

PILLAR III DISCLOSURES



August 2020

ROYAL FINANCIAL TRADING (CY) LTD
PILLAR 3 DISCLOSURES
YEAR ENDED 31 DECEMBER 2019
Appendix
August 2020

Disclosures in accordance with the Cyprus Securities and Exchange Commission Directive DI14-2014-144 and in accordance with Part Eight of Regulation (EU) No 2013/575 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.



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1. Overview

1.1. General Information

This report pertains to the “Disclosure and Market Discipline of Investment Firms” regulatory obligation, in accordance with the provisions of 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 (hereinafter the “CRR” or “Regulation”) and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the “CySEC”) for the prudential supervision of investment firms (hereinafter the “Directive”). Under this regulatory obligation Royal Financial Trading (CY) Ltd (hereinafter the “Company”) is obliged to provide information on its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of the Company’s corporate governance including its remuneration system. The scope of these disclosures is to promote market discipline and to improve transparency of market participants.

The information that the Company discloses herein relates to the year ended 31 December 2019.

The current regulatory framework (Basel framework) is based on three pillars:

- Pillar 1 (‘minimum capital requirements’) defines rules for the calculation of credit, market and operational risk
- Pillar 2 (‘supervisory review’) requires investment firms to estimate their own internal capital requirements through an Internal Capital Adequacy Assessment Process (“ICAAP”), which is subject to supervisory review and evaluation and
- Pillar 3 (‘market discipline’) involves the disclosure of a suite of qualitative and quantitative risk management information to the market.

1.2. Principal Activities

Royal Financial Trading (CY) Ltd (hereinafter the “Company”) holds a license from the Cyprus Securities and Exchange Commission (“CySEC”), number CIF 312/16 dated 10 August 2016, which permits the Company to operate as a Cypriot Investment Firm and to provide investment and ancillary services with regards to specific financial instruments as these are defined in the Company’s operating license.

According to its CIF license, the Company is authorized to provide the following investment and ancillary services:

Investment Services

- 1) Reception and transmission of orders in relation to one or more financial instruments;
- 2) Execution of orders on behalf of clients;
- 3) Provision of investment advice.

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Ancillary Services

- 1) Safekeeping and administration of financial instruments, including custodianship & related services;
- 2) Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- 3) Foreign exchange services where these are connected to the provision of investment services;
- 4) Investment research and financial analysis or other forms.

The above services can be offered for the following financial instruments:

Financial Instruments

- 1) Transferable securities;
- 2) Money-market instruments;
- 3) Units in collective investment undertakings;
- 4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- 5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- 6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market. MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- 7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- 8) Derivative instruments for the transfer of credit risk;
- 9) Financial contracts for differences;
- 10) Options, futures, swaps, forward-rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination events, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this point, which have the characteristics of other derivative



financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;

11) Emission allowances consisting of any units recognized for compliance with the requirements of Directive 2003/87/EC.

1.3. Scope of Disclosures

During 2019 the Company was controlled by The Royal Group Holding S.A.L., incorporated in Lebanon, which owns 75% of the Company's shares. The Pillar 3 Disclosures for the year ended 31 December 2019 are prepared on an individual (solo) basis.

1.4. Disclosure Policy

In accordance with the Article 433 of the Regulation (EU) No.575/2013, financial institutions are required to publish the disclosures, required in by Part Eight of the Regulation (EU) No.575/2013 at least on an annual basis.

The Company is required according to the Directive DI 144-2014-14 of CySEC (the "Directive") to provide a copy of the auditor's verification report to CySEC, five months after the end of each financial year, at the latest. However, the deadline for the 2019 disclosures is at the end of August 2020 due to Covid-19.

The Company discloses information in relation to its capital requirements on an annual basis. The disclosures are published on the Company's website www.oneroyal.com/eu/ in conjunction with the date of publication of the financial statements.

1.5. Coronavirus Outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. This has resulted in a huge decrease in oil prices and stock market indices. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures could slow down both the broader Cyprus and world economies and the operations of the Company. This is expected to result in increased economic uncertainty, reflected in more volatile asset prices and currency exchange rates, and possibly reduced trading activity.

2. Corporate Governance – Board and Committees

2.1. The Board

The composition of the Company's Board of Directors is comprised of four members, two of which are executive and two are independent non-executive directors. One of the executive directors is always the General Manager. The majority of the members of the Board of the Company, including the General Manager, shall be residents of the Republic of Cyprus.

The major duties of the Board of Directors of the Company are to:

- Ensure that the Company complies with its duties and obligations under the Law, and therefore the Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies.
- Ensure that it receives on a frequent basis and at least annually written reports regarding Compliance, Anti-Money Laundering (AML), Internal Audit and Risk Management issues, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Monitor the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.
- Pass a resolution for selecting a service provider or individual for outsourcing.

The Executive Directors / members of the Board take part in the operation of the Company and, as appropriate, in the provision of investment and ancillary services. The Independent Non-Executive Directors / members of the Board monitor the operations of the Company through their participation in the various Board Committees and in the meetings of the Board, and also request, when necessary, all the relevant information and reports from the management of the Company.

The Board meets at least once in a quarter. Quorum must be achieved before meetings can be considered open. Quorum shall be three (3) directors present either physically or through telephone/conference calls. The minutes of the meetings of the Board are submitted to the Cyprus Securities and Exchange Commission (hereinafter "the CYSEC") during which the reports regarding Compliance, AML, Internal Audit or Risk Management issues have been discussed. The minutes of the meetings of the Board are promptly submitted to the CySEC and in any case within the timeframes set by the relevant provisions of the legislation in force, at the time.

The Board of Directors makes decisions at a meeting by written resolution. All decisions of the Board regardless of the forum (physical presence or attendance via conference call) are made by a majority vote on all matters within the competence of the Board. In the event of voting tie, the group in which the President of the Board has voted for is considered to have the majority.

During 2019, the Board of Directors met six (6) times.

2.2. Board Recruitment Policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework. It seeks to resource the specific experience and skills needed to ensure the optimum blend (diversity) of individual and aggregate capability having regard to the Company's long term strategic plan.

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty;
- High business acumen and judgement;
- Knowledge of financial matters including understanding of financial statements and important financial ratios;
- Knowledge and experience relevant to financial institutions;
- Risk Management experience; and
- Specialized skills and knowledge in finance, accounting, law, or related subject.

2.3. Diversity Policy

The Company has in place and implements a Diversity Policy in relation to the selection of members of the Board of Directors. The Policy sets forth the main principles, which guide the Company's culture with respect to gender diversity and sets a timeline for working towards achieving a balanced gender representation on the Board of Directors.

In general, members of the Board of Directors must, at all times, be of sufficiently good reputation and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board of Directors reflects an adequately broad range of experiences that work in a balanced working environment without any form of discrimination due to gender, age, ethnicity or any other discriminating criteria. The Company promotes a culture of equal opportunities for all employees, regardless of gender. This culture is reflected in the composition of the Board of Directors.

Furthermore, the Company adheres to all regulatory requirements of the Cyprus Securities & Exchange Commission with respect to gender diversity. The Company believes that gender diversity at Board of Directors level allows a greater range of views and experiences to be expressed in determining strategy on a variety of subjects and as such is highly beneficial. Appointments to the Board of Directors are assessed on merit. While gender diversity is pursued, it shall not overshadow the importance of other factors such as skills, background and reputation. The Company understands its corporate responsibility as part of the investment community of Cyprus, to promote gender diversity. The Company strives to be an example of correct corporate governance and equal opportunities and recognizes the importance of gender diversity in promoting the public image of Cyprus Investment Companies.



2.4. Risk Management Committee

The Risk Management Committee ensures the efficient management of the risks inherent in the provision of the investment services to Clients as well as the risks underlying the operation of the Company, in general. Quorum must be achieved before meetings can be considered open. Quorum consists of two (2) members, two Independent Non-Executive directors, who present either physically or through telephone/conference calls. The Risk Management Committee reports directly to the Board of Directors. The Committee also attended by the Risk Manager (ex officio and without any voting rights).

The members of the Committee change only upon the approval of the Board of Directors. The latter must replace immediately the retiring member of the Committee or appoint a temporary member until a permanent member is selected. Any member wishing to retire from the Committee must submit a written resignation to the Board. In the letter the member must state the reason for resigning, while sufficient time must be given so the Board may select an alternative member. The Board has the duty to convene at short notice to examine the resignation letter, with the participation, if deemed necessary, of the said member of the Committee.

The responsibilities of the Risk Management Committee are:

- a. To scrutinize and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company;
- b. To evaluate, as required, from time to time any market-driven shifts in the Company's organizational structure;
- c. To review the risk management procedures in place (to monitor and control the Risk Manager in the performance of his/her duties);
- d. To ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically, such policy shall ensure that all parties involved in the provision of investment or ancillary services are aware of:
 - the particular features of each financial and ancillary service, financial instrument, and risk inherent in the provision of the services in respect thereof
 - the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company consider, to the extent possible, risk factor affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties;
- e. With respect to liquidity risk and market risk, to review the policies of the Risk Management Department on:
 - acceptable maximum risk assumption limits per class of risk

- break down of such risk limits further where necessary, for example, per class of investment service or financial instrument, or Client or market, etc
- implementing stop loss-control limits
- following up open positions within the approved limits
- f. Prior to expanding its operations to any new financial instruments or investment and ancillary services, the Committee ensures that the Company incorporates such expansion projects into its strategic development plan, locates and accurately assesses the inherent risks, implements relevant risk management procedures, and resolves the legal issues associated with the execution of the relevant transactions as well as the issues relating to their logistic monitoring;
- g. To ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets;
- h. To approve Client and counterparty limits;
- i. To approve the policy description concerning information systems; and
- j. To appoint the responsible security user/super user for the provision of access rights to the various database.

The Risk Management Committee presents its findings in a report to the Board. The latter decides upon the risk management policies of the Company, giving regard to the recommendations of the Risk Management Committee.

2.5. Investment Committee

Investment Committee ensures the practice of a proper investment policy and the monitoring of the provision of adequate investment services to Clients. The Investment Committee consists of four (4) members present either physically or through telephone conference calls.

The Investment Committee reports directly to the General Manager and has the following members:

- a. Two Executive Directors
- b. Two Independent Non-Executive Directors

The members of the Committee change only upon the approval of the Board.

The responsibilities of the Investment Committee are:



- a. To ensure the supervision of proper choice of investments (framework);
- b. To provide information analysis for a better briefing prior to decision-making;
- c. To analyze the investment potential and contribute to the elaboration of the investment policy;
- d. To examine the classification procedures of the Clients in different categories, as applicable;
- e. To determine the Company's pricing policy;
- f. To determine the mode, content and frequency of the Client's briefing;
- g. To monitor with the proper implementation of decisions;
- h. To brief the Internal Auditor;
- i. To analyze the economic conditions & investment alternatives based on a thorough examination of third-party reports;
- j. To select the appropriate benchmarks for different type of portfolios, where applicable;
- k. To monitor the performance of portfolios that the Company is dealing on own account;
- l. To monitor the way that performance is measured & the establishment of appropriate performance measurements procedures;
- m. To configure the investment choices framework against which the Company's organizational units responsible for the provision of dealing on own account;
- n. To decide upon the markets and types of financial instruments in which the Company is active (i.e. offering to Clients and for own account);
- o. To establish, set, approve, monitor and adjust the Company Investment Policy;
- p. To examine the returns and the associated risks of the managed portfolios;
- q. To establish risk profile categories for each Client (e.g. cautious, balance, growth, aggressive);
- r. To monitor the collection of the Client information through the filling of the KYC Questionnaire, the Investment Questionnaire, or information obtained through interviews.

2.6. Number of Directorships Held by the Board Members

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, including the one held in the Royal Financial Trading (CY) Ltd. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Name of Director	Position/Title	Directorships Executive	Directorships Non-Executive
Ahmad Ali Fayad	Executive Director	1	-
Andrew Condie	Executive Director	1	-
Loukas Kokkinos	Independent Non-Executive Director	-	4



Andreas Georghadjis	Independent Non-Executive Director	-	1
Manolis Chatzimanolis	Independent Non-Executive Director	-	-

¹ Note: The information in this table is based only on representations made by the directors of the Company.

² Note: Mr. Manolis Chatzimanolis appointment was not renewed after 31/12/2019.

2.7. Information flow on risk to the Management Body

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

Information	Report prepared by	Report received by	Frequency
Risk Management Report	Risk Manager	Board, CySEC	Annually
Internal Audit Report	Internal Auditor	Board, CySEC	Annually
Compliance Report	AML/Compliance Officer	Board, CySEC	Annually
AML Compliance Report	AML/Compliance Officer	Board, CySEC	Annually
Suitability Report	External Auditor	Board, CySEC	Annually
Audited Financial Statements	External Auditor	Board, CySEC	Annually

3. Risk Management Objectives and Policies

3.1. Risk Management Framework

The Company implements and maintains 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 adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Company appoints a qualified and experienced Risk Manager. The following relates to the principles that the Company follows in the Risk Management function.

It is part of the procedures of the Company, that the risk management and compliance functions is performed by the same person only in the event that this is not jeopardize the adequate functioning of each function. The Internal Audit Committee reviews and decides in such an event, if it arises.



The Company always adopts effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance.

The Risk Management function operates independently and monitors the following:

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

3.2. Risk Manager

The Board of Directors appoints a Risk Manager 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 directly to the President and the Board of the Company.

The Risk Manager is responsible for:

- a. Complying and implementing the relevant provisions of the Law, relating to risk management issues;
- b. Requiring sufficient information from all the relevant departments of the Company, as applicable;
- c. Educating and training the personnel of the Company or risk-related issues;
- d. Examining the financial results of the Company;
- e. Analyzing the market and its trends (from a risk management perspective), as applicable;
- f. 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 of Directors, as requested;
- g. Examining the capital adequacy and the exposures of the Company;
- h. Providing reports and advising the senior management, as requested;
- i. Setting, updating and monitoring Client and counterparty limits;
- j. Maintaining a record of all the Clients and counterparties risk and limits involved;
- k. Recommending, providing and supervising policy description concerning information systems (including backup systems that can restore smooth operation in case of failure);
- l. With respect to liquidity risk and market risk:
 - define acceptable maximum risk assumption limits per class of risk;
 - break down the above risk limits further where necessary, for example, per class of investment service or financial instrument, or Client or market, etc ;



- implement stop loss-control limits, where applicable;
- follow up open positions within the approved limits.

3.3. Internal Audit

The Company appoints a certified and qualified Internal Auditor. The Internal Auditor reports directly to the President and the Board of the Company. The Internal Auditor operates as a separate and independent function from the other functions and activities of the Company.

The Internal Auditor is responsible:

- a. To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- b. To issue recommendations based on the result carried out in accordance with item (a) above; verify compliance with the recommendations of item; and
- c. To provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors.

The Internal Auditor is responsible for applying the Internal Control System (the "ICS"), which confirm the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an annual and quarterly basis, of checks on the degree of application of the required ICS.

The Internal Auditor has clear access to the Company's personnel and books. Likewise, the Company's employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided.

The Board of Directors ensures that internal audit issues are considered when presented to it by the Internal Audit Committee and appropriate actions are taken. The Board ensures that all issues are dealt with and prioritized according to the Board's assessment.

3.4. Compliance Officer

The Board appoints a Compliance Officer 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, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports directly to the President and the Board of the Company. The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer is responsible for the following:

- a. To liaise with all relevant business and support areas within the Company;



- b. To monitor the adequacy and effectiveness of the measures and procedures of the Company;
- c. To advise and assist the relevant persons responsible for carrying out the investment and ancillary services be in compliance with the Law;
- d. To draft written reports to the Board of Directors indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies at least annually;
- e. To work on related changes to the Company's documentation;
- f. To train and educate the personnel of the Company in respect with the compliance function according to the Law;
- g. To communicate the relevant statutes of the Internal Operational Manual to each employee and to notify them of any relevant changes therein that relates to his/her role and responsibilities in the Company;
- h. To ensure that the Executive Directors or other hierarchical officers do not exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services;
- i. To ensure that all the procedures regarding the Company's conflict of interest policy are in place and to establish and to maintain Chinese Walls procedures between the various organizational units of the Company (and regular checks are performed to ensure the latter);
- j. To ensure that all employees have the ability to identify cases of potential conflict of interest (which are verified at least once a year);
- k. To decide whether to allow or not a transaction by notifying Clients, after being informed by members of the personnel of a potential conflict of interest situation;
- l. To disclose to Clients or potential Clients the general nature and any conflicts of interest potentially present;
- m. To keep records regarding conflicts of interest situations, where relevant;
- n. To maintain and monitor the Watch List and to establish measures in connection with personal transactions and to notify each relevant person of the restrictions on personal transactions.

3.5. Anti-Money Laundering Compliance Officer

The Company appoints a person to take up the position of the Company's Anti-Money Laundering Compliance Officer (the "AMLCO") to whom the Company's employees reports directly their knowledge or suspicion of transactions involving money laundering. The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and reports directly to the President and the Board of the Company.

Once a Company's employee has reported his/her suspicion to the AMLCO she / he is considered to have fully satisfied his/ her statutory requirements, under the relevant Law.

The role and responsibilities of AMLCO includes the following:

- a. To receive information from the Company's employees considered by the latter to be knowledge of money laundering activities or which is cause for suspicion connected with money laundering. All such reports are kept on-file;
- b. To validate and consider the information received as per point (a) above by reference to any other relevant information and discuss the circumstances of the case with the reporting employee concerned and, where appropriate, with the employee's superior(s). The evaluation of the information reported to the AMLCO should be recorded on the Anti-Money Laundering Compliance Officer Evaluation Report and retained on file;
- c. If following the evaluation described in point (b) above, the AMLCO decides to notify the Anti-Money Laundering Combat Unit of the Republic of Cyprus (the "Unit"), then she / he should complete a written report and submit it to the Unit the soonest possible;
- d. If following the evaluation described in point (b) above, the AMLCO decides not to notify the Unit then he should fully explain the reasons for such a decision on the AMLCO's Internal Evaluation Report which should be retained on file;
- e. To act as a first point of contact with the Unit, upon commencement of and during an investigation as a result of filing a report to the Unit under (c) above;
- f. To respond to requests from the Unit and determine whether such requests are directly connected with the case reported and, if so, to provide all the supplementary information requested and fully co-operate with the Unit ;
- g. To provide advice and guidance to other employees of the Company on money laundering matters;
- h. To acquire the knowledge and skills required which are used to improve the Company's internal procedures for recognizing and reporting money laundering suspicions;
- i. To determine whether the Company's employees need further training and/or knowledge for the purpose of learning to combat money laundering;
- j. The AMLCO is primarily responsible, in consultation with the Company's senior management and the Company's Internal Auditor, towards CySEC. The AMLCO also maintains the overall responsibility for the timely and correct submission to CySEC of any regular, periodic or other information, as requested, by explaining the relevant instructions for the completion of the above statement to the Company's employees who is responsible for the preparation of the statement;
- k. The AMLCO is able to deal with all enquiries that CySEC may wish to raise in connection with the information included in the above information; and
- l. To avoid mistakes and/or omissions in the course of discharging her / his duties, and most importantly, when validating the reports received on anti- money laundering suspicions, as a result of which a report to the Unit may or may not be filed. She / he is also responsible to act honestly and reasonably, and to make her / his determination in good faith. In this connection, it is emphasized that the AMLCO's decision may be subject to the subsequent review of CySEC which, in the course of examining and evaluating the anti-money laundering procedures of financial services firms and their compliance with the provisions of the Law, is legally empowered to report to the Attorney General a financial services firm which, in its opinion, does not comply with the provisions of the Law, or to the Unit where it forms the opinion that actual anti-money laundering has been carried out.

3.6. Risk Statement



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

3.7. Board Declaration - Adequacy of the Risk Management Arrangements

The Board of Directors is ultimately responsible for the risk management framework of the Company. The risk management framework is the totality of systems, structures, policies, processes and people within the Company that identify, assess, mitigate and monitor all internal and external sources of risk that could have a material impact on the Company's operations.

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, aligned to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

4. Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (hereinafter the "ICAAP") is an internal tool which allows Royal Financial Trading (CY) Ltd to assess its position and determine the amount of internal capital it needs to hold in order to cover its material exposures to all the risk it is facing or against the risks to which it may be exposed in the future.

The ICAAP falls under the scope of Pillar 2 which can be described as a set of relationships between the CySEC and the investment firm, the objective of which is to enhance the link between the investment firm's risk profile, its risk management and risk mitigation systems, as well as its capital.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1 by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICAAP comprises of all the measures and procedures adopted by Royal Financial Trading (CY) Ltd, with the purpose of ensuing:

- The appropriate identification and measurement of risks,
- An appropriate level of internal capital in relation to the Company's risk profile, and

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- The application and further development of suitable risk management and internal control systems and tools.

The ICAAP is owned and approved by Royal's Financial Trading Board of Directors.

5. Capital Base

The Capital Base of the Company is consisted solely of Common Equity Tier 1 capital. Common Equity Tier 1 capital is comprised of share capital, share premium, retained earnings and the audited loss from current year. From Common Equity Tier 1 capital, intangible assets, investors compensation fund (ICF), additional cash buffer and value adjustments due to the requirements for prudent valuation are deducted.

As at the 31/12/2019, the level of own funds was 138 EUR thousand. As at 31/12/2019 the Capital Adequacy Ratio was 5,64%. The Regulation stipulates at least a minimum capital ratio of 8%. At 31/12/2019 the Company's ratio dropped below the minimum capital ratio. However, in January 2020, the company received an amount of EUR 18,623.07 from its parent company (The Royal Group Holding) as a non-withdrawable capital contribution and in addition it closed down the marketing department in Cyprus to lower its expenses in order to meet the minimum capital requirements. In addition, the parent company has injected a total of EUR 71,431 in the first quarter of 2020 and an additional EUR 99,700 in July 2020 to ensure compliance with the minimum capital ratio requirements in subsequent quarters.

Table 1 below shows a breakdown of the own funds as at 31/12/2019:

Table 1: Capital Base	
	31 December 2019 (€'000)
Common Equity Tier 1 Capital	
Share Capital	125
Share Premium	-
Retained earnings	(1.041)
Other instruments eligible as capital	1.562
Audited income / (loss) for the year	(462)
Intangibles	(5)
Additional deductions of CET1 due to the CRR	(41)
Additional cash buffer	-
Value adjustments due to the requirements for prudent valuation	-
Total Common Equity Tier 1 Capital (CET1)	138



Additional Tier 1 (AT1)	-
Total Tier 1 (T1 = CET1+AT1)	138
Tier 2	-
Total Eligible Capital (=T1+T2)	138

Share capital

Authorized capital

The authorized share capital of the Company as at 31st December 2019 was 125.000 ordinary shares of nominal value of €1 each which in EUR (reporting currency) amounted to €125.000.

Issued capital

As at 31 December 2019 the Company's issued capital amounted to 125.000 ordinary shares at a nominal value of €1 each which in EUR (reporting currency) amounted to €125.000.

There were no changes in the share capital of the Company during the year.

6. Capital Requirements

Minimum regulatory capital requirements

The total capital requirements of the Company as at 31 December 2019 amounted to 195 EUR thousand as analyzed in Table 2 below:

Table 2: Minimum Capital Requirements		
Risk Category	Minimum Capital Requirements (€'000)	Risk-weighted amounts (€'000)
Credit Risk	31	383
Market Risk	7	93
Additional risk exposure amounts due to Fixed Overheads (OPR)	195	2.444
Total	195	2.444

During 2019, the Market risk was only comprised by FX risk.

6.1 Credit Risk



General

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's credit risk mainly derives from cash balances with banks and payment service providers.

The Company ensures for the proper diversification/dispersion of funds held with credit/financial institutions and targets to diversify country risk across countries. Further its Clients pre-deposit (fund) their accounts before they commence trading operations, and, as such, the company does not maintain debit balances from clients in its books of account and has in place negative balance protection ensuring that the trading accounts the clients will not go negative.

Capital Requirements

The Company follows the Standardized Approach for the calculation of the minimum capital requirements for credit risk.

Table 3 below presents the allocation of credit risk in accordance with the Standardized Approach exposure classes.

Table 3: Exposure Classes and Minimum Capital Requirements		
Exposures at 31 December 2019	Risk-weighted amounts (€'000)	Minimum Capital Requirements (€'000)
<u>Exposure Class</u>		
Institutions	157	13
Corporates	92	7
Other Items	134	11
Total	383	31

Nominated External Credit Assessment Institutions (“ECAIs”) for the application of the Standardized Approach

The Company uses credit rating of the following rating agencies, as eligible ECAIs: Moody's Investors Service.

In case a financial institution is not rated, management assesses the information available in relation to the creditworthiness and financial strength of the institution (based on the requested and



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publicly available information), as well as whether the institution is regulated in the country of incorporation.

Assignment of risk weights is based on the provisions of Chapter 2 Title II of CRR and in certain cases when credit ratings are not available for the particular exposure, sovereign ratings or rating of central government of the relevant country to which the exposure relates to are used instead (based on the provisions of CRR).

The Company has used the credit quality step mapping table 4 below to map the credit assessment to credit quality steps.

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

A breakdown of the Company's exposures by Credit Quality Step (CQS) is given in the following table:

Table 5: Breakdown by CQS by counterparty		
Exposures at 31 December 2019	Exposure Value before Credit risk mitigation (€'000)	Exposure Value after Credit risk mitigation (€'000)
Credit Quality Step		
5	29	29
Unrated/Not applicable	341	341
Total	370	370

The average exposure of the Company in 2019, broken down by asset class, is shown in Table 6 below:



Table 6: Average Exposure in 2019			
Exposure Class	Original exposure amount, net of specific provisions (€'000)	Average Exposure (€'000)	
Institutions	141	102	
Corporates	91	98	
Other Items	138	124	
Total	370	324	

The table that follows provides information on the residual maturity of the Company's Credit Risk exposures as at 31 December 2019:

Table 7: Exposure Classes and Residual Maturity			
Exposures at 31 December 2019	Maturity ≤ 3 months (€'000)	Maturity > 3 months (€'000)	Total (€'000)
<u>Exposure Class</u>			
Institutions	141	-	141
Corporates	41	50	91
Other Items	4	134	138
Total	186	184	370

The table below illustrates the geographic distribution of the Company's exposures as at 31 December 2019:

Table 8: Exposure Classes by Country						
	AU (€'000)	CY (€'000)	GB (€'000)	LB (€'000)	Other Countries (€'000)	Total (€'000)
<u>Exposure Class</u>						
Institutions	21	50	2	68	-	141
Corporates	-	60	5	2	24	91
Other Items	-	138	-	-	-	138
Total	21	248	7	70	24	370



The table presented below illustrates the distribution of the Company's exposures by industry type as at 31 December 2019:

Table 9: Exposure Classes by Industry			
Exposures at 31 December 2019	Financial (€'000)	Non-Financial (€'000)	Total (€'000)
<u>Exposure Class</u>			
Institutions	141	-	141
Corporates	35	56	91
Other Items	-	138	138
Total	176	194	370

Financial assets – Impairment

The Company recognizes allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

ECL allowances represent credit losses that reflect an unbiased and probability - weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition.

A financial instrument that is not credit impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").

If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").



If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's rating agency.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

As at 31/12/2019 no exposures were past due or impaired. The provision amount was zero.

6.2 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.

The Company uses the Standardized Method to measure capital requirements for market risk.

Foreign Exchange Risk

It is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. As the Company's principal activity is trading CFDs in foreign currencies, it is exposed to foreign currency risk as a result of the existence of open currency positions in the currencies in which it performs transactions with its customers. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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 US Dollar and the British Pounds. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

6.3 Operational Risk

Operational risk is defined as the risk of a direct or indirect impact resulting from human factors, inadequate or failed internal processes and systems, or external events. Operational risk includes, inter alia, actual and/or potential losses caused from deficiencies in the Company's set-up of operations, including but not limited to, system integrity and reliability, employee fraud, weaknesses in personnel appointment, organizational structure and internal communication inefficiencies.

The Company's exposure to operational risk is limited to the extent of its current scale and complexity. The Company has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized. However, most operational risks are managed within the departments in which they arise.

In addition to its overall framework, in order to mitigate operational risks, the Company has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.



Following the recent implementation of the Regulation 575/2013 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 ('the Regulation'), the amendments in the Investment Services and Activities and Regulated Markets Law (October 30, 2017) and the issuance of Directives DI2014-144-14 and DI2014-144-15, the Company has been categorized as an investment firm that falls under Article 95(1) of the CRR. Given its categorization, the Company has adopted the Fixed Overheads Exposure Risk calculation method to calculate its total risk exposure amount.

The table below shows the Total Risk Exposure which takes into account the exposure to Fixed Overheads. The fixed overheads are based on the fixed overheads of the preceding year adjusted for items listed below:

- a. fully discretionary staff bonuses;
- b. employees', directors' and partners' shares in profits, to the extent that they are fully discretionary;
- c. other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;
- d. shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable;
- e. fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;
- f. fees to tied agents;
- g. interest paid to customers on client money; and
- h. non-recurring expenses from non-ordinary activities.

Table 10: Operational Risk Exposure	
Operational Risk	31 December 2019 (€'000)
Total expenses (after the distribution of profits)	792
Fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions	(10)
Fixed Overheads	782
Fixed Overheads Requirement (25% of Fixed Overheads)	195
Fixed Overheads risk exposure amount	2.444

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Other Risks

6.4 Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available the support of the Company's shareholder to perform liquidity injections to the Company where is deemed necessary.

Currently this risk is categorized as Low which is fully justified by the fact that the overwhelming majority of the Company's liabilities are current in nature (clients' funds) whilst on the other side of the equation assets/funds held to cover such liabilities are readily available upon demand, as such funds are held with credit and other financial institutions in current and other accounts of readily available nature. The Company also ensures it has sufficient cash on demand to meet any operational expenses that arise.

6.5 Concentration Risk

It is the risk imposed to a financial institution by any single or group of exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region which have the potential to produce losses large enough to threaten the ability of the institution to continue operating as a going concern. The Company targets clients from different regions/countries and manages any large exposures to a single credit institution or counterparty in order to mitigate this risk.

6.6 Business Risk

Business Risk refers to the possibility of reduced profits or even the incurrence of losses that as a result of unfavorable conditions in the business environment, thus having a current and/or future adverse impact on the Company's financial performance and/or financial position. The continuous attention of the Company's Board of Directors and Senior Management who have the knowledge and technical expertise to implement goals, objectives and strategic initiatives ensures mitigation of the Company's exposure to Business Risk.



7. Remuneration Policy

The remuneration policy of the Company applies to all of the Company's employees. The main purpose of this policy is to ensure the consistent and improve implementation of the conflicts of interest and conduct of business requirements under the Law in the area of remuneration. On the one hand, remuneration policies and practices ensure compliance with the conflicts of interest requirements, and on the other hand, they also ensure compliance with the conduct of business rules.

The policy reflects the Company's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that:

- the Company is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- employees are offered a competitive remuneration package;
- employees feel encouraged to create sustainable results and that a link exists between shareholder and employee interests;
- the Company's focus areas are supported.

The policy focuses on ensuring sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these goals to employees;
- including both financial and non-financial goals in performance and result assessments, and
- making fixed salaries the main remuneration component.

The remuneration policy of the Company is set by the Company's Senior Management and the Board of Directors. Decisions with regards to remuneration levels and salary increases of employees are taken by the Executive Directors of the Company, in consultation with the departmental heads. Employees are assessed using a set of criteria that differ according to the position and responsibilities of the employee concerned. In addition to examining these factors, the Executive Directors of the Company will hold discussions with each employee at the beginning of each year to discuss the employee's performance during the preceding year, while they also take into consideration the recommendations received by the heads of departments with regards to the employees they propose for salary increase. At the annual appraisal interview, the individual employees and managers evaluate and document performance and set new, documented goals. Decisions on adjustment of the employee's fixed salary are made based on this meeting.



The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflect the business unit, the employee's rank in the Company and professional activity as well as market practice.

The **fixed remuneration** is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

The **performance-based remuneration (variable remuneration)** motivates and rewards high performers who strengthen long-term customer relations and generate income and shareholder value. The Board of Directors has determined that there will be no performance-based remuneration relative to the fixed remuneration.

The other main remuneration components, beyond fixed and variable remuneration, are:

Deferred compensation is an arrangement in which a portion of an employee's income is paid out at a later date after which the income was actually earned. Examples of deferred compensation include private provident funds, retirement plans and employee stock options. The primary benefit of most deferred compensation is the deferral of tax to the date(s) at which the employee actually receives the income. The Company presently does not support any form of deferred compensation, private pensions, retirement plans or employee stock options.

Workers compensation and sick leave schemes guarantee employees a basic cover in the event of illness or death. The workers' compensation schemes of the company's Executive Directors and employees are subject to and are regulated by applicable laws and regulations in Cyprus. The Company is committed to meeting its obligations under applicable workers' compensation acts which provide medical, rehabilitation, and wage-replacement benefits to individuals who sustain work-related injuries or illnesses while working.

Statutory pension contributions and schemes: According to Social Pension Law there is an obligatory payment out of the General Revenue of the Republic of a pension to individuals residing in Cyprus, satisfy certain residence conditions, who reach the age of 65 and do not have the right to pension or other similar payment from any other source. All of the Company's employees are properly registered under the Cyprus Social Insurance Scheme (SIS) and the Company pays the employer's social security contributions required by law and is withholding and pays on behalf of its employees, the employee's social security contributions required by law. The Company presently does not support any form of deferred compensation, private pensions, retirement plans or employee stock options.

Other benefits may be awarded based on individual employment contracts and local market practice. The granting of any such 'other benefits' requires the prior approval of the Board of Directors.

Severance payments are payable in accordance with the relevant employment laws in Cyprus, in particular, the Termination of Employment Law of 1967, as amended. The notice period is observed in the case of early termination of employment depends on the employee's continuous



length of service and is calculated in accordance with a Table set out in the Termination of Employment Law of 1967, as amended. Similarly, any severance payments due and or payable in the case of early termination of employment are calculated according to years of employment in accordance with a Table set out in the Termination of Employment Law of 1967, as amended. Please note that the Company is not a party to any Collective Bargaining Agreements.

Remuneration and Capital

The table below presents a breakdown of the annual remuneration for those categories of staff whose professional activities have a material impact on the risk profile of the Company, by business area:

Table 11: Aggregate Remuneration by Business Area			
Business Area	Fixed Salary	Variable Salary	Total
	(€'000)	(€'000)	(€'000)
Executive & Non-Executive Directors	131	-	131
Control Functions	55	-	55
Total	186	-	186

Control functions include the persons employed in the Finance and AML & Compliance Management.

The aggregate remuneration for 2019, broken down by Senior Management (including Executive and Non-Executive Directors) and other Material Risk Takers whose actions have a material impact on the risk profile of the Company, is represented in Table 12, as follows.

Table 12: Aggregate Remuneration by Personnel Category				
Personnel	No. of people	Fixed (Cash)	Variable (Cash)	Total
		(€'000)	(€'000)	(€'000)
Senior Management (incl. Executive and Non-Executive Directors)	5	131	-	131
Other Material Risk Takers	2	55	-	55



Total	7	186	-	186
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Annex I – Risk Statement

In order to achieve its business objectives, the Company recognizes that it will take on certain business risks. The Company aims to take business risks in an informed and proactive manner such that the level of risk is aligned with the potential business rewards. Management regularly reviews risk exposures against current business-risk level tolerances and risk limits to ensure they fit with the Company strategy.

The Company is risk averse with respect to risks that could:

- Negatively affect clients
- Negatively affect the safety of employees
- Negatively affect the Company’s reputation or brand
- Lead to breaches of Laws and regulations, or
- Endanger the future existence of the Company

The Company’s Risk Appetite Statement establishes the philosophy and the high-level boundaries for risk-taking activities across the Company. Risk Policies and Tolerances give more specific guidance/limits for particular risks, providing clarity for management in making day-to-day risk-return decisions.

The Company has taken the approach to be risk averse and the Company takes reasonable steps to manage its risks. This is reflected in the Company’s low appetite for taking on risk in any of its activities. Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where its Directors judge the benefit or the potential of the mitigation to exceed the costs of the mitigating controls.

The same low tolerance to risk is reflected on the cost side of the business with minimal long term cost commitments. The Company has little to no tolerance for engaging in activity that adversely influences its risk profile. All risks of any significance are identified, assessed and controlled on an on-going basis.

Supporting this culture, the Company:

- Operates responsibly, meets the financial service needs of its customers, provides excellent customer service and maintains impeccable professional standards and business ethics;
- Makes business decisions only after careful consideration of risk;

- Understands the risks it takes on increasing exposure to new strategic initiatives/products only as sufficient experience and insight is gained;
- Exercises disciplined moderation in risk taking;
- Underpinned with strength in capital, funding and liquidity;
- Diligently strives to protect and enhance its reputation whilst being intolerant of regulatory and compliance breaches or risks associated with its people;
- Maintains a control environment that, within practical constraints, minimises risks, and
- Promotes a culture aimed at the achievement of best practice in the recognition, assessment, management and pricing of risk.

In conjunction with its risk culture and boundaries, the Company also requires operational and compliance risks to be kept at low absolute levels. The specific appetite for each risk type is implemented and enforced by an extensive set of codified specific limits, controls, delegations and governance processes.

It is the Risk Manager's suggestion that different triggers and thresholds be set on a forward looking basis and define the escalation requirements for further action. The Company then assigns risk metrics that are sensitive to material risks, which the company is exposed and able to function as key indicators of financial health.

The Own Funds of the Company at the end of 2019 dropped below the minimum requirements entering the "crisis" profile. In the event that the desired risk appetite is breached under either normal or stressed scenarios, these breaches are highlighted to the Senior Management, and ultimately to the Board of Directors should consider this at the soonest taking the necessary action to increase the Capital base of the Company, according to the well-documented Risk Management procedures that the Company has in place and describe the immediate actions at an adverse event.

Annex II – Balance Sheet Reconciliation



Balance Sheet Description	Amount (€'000)
Share Premium, as per published financial statements	-
Share Capital, as per published financial statements	125
Retained Earnings, as per published financial statements	(1.041)
Other instruments eligible as capital	1.562
Profit & Loss, as per published financial statements	(462)
Non reciprocal shareholder contribution	-
Intangible assets/Goodwill, as per published financial statements	(5)
Additional deductions due to the CRR	(41)
Additional cash buffer	-
Value adjustments due to the requirements for prudent valuation	-
Total Own Funds	138

Annex III – Own Funds Disclosure Template



At 31 December 2019	Transitional Definition	Full - phased in Definition
	€'000	€'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	125	125
Retained earnings	(1.503)	(1.503)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Other instruments eligible as capital	1.562	1.562
Common Equity Tier 1 (CET1) capital before regulatory adjustments	184	184
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	(5)	(5)
Additional deductions of CET1 Capital due to Article 3 CRR	(41)	(41)
Additional cash buffer	-	-
Value adjustments due to the requirements for prudent valuation	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(46)	(46)
Common Equity Tier 1 (CET1) capital	138	138
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	138	138
Total regulatory adjustments to Tier 2 (T2) capital	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	138	138
Total risk weighted assets	2.444	2.444
Capital ratios and buffers		
Common Equity Tier 1	5,64%	5,64%
Tier 1	5,64%	5,64%
Total capital	5,64%	5,64%

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.