



CONSTANCE  
INVESTMENT

PILLAR III DISCLOSURES  
2019

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## Introduction

According to the requirements stated in Article 431 and Article 433 of the European Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012 (the “Regulation”), Constance Investment Ltd (the “Company”) has an obligation to publicly disclose information relating to capital adequacy and risk management at least on an annual basis. The Disclosures contain general information in relation to the Company’s policies and procedures for managing risks and quantitative information in relation to remuneration, own funds, and capital adequacy calculations.

The information contained in this report is presented for the purpose of explaining the methodology used by the Company to manage risks and to disclose the own funds requirements corresponding to these risks, in line with “Specific publication requirements” as stipulated in paragraph 32 of Section 4 of Part II (“Supervisory measures and powers”) of the CySEC DI144-2014-14 and DI144-2014-15 (the ‘Directives’) for the prudential supervision of investment firms which implements the Regulation (EU) 575/2013 (the “Regulation” or CRR) and the European Directive 2013/36/EU (the “European Directive” or CRD IV). The disclosures have been reviewed by the Senior Management and have been verified by the Company’s external auditor.

## CONSTANCE INVESTMENT LTD BACKGROUND

Constance Investment Ltd obtained its License on the 26th December 2014 with license number 263/14 and was fully authorized to offer financial services upon effective completion of its authorization conditions. The Company was activated and commenced its operations in July 2015 with the core service of Portfolio Management and ancillary services of Safekeeping and Administration of Financial Instruments for the account of clients, and foreign exchange services where these are related to investment services. The Company extended its license on January 2017 to include the investment services of Reception and Transmission of orders and Execution of Orders as well as the ancillary service of Granting of Credit Limits to clients. In November 2017, the Company ceased providing the services of Investment Advice. The services currently actively offered by the Company in accordance with Law 87(I)/2017 are listed below:

### ➤ Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Portfolio management

### ➤ 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

The Company is categorized as a “**Limited License**” Cyprus Investment Firm (i.e. under Article 95(1) of the Regulation 575/2013), with minimum initial capital requirement of Euro 125,000 (one hundred twenty-five thousand Euros).

## SCOPE OF APPLICATION

The Company prepares the Disclosures on an individual (solo) basis.

## DISCLOSURE POLICY

### *Materiality of Disclosures*

The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

### *Confidentiality of Disclosures*

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directives define proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable. Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality. Under the light of the above, the Company avoided to disclose such confidential information in this report.

### *Verification of Disclosures*

The Pillar III disclosures report is subject to internal review and validation prior to being submitted to the BoD for approval. For assessing the appropriateness of the Company's Pillar III Disclosures, the Company appoints its external auditors to independently verify the fair representation of the Disclosures, in accordance with the requirements of the Regulation.

### *Frequency of Publication*

The disclosures are reviewed annually at a minimum and, if appropriate, more frequently. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

### *Medium of Publication*

The Pillar III disclosures report is published on the Company's website: [www.constancei.com](http://www.constancei.com)

## Risk Management Objectives and Policies

### REGULATORY FRAMEWORK OVERVIEW

CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including amended minimum capital ratios, changes to the definition of capital and the calculation or risk weighted assets and the introduction of new measures relating to leverage, liquidity, and funding. Additionally, CRR permits a transition period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018. CRR is immediately binding on all EU member states. CRD IV governs access to internal governance arrangements including remuneration, board composition and transparency.

The Regulation framework consists of a three “Pillar” approach:

- **Pillar I – Minimum Capital Requirements:** establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating Risk Weighted Assets.
- **Pillar II – The Internal Capital Adequacy Assessment Process (ICAAP):** Pillar II connects the regulatory capital requirements to the Company’s ICAAP and to the reliability of its internal control structures. Pillar II aims 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.
- **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 of the Company.

According to the Directives, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. The Pillar III disclosure requirements are contained in Articles 431 to 455 of the Regulation. The Company has included its risk management disclosures as per the Directives on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors of the Company and sent to CySEC.

### RISK MANAGEMENT FRAMEWORK

Risk management is a vital part of the Company strategic management. It is the process whereby the Company addresses the risks attached to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Risk management is a continuous and developing process which runs throughout the Company’s strategy and the implementation of that strategy. It addresses methodically all the risks surrounding the Company’s activities - past, present and in particular, future. The Company, considering the current nature, scale, and complexity of its operations, follows a policy that establishes and applies processes and mechanisms that are appropriate and effective in monitoring the various activities.

The Company's systems of risk management and internal control include risk assessment, management, or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness. The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

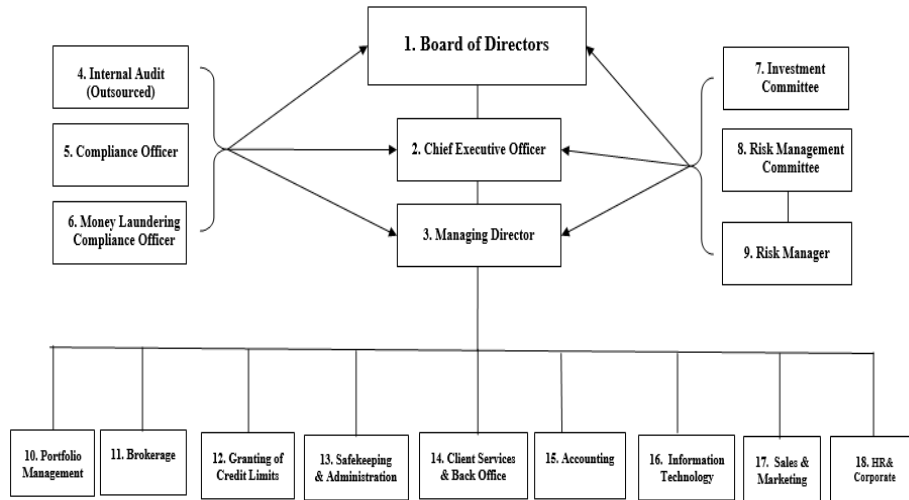
The Risk Management function ensures that all material risks are identified, measured, and properly reported. They shall ensure that the risk management function is actively involved in elaborating the institution's risk strategy and in all material risk management decisions and that it can deliver a complete view of the whole range of risks of the institution.

Taking into account the nature, scale and complexity of investment services and activities undertaken in the course of business, the integrated objective of the independent functions (Internal Audit, Risk Management, and Compliance) is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring process.

## RISK GOVERNANCE

The core of the Risk Governance arrangements employed by the Company is comprised by the 'Three Lines of Defence' approach.

- **First Line of Defence:** includes management controls and internal control measures necessary to counteract the risk-taking activities of the first line of defence. It comprises of the departments interacting with the clients and those persons owning the Company's risks, including to the extent applicable the Board of Directors and Senior Management.
- **Second Line of Defence:** includes the Risk Management Function and the Compliance Officer who provide the policies, procedures, tools, and methodology that should be applied with respect to Risk Management. It is also responsible for promoting risk awareness to Management and staff of the Company.
- **Third Line of Defence:** comprises of the Internal Auditor which bears the responsibility to assess the efficiency of internal policies and procedures, the Compliance with applicable laws, regulations, and internal policies.



### ➤ Board of Directors

The BoD bears the ultimate responsibility for Risk Governance. The BoD also defines and oversees the implementation of the Risk Management Framework. It specifies, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent management of the Company.

- **Recruitment:** The Company’s Management Body includes Executive and Non-Executive Directors, as well as Independent Directors. The Company’s BoD has varied experience and background, including accounting, legal, compliance, investments, risk management, etc. Each member has unique skills and experiences that contribute to strategy design and effective problem solving. Additionally, the Independent Directors have a strong background in their field, adding as such value to the Company’s BoD. It is noted that there are no foreseeable changes within the overall composition of the BoD.
- **Diversity:** The Company recognizes the benefits and necessity of an adequately diverse BoD, which includes and utilizes the Director’s unique characteristics, including gender and age diversity. The objective of diversity is to promote a balanced working environment where the skills, experience, qualities, professionalism and other backgrounds, such as the temperament and perspective of the Directors, irrespective of gender, age, race, ethnicity and other criteria, enable each of them to contribute individually
- **Number of Directorships:** The table below provides the number of directorships each member of the management body of the Company currently holds at the same time in other entities (including the directorship held in the Company). Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not considered.

Director	BoD Membership	No. of Executive Directorships	No. of Non-Executive Directorships
Dmitry Lepeshkin	Executive, CEO	1	0
Linda Athanasiadou	Executive, Managing Director	1	0
Maryna Chernenko	Independent, Non-Executive Director	1	1
Christos Christofi	Independent, Non-Executive Director	0	2

- **Information Flow to the BoD:** The information flow on risk to the management body is achieved through the reports of the Risk Management department, the Internal Auditor, the Money Laundering Compliance Officer, the Compliance Officer, and any other reports or minutes prepared and presented to the Board.

Report Name	Owner	Recipient	Frequency
Risk Management Report	Risk Manager	BoD, CySEC	Annually
ICAAP	Risk Manager	BoD, CySEC	Annually
Pillar 3 Report	Risk Manager	BoD, CySEC	Annually
Compliance Report	Compliance Officer	BoD, CySEC	Annually
Internal Audit Report	Internal Auditor	BoD, CySEC	Annually
MLCO Report	MLCO	BoD, CySEC	Annually
Audited Financial Statements	Managing Director	BoD, CySEC	Annually
Capital Adequacy Forms	Risk Manager	BoD, Senior Management, CySEC	Quarterly

- **BoD Declaration:** The BoD confirms that the risk management arrangements and procedures of the Company are adequate, given the size and complexity of operations of the Company. In particular, the BoD confirms that the risk management systems put in place are adequate with regard to the Company’s risk profile and strategy and in line with the principle of proportionality.

#### ➤ Risk Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the Risk Management Committee. The role of the Committee is to provide oversight, review, and challenge of the material risks faced the Company. Additionally, it performs evaluation of the risk management framework, and makes recommendations on strengthening the Company’s systems and controls, related to the management and prevention of risk and advises on the evaluation of the degree of severity and likelihood of occurrence related to each and every type of identified risks. More specifically the Risk Committee is responsible for:

- Assessing and managing the Risks
- Monitoring the performance and improving the effectiveness of risk management procedures
- Monitor and control the Risk Manager in the performance of his duties and the effectiveness of the Risk Management Department
- Addressing control failures and suggesting remedial action
- Approve policy description concerning information systems and monitor the information systems in place
- Appoint the responsible security user/super user for the provision of access rights to the various database and monitor the security measures in place
- Establish policy regarding the amount of information provided to Clients about the nature and risks of Financial Instruments according to the Client classification
- Maintain systematic supplier cooperation with the information services’ end- users in all phases of development, operation, and evaluation of the information applications of the Company’s system



- Supervise the Disaster Recovery Plan

The Risk Management Committee meets at least quarterly, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Officer.

#### ➤ Risk Officer

The Risk Officer is responsible for:

- complying and implementing the relevant provisions of the Law, relating to risk management issues
- educating and training the personnel of the Company on risk-related issues
- evaluating how the introduction of any potential new services or activities by the Company could affect the risk management of the Company, and provide such requests to the Senior Management or the Board, as requested
- examining the capital adequacy and the exposures of the Company
- drafting written reports to the Senior Management and to the Board including recommendations as well as indicating in particular whether the appropriate remedial measures have been undertaken in the event of any deficiencies, at least annually
- calculating, setting, reviewing, updating, and monitoring Client and counterparty limits, as applicable
- managing the overall risks faced by the Company, with a particular focus on the Client side risks where fraud, dispute, Client identification and due diligence and funding/deposit risks are handled and monitored accordingly in coordination with the MLCO and the Administration/Back Office Department, as applicable
- maintaining a record of all the Clients and counterparties risk and limits involved
- recommending, providing, and supervising policy description concerning information systems (including backup systems that can restore smooth operation in case of failure)
- engage into and fulfil the ICAAP related obligations and responsibilities
- The Risk Manager as per regulation EU No. 575/2013, can raise concerns and warnings where appropriate, where specific risk developments affect or may affect the Company.

#### ➤ Compliance Officer

The Compliance Officer is responsible for:

- Monitoring and assessing on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations
- Advising and assisting the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the relevant laws
- Reporting to the Board of Directors, on at least annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and on the Complaints-handling reporting as well as remedies undertaken or to be undertaken
- Monitoring the operations of the Complaints-handling process and consider Complaints as a source of relevant information in the context of its general monitoring responsibilities

### ➤ Internal Auditor

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, shall establish and maintain an internal audit function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor shall be appointed and shall report to the Senior Management and the Board of Directors of the Company. The Internal Auditor is responsible for:

- Establishing, implementing, and maintaining an audit plan to examine and evaluate the adequacy and effectiveness of the Company’s systems, internal control mechanisms and arrangements
- Issuing recommendations based on the result of the audit
- Verifying compliance with the recommendations
- Reporting in relation to internal audit matters to the management of the Company, the Board of Directors and to the regulators.

## Own Funds

The Company’s regulatory capital base consists of Common Equity Tier 1 (“CET1”), which includes share capital, share premium and retained earnings. From CET1, the Company deducts intangible assets and the Investors Compensation Fund contribution. From the Company’s capital base, the dividend declared during the year has also been deducted.

As at 31 December 2019, the Company’s share capital consisted of 5,520 ordinary shares of 1 euro each, which was issued at a premium.

### RECONCILIATION OF REGULATORY CAPITAL WITH CONSOLIDATED AUDITED FINANCIAL STATEMENTS

Own Funds reconciliation	EUR '000
Share Capital	6
Share Premium	2,084
Retained Earnings (includes 2019)	-1770
<b>Total Equity as per Balance Sheet</b>	<b>320</b>
Intangible Assets	-6
Investors Compensation Fund contribution	-66
<b>Total Common Equity Tier 1 Capital</b>	<b>248</b>

**CAPITAL POSITION**

The Company's capital position as at 31.12.2019, is presented below:

<b>Capital Position</b>	<b>EUR '000</b>
<b>Common Equity Tier 1 Capital (CET 1): Instruments and Reserves</b>	
Share Capital and Share Premium	2,090
Retained Earnings	-1,770
Other Intangible Assets	-6
Additional Deductions from CET 1 Capital: Investor Compensation Fund Contribution	-66
<b>Common Equity Tier 1 Capital (CET 1)</b>	<b>248</b>
Additional Tier 1 (AT1) Capital	0
Total Tier 1 Capital	248
Tier 2 Capital	0
<b>Total Capital</b>	<b>248</b>
<b>Risk Weighted Assets (RWA)</b>	
Credit Risk	90
Additional Risk Exposure Amount Due to Fixed Overheads	1,515
<b>Total Risk exposure Amount</b>	<b>1,605</b>
<b>Capital Ratios</b>	
CET1 Capital Ratio	15.46%
T1 Capital Ratio	15.46%
Total Capital Ratio	15.46%

**FEATURES OF CET 1**

Main Features of Capital Instruments		EUR
Instrument Type		Common Equity (CET 1)
Issuer		Constance Investment Ltd
Reporting Capacity		Solo
Total Amount of Issued Capital		€ 2,084,243
Nominal Amount of Instrument		€ 5,520
Issue Price		€ 1
Maturity		Perpetual
Dividend Type		Floating
Dates and Capital Raised	29 March 2019	€ 50,500
	28 June 2019	€ 90,000
	30 September 2019	€ 100,000
	31 December 2019	€ 163,400

## Capital Requirements

### CREDIT AND COUNTERPARTY CREDIT RISK

Credit Risk is defined as the potential that a counterparty may fail to meet its obligations in line with the agreed terms. The Company, based on its operational model, faces Credit Risk from two main sources. These are Banking Institutions, where own funds are deposited, and Brokers through which client transactions are executed. The Company identifies and monitors credit risk.

The Company maintains accounts with reputable banking institutions which maintain solid capitalization and robust liquidity. Additionally, the Company maintains accounts with prime broker which provides access to numerous exchanges worldwide and maintains 'Investment Grade' credit rating by S&P at BBB+.

**Note: The Company does not undertake any securitisation activity, nor does it have any asset encumbrances, nor does maintain a trading book**

#### ➤ Credit Risk Adjustments

The Company assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### ➤ Exposures by Exposure Class

Exposures by Exposure Class			
2019	Nominal Amount	Risk Weighted Asset	Capital Requirement
Exposure Class	EUR '000	EUR '000	EUR '000
Institutions	268	75	6
Central Government	10	0	0
Public Sector Entities	0	0	0
Retail	4	3	0
Other	12	12	1
<b>Total</b>	<b>294</b>	<b>90</b>	<b>7</b>

➤ **Exposures by Geographical Distribution**

<b>Exposures by Geographical Distribution</b>				
<b>2019</b>	<b>Cyprus</b>	<b>USA</b>	<b>Lichtenstein</b>	<b>Total</b>
<b>Exposure Class</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Institutions	205	58	5	268
Central Government	10	0	0	10
Public Sector Entities	0	0	0	0
Retail	4	0	0	4
Other	12	0	0	12
<b>Total</b>	<b>231</b>	<b>58</b>	<b>5</b>	<b>294</b>

➤ **Exposures by Residual Maturity**

<b>Exposures by Residual Maturity</b>			
<b>2019</b>	<b>Less than 3 months</b>	<b>Over 3 months</b>	<b>Total</b>
<b>Exposure Class</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Institutions	268	0	268
Central Government	10	0	10
Public Sector Entities	0	0	0
Retail	4	0	4
Other	12	0	12
<b>Total</b>	<b>294</b>	<b>0</b>	<b>294</b>

➤ **Exposures by Industry**

<b>Exposures by Industry</b>				
<b>2019</b>	<b>Credit Institutions</b>	<b>Investment Firms</b>	<b>Other</b>	<b>Total</b>
<b>Exposure Class</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>	<b>EUR '000</b>
Institutions	210	58	0	268
Central Government	0	0	10	10
Public Sector Entities	0	0	0	0
Retail	0	0	4	4
Other	0	0	12	12
<b>Total</b>	<b>210</b>	<b>58</b>	<b>26</b>	<b>294</b>

## USE OF ECAIS

The Company uses Standard & Poor's, Fitch, and Moody's to obtain credit ratings for the relevant asset classes for the application of the standardised approach. The use of these ratings follows the requirements of Article 138 of the Regulation and is used consistently for all exposures in a specific asset class. These ratings are used in the calculation of risk weights for the relevant asset classes, namely corporates and institutions. The Company uses the mapping table below, to map credit assessments to credit quality steps ("CQS"):

Credit Quality Step	Fitch Ratings	Moody's Ratings	S&P Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

The table below presents the exposure values associated with each credit quality step. The table includes counterparty credit risk.

Exposures by Credit Quality Step					
2019	CQS1	CQS2	CQS3	Unrated	Total
Exposure Class	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Institutions	5	205	58	0	268
Central Government	0	0	10	0	10
Public Sector Entities	0	0	0	0	0
Retail	0	0	0	4	4
Other	0	0	0	12	12
<b>Total</b>	<b>5</b>	<b>205</b>	<b>68</b>	<b>16</b>	<b>294</b>

## MARKET RISK

Market Risk is the risk of experiencing losses due to factors that affect the overall performance of the financial markets in which the Company is involved. It can arise from a number of exposures in the trading book such as Interest Rates, Equity Prices, and Foreign Exchange Fluctuation.

However, Market Risk faced by the Company is not direct, since the Company does not maintain a trading book, but rather indirect as exposures of clients can potentially impact the revenue stream and consequently the profitability of the Company. Additionally, the Company is exposed to the fluctuation of the price of the US Dollar over the Euro. This exposure arises from the fact that the Company earns all its



revenues in US Dollars and on the other hand, the majority of its expenses (mainly the operational) are occurred in Euro.

## OPERATIONAL RISK

Operational risk can be described as the potential for loss as a consequence of human failure or the failure of a process and/or technology, as well as external events incurred while pursuing the Company’s objectives. It arises from inadequate or failed internal processes, people, and systems, or from external events. Operational risk is inherent to all of the Company’s operations. The Company’s Risk and Compliance Officer in close collaboration with the Senior Management effectively manage and control operational risk by identifying, measuring, monitoring, and reporting.

Following the CRD IV implementation, Operational Risk is replaced by Fixed Overheads requirements for “Limited License” CIFs pursuant to Article 97 of the CRR. Therefore, the Company calculates total risk exposure based on fixed overheads.

Fixed Overheads Risk Exposure Amount Analysis	EUR '000
Fixed Overheads	485
Capital Requirement	121
<b>Fixed Overheads Risk Weighted Exposure</b>	<b>1515</b>

## OTHER RISKS

### ➤ Legal Risk

Legal 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 consequently of lawsuits. Litigation risk is restricted through the contracts used by the Company to execute its operations.

### ➤ Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company’s Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company’s control framework at least annually.

### ➤ Liquidity Risk

Liquidity Risk arises from two different characteristics of the Company operations. On one hand, given that the Company depends on capital injections from the UBO, it’s the ability the Company, to pay for its



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operational expenses without suffering significant losses. On the other hand, liquidity risk arises from the inability to sell a security in reasonable time and without suffering significant losses.

## Remuneration Policy

### REMUNERATION SYSTEM

The Company's remuneration system and policy applies to the staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors. The established practices are applied to achieve the following objectives:

- Remuneration of the Executive Directors are linked to the Company's performance aiming to improve the incentives of achieving key business goals by creating correlation between reward and performance
- Ensure base salary levels are not set at artificially low levels
- The Company uses remuneration system as a significant tool to attract and retain talent which can contribute to the Company's short- and long-term success.

The remuneration mechanisms employed are well known management and human resources tools that consider the staff's skills, experience, and performance, whilst at the same time support the long-term business objectives. The Company's remuneration system considers the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff.

It is noted that the Company has considered its size, internal organisation and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board of Directors level while the remuneration policy is periodically reviewed.

The total remuneration of staff currently consists of a fixed and a variable component. The variable component shall not exceed 100% of the fixed component. Remuneration varies across departments and roles, and it is designed to reflect the educational level, experience, accountability, and responsibility needed for an employee to perform his/her duties. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors. Variable remuneration shall be paid in cash, either via wire transfer or by cheque issued on the employee's name and shall be based on the employee performance and the profitability of the Company.

During the year under review, there was no variable remuneration component while no remuneration was payable under deferral arrangements. Finally, the Company did not pay any non-cash remuneration.

## PERFORMANCE APPRAISAL

The Company implements a performance appraisal method, which is based on a set of Key Performance Indicators, developed for each business unit. These Indicators include quantitative as well as qualitative criteria. The appraisal is being performed as follows:

- Objectives are set in the beginning of each month, quarter and/or year, depending on the department and role, defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.
- Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
- Annual performance evaluation takes place at the end of each calendar year.

## AGGREGATE REMUNERATION

The remuneration of the Senior Management personnel, including BoD members and Heads of Departments, during 2019 is presented below:

Remuneration Analysis 2019	EUR
BoD Executive Members	28,668
BoD Non-Executive Members	12,000
Risk and Compliance Departments	21,509
Asset Management Department	14,382
Brokerage Department	24,600
Accounting and Back-Office Departments	21,327
<b>Aggregate Remuneration</b>	<b>122,486</b>