for Credit and Market risk and the Fixed Overhead 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 is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

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

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.

The Company shall design and documents its ICAAP within 2018.

III. 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.

6. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with CRD IV that sets out the characteristics and conditions for own funds.

The Company’s total capital resources and total capital requirements as at 31 December 2017 are shown in the table below. The Company’s Capital Resources consist of Tier 1 Capital only.

Capital Resources Summary	
	€’000
Eligible Own Funds	
Share Capital	51
Share Premium	110
Retained Earnings	21
Own Funds Deductions	
Investor Compensation Fund Contribution	(39)
Original Own Funds (Tier 1 Capital)	143
Tier 2 Capital	-



Total Own Funds	143
Capital Requirements	
Credit Risk	156
Market Risk (Foreign Exchange Risk)	3
Additional Risk Exposure due to Fixed Overheads	75
Total Capital Requirements	235
Capital Adequacy Ratio	60.91%

The CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8% and may impose additional capital requirements for risks not covered by Pillar I.

6.1.Reconciliation of regulatory capital with the equity figure included in the Company's Financial Statements

The following table provides the reconciliation of own funds items to the audited Financial Statements as at 31 December 2017.

Reconciliation of regulatory capital with the equity figure included in the Company's Financial Statements	
	€'000
Total Equity as per Financial Statements	182
Investor Compensation Fund Receivable as per Financial Statements	(39)
Total Tier 1 Capital	143

6.2.Main terms and conditions of capital resources

Upon incorporation, the Company issued 1,200 ordinary shares of €1 each at par. On 27th September 2016, the Company additionally issued 49,800 ordinary shares of €1 at a premium of €2.21 each. In addition, the Company's retained earnings as at 31 December 2017 were €21,170.

7. Pillar I Capital Requirements

7.1.Credit Risk

In the ordinary course of business, the Company is exposed to credit risk. 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 balance sheet date.

As at 31st December 2017, the Company did not have any collaterals or guarantees and therefore did not make use of Credit Risk Mitigation techniques.



7.1.1. Risk Weighted Assets

The table below presents the allocation of Credit Risk by exposure class as at 31st December 2017.

Asset Class	Capital Requirement	Risk Weighted Assets
	€'000	€'000
Institutions	8.74	109.3
Corporate	0.1	1.2
Retail	8.78	109.8
Other	2.37	29.6
Total	19.99	249.9

7.1.2. External Credit Assessment Institutions (ECAI) and Credit Quality Steps

For its exposure to institutions, the Company has used the rating provided by Moody's to determine the applicable risk weight.

Please refer to the table below for the mapping of ratings to Credit Quality Step.

Credit Quality Step	Moody's Rating	Institutions Risk Weight	
		Maturity more than 3 months	Maturity up to 3 months
1	Aaa to Aa3	20%	20%
2	A1 to A3	50%	20%
3	Baa1 to Baa3	50%	20%
4	Ba1 to Ba3	100%	50%
5	B1 to B3	100%	50%
6	Caa1 or lower	150%	150%

7.2. Market Risk

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

As the Company is not holding any financial instruments, it is not exposed to market risk.

7.2.1. Currency Risk

Currency risk is the risk that the value of an asset 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.

As the Company had balances held in US Dollars, the Company was exposed to foreign exchange risk.



7.3.Fixed Overhead Risk

Due to the limited authorisation of the Company, the Company falls under Article 95 of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

- a. Sum of risk weighted assets for credit and market risk;
- b. Operational Risk Weighted Assets based on preceding year fixed overheads.

The approach for calculating fixed overheads is a so-called subtractive approach, whereby variable cost items are deducted from the total expenses as calculated according to the International Financial Reporting Standards.

Out of the total expenses the Company has reported for the year ended 31 December 2017 there have been adjustments for non-recurring expenses from non-ordinary activities of the Company.

8. Other Risks

8.1.Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from noncompliance 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.

8.2.Litigation Risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

8.3.Reputational Risk

The Company is exposed to reputational risk that arises due to a number of factors including but not limited to negative publicity, pending or concluded litigation, poor performance or any legal or regulatory violations.

To mitigate this risk, the Company ensures that all regulatory requirements are adhered to and emphasises the importance of proper risk management across the organization. The Internal Audit and Compliance departments ensure that the policies and procedures are enforced at all times.



8.4.Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and arises when the maturity of assets and liabilities does not match. The Company has no long-term debt and ensures that sufficient cash is available on demand to meet any operational expenses that arise.

9. Leverage Ratio

According to CRR, Article 429, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure and is expressed as a percentage.

As at 31 December 2017, the leverage ratio of the Company was 187%, well above the 3% minimum ratio set by the Basel Committee.

Summary reconciliation of accounting assets and leverage ratio exposures as at 31 December 2017	
	€'000
Total assets as per published financial statements	307
Balances with Investors' Compensation Fund	(39)
Leverage ratio exposure	268
Tier 1 Capital	143
Leverage ratio	187%

10. Country-by-country Reporting

The below table demonstrates the Company's country-by-country reporting for the year 2017 as required by paragraph 18 of Directive DI144-2014-14 of CySEC.

The Company did not have any subsidiaries, branches and/or other establishments during 2017, thus, the information included in the below table relates solely to the Company's operations from its head office in Cyprus.

Jurisdiction	Nature of activities	Number of employees	Profit before tax €'000	Tax on profit €'000	Public subsidies received
Cyprus	Investment Services	3	320	42	0

11. Remuneration

The Company established a remuneration policy which is in line with the requirements of the Directive DI144-2014-14.



The table below presents the remuneration received by the Company's Directors during the year under review:

	Number of beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000	Non-Cash Remuneration €'000	Total €'000
Executive Directors	3	36	0	0	36
Non-Executive Directors	2	11.2	0	0	11.6
Total	5	47.2	0	0	47.2