7Q Financial Services Limited

DISCLOSURES IN ACCORDANCE WITH THE DIRECTIVE FOR THE CAPITAL REQUIREMENTS OF INVESTMENT FIRMS FOR THE YEAR ENDED 31 DECEMBER 2016

May 2017

CONTENTS

1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Requirements of the Directive

In June 2004, the Basel Committee on Banking Supervision ("BCBS") issued its report on "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (commonly known as Basel II), aiming to strengthen the security and reliability of the financial system, promoting fairer competition and providing for more comprehensive measurement of risks. In addition to the one existing pillar of minimum capital regulations (Pillar I), the accord now also includes two further elements: the supervisory procedure (Pillar II) and market discipline (Pillar III). It also views operational risks separately from credit risks, and requires institutions to underpin them by equity capital.

The information below is disclosed in accordance with the provisions of Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions for investment firms (hereinafter referred to as "the Regulation") and paragraph 32(1) of DI144-2014-14 (the "Directive) of the Cyprus Securities and Exchange Commission for the prudential supervision of investment firms.

In Cyprus, the CRD was implemented through:

- Directive DI144-2014-15 of 2014 of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No.575/2013 (the Capital Requirements Regulation, "CRR")
- Directive DI144-2014-14 of 2014 of the Cyprus Securities and Exchange Commission for the prudential supervision of Investment Firms

The Company has prepared these disclosures in accordance with the requirements of the Directives (collectively, "the Directive"). In line with the provisions of the above mentioned Regulation and Directive, 7Q Financial Services Ltd, has an obligation to publish information in relation to the risks and risk management on an annual basis at a minimum.

The information that 7Q Financial Services Limited ('the Company") discloses herein relates to the year ended 31 December 2016.

Principal Activities

7Q Financial Services Limited was incorporated in Cyprus on 14 March 2000 as a limited liability company under the Companies Law, Cap. 113, with registration number HE 109709.

The Company is an authorised Cypriot Investment Firm ("CIF") and operates in accordance with its licence with CIF number 061/05 granted by CySEC on 4 November 2005.

The principal activities of 7Q Financial Services Limited are the provision of the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments Portfolio Management Investment Advice	Safekeeping and administration of financial instruments, including custodianship and related services Foreign exchange services where these are connected to the provision of investment services

Disclosure Policy

The Company discloses information in relation to risk management structure, policies and procedures and minimum capital requirements on an annual basis.

The disclosures are published on the Company's website at www.7qfs.com within four months after the financial year end. A hard copy is available for collection upon request.

Scope of the Disclosures

As at 31 December 2016, the Company held the investment in subsidiary company 7Q Invest Ltd, a company incorporated in Cyprus.

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

2. RISK MANAGEMENT AND GOVERNANCE OF THE COMPANY

The Company's Board of Directors and Senior Management have the overall responsibility for the establishment and oversight of the Company's risk management framework, including aligning business strategy with risk appetite, and ensuring that all key risks are controlled through various control mechanisms.

Board of Directors

The Board of Directors constitutes the ultimate administrative part of the Company. More concretely it approves:
1. The objectives of the Company
2. The general policy of the Company
3. The strategic direction of the Company
4. The annual budget
5. The operations manual and other procedures to be followed in the course of the Company's business

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

The Board of Directors consists of two (2) executive and two (2) non-executive directors.

The internal control system and risk management system is overseen by the following committees / units:
- Board of Directors, as noted above
- Risk Management Committee
- Internal Audit
- Compliance Officer

Risk Management Function

The Risk Management is responsible for the following:

- Monitoring of risk management policies and procedures as defined by the Board of Directors, which identifies risks relating to the Company's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company.
- Evaluating 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.
- Monitoring Company compliance level and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with the above paragraph
- Ensuring that for each quantifiable risk, the defined limits are followed
- Reporting to the Board of Directors on a frequent basis the Company risk profile.
- Ensuring that in case of expansion into new business areas or asset classes, any rewards are always weighted by their associated risks.Monitoring of the underlying environment in which the Company operates for any material changes that may arise and to warn the Board of Directors and related managers.
- Contributing to the Investment Process, as this is defined by the Investment Committee, in terms of risk management matters and policy set-up, and recommend appropriate action when necessary.

Information flow on risk to the Board of Directors

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

- Risk management report
- Internal Audit report
- AML Compliance Officer report
- Compliance Officer report
- Financial Statements
- Suitability report

Board Recruitment Policy

Along the lines of the changes in the regulatory reporting framework, the Company plans to establish and implement a Board Recruitment Policy within the year 2017 with the aim to identify, evaluate and select candidates as well as ensure appropriate succession. The purpose is when recruiting new members to ensure compliance with the relevant legislation and Company's policies and procedures. Potential member candidates must be qualified with specialized skills, available to commit adequate time and have a sound understanding the company's activities and the main risks.

Diversity policy

The Company recognizes the benefits of having a diverse Board of Directors which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences will be considered when determining the optimum composition of the Board of Directors.

In line with the recent changes in the regulatory reporting framework (CRR), the Company is in the process of establishing a dedicated diversity policy in relation to the Board of Directors.

Number of Directorships held by Members of the Board

The Table below provides the number of Directorships the members of the management body hold simultaneously in other entities. Directorships in organisations which do not pursue predominately commercial objectives, such as non-for-profit or charitable organisations are not taken into account. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Name of Director	Position with 7Q Financial Services Ltd	Directorships– Executive	Directorships – Non - Executive
Andreas Hadjikyrou	Executive	1	2
Andreas Michalias	Executive	1	0
Sophocles Parapanos	Non - Executive	1	4
Alexandros Alexandrou	Non - Executive	1	1

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

On 27 July 2016, Mr. Jason Xenophontos resigned from being a member of the Board of Directors of the Company. On 29 July 2016, Mr. Andreas Michalias appointed as a member of the Board of Directors of the Company.

Compliance Officer

The Company intends to uphold the strictest rules in order to ensure high ethical and professional standards, both in terms of its employees and managers. To this effect it has decided to outsource the compliance function to a specialist service provider, responsible for monitoring the day-to-day operations of the Company and the actions of its personnel, making sure that such actions conform with the internal control procedures and the laws governing the financial services industry, as well as any other applicable laws and regulations.

The Duties of the Compliance Officer include the following:

- Monitoring the procedures for the prevention and detection of activities and practices that aim at the legitimization of income from criminal activities (defined as “money laundering proceeds”) Ensuring that there is strict adherence to the procedures for the prevention of any activities aimed at manipulating market prices
- Supervising staff and activities with the aim of monitoring the adherence to the legislative framework that governs the Company, the identification of possible divergence from the applicable procedures and rules and the undertaking of proper measures for the prevention of errors
- Continuously supervising and evaluating the compliance mechanism and the presentation of proposals for the improvement of their effectiveness to the Board of Directors
- Monitoring the Anti-Money Laundering procedures and receiving information regarding suspicious transactions
- Checking the degree of conformity of the Company with the indications of every nature of control (internal auditors, external auditors-independent certified)

Anti-Money Laundering and Terrorism Financing

- The Compliance Officer of the Company will:

- Have the responsibility for ensuring that adequate policies and procedures are in place for preventing Money Laundering and Terrorist Financing. The procedures are described in detail in the "Anti-Money Laundering Manual.
- Be responsible for the supervision of the staff and Company activities with the aim of monitoring the adherence to the legislative framework.
- Contact scheduled as well as non-scheduled checks on the above issues.
- In the event of the detection of any deficiencies, he reports them to the Managing and Deputy Managing Director and suggests the adoption of suitable corrective measures.
- Be informed of any changes in applicable legislation that should be reflected in the practices of the Company. If changes in legislation necessitate the change of the Manual, then the Compliance Officer will be responsible for presenting such proposals to the Board of Directors in a timely manner and informing employees of the changes and their impact.
- The Compliance Officer will be available at any time to all personnel for advising on any matters concerning compliance issues.
- To supervise and evaluate the compliance program and present proposals for its improvement to the Board of Directors.
- Notify amendments in the operational procedures and manual to employees in writing. All employees shall receive and acknowledge in writing the receipt and review of the operational manual and any updates.
- On an annual basis the Compliance Officer will prepare and submit the Compliance Review report to Cysec

Internal Audit

The Internal Audit function is outsourced to an external audit firm. The function provides independent and objective assurance on the internal control environment and makes recommendations on a risk-prioritisation basis, advising where appropriate on policies, standards and procedures that are efficient and reflect leading practices.

The internal auditors are independent and report directly to the Board of the Company through a written internal audit report prepared annually.

Investment Committee

The Investment Committee is responsible for developing the Investment Strategy and investment approaches to be followed by the Company. To this effect, the Committee meets on a quartely basis to examine the economic conditions and other relevant matters that are likely to affect the investment strategy of the Company. An extraordinary meeting might be arranged at any time by any member of the Committee.

Responsibilities of the Committee include:

- The development of distinct investment strategies (Model Portfolios) that correspond to risk profiles
- The development of appropriate questionnaires to be used to classify customers according to their risk profile
- The analysis of economic conditions and investment alternatives based on a thorough examination of third party reports

- The development of a Report with proposed asset allocation weights, and other relevant information that will serve as guidance for portfolio managers and clients
- The monitoring of the performance of the portfolios that the Company is managing
- The monitoring of the performance of portfolio managers
- The monitoring of the way that performance is measured and the establishment of appropriate performance measurement procedures
- The selection of appropriate benchmarks for different types of portfolios
- The invoicing (pricing structure) for the different services that the Company offers
- The selection and monitoring of the method and frequency based on which the portfolio managers will report to their customers

Risk Committee

The Risk Committee's main duties are to assist the Board in assessing the different types of risk to which we are exposed, as well as our risk management structure, organization and processes. The Risk committee approves selected risk limits and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and capital adequacy requirements. The Risk Committee performs a self-assessment once a year where it reviews its own performance against the responsibilities listed in the Internal Procedures Manual and the committee's objectives and determines any special focus objectives for the coming year.

Risk Appetite Framework (RAF)

Risk appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, conduct, reputational and compliance risk. The overall risk profile of the Company remains low-medium.

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

The risk appetite of the Company, expresses its strategy through desirable and undesirable risk exposures. It is the aggregate level and types of risk the Firm is willing to assume within its risk capacity to achieve its strategic objectives & business plan. Thus, Risk Appetite and Strategic Plan occur and evolve in parallel. The Risk Appetite enables the organisation to demonstrate that the achievement of its strategic goals has not been the result of fortuitous circumstances.

Furthermore, the Risk Capacity/Tolerance is the maximum amount of risk which the Company is technically able to assume before breaching one or more of its capital base, liquidity, reputational and regulatory constraints.

The risk capacity represents the upper limit beyond which a breach is likely to result in failure.

Taking into consideration the Firm's size, services offered, complexity and operations, the risks that are considered significant and / or material for the Company are credit risk, market risk, operational risk, liquidity risk and large exposures.

In regards to the above, setting the corporate risk appetite without taking into account the risk capacity of the entity may have serious consequences. Risk capacity may be easy to quantify in terms of capital or required funding but it is more challenging to consider the point at which the Company's reputation is beyond repair.

The Board of Directors and Senior Management understand how the risk capacity impacts on the business and have taken the necessary steps in order to be in constant awareness, mitigating any potential threads.

The Company is currently in the process of establishing its Risk Appetite Statement.

Board Declaration – Adequacy of the Risk Management arrangements

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

The Board of Directors approves in full the adequacy of Risk Management arrangements of the Company providing assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

Internal Capital Adequacy Assessment Process (ICAAP)

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

The Company will be preparing its ICAAP document during the course of the year 2017.

3. CAPITAL MANAGEMENT

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

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

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

Pillar I – Minimum Capital Requirements

The Company adopted the Standardized approach for Credit and Market risk and the Fixed Overhead approach for Operational risk.

According to the Standardized approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong.

The Standardized measurement method for the capital requirement for market risk adds together the long and short market risk positions according to predefined models to determine the capital requirement.

For operational risk, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

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

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risks not fully addressed in Pillar I, such as liquidity risk, compliance risk, reputational and information technology risk and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds.

4. OWN FUNDS

The Own Funds of the Company as at 31 December 2016 consisted of Tier 1 (CET1) capital. The Company's CET1 capital includes share capital and reserves, less the Company's contribution to the Investors Compensation Fund, less Intangible Assets, which is deducted in accordance with CySec's Circular C162 issued on 10/10/2016.

The Own Funds (Capital Base) of the Company as at 31 December 2016 are analysed in Table 1 below:

Table 1: Capital Base	**31 December 2016 €000**
Original Own Funds (Tier 1)	
Share Capital	257
Reserves	(100)
Total own funds before deductions	**157**
Deductions	
Intangible Assets	(3)
Investor Compensation Fund	(63)
Total Eligible Own Funds	**91**

Share Capital

The Company's issued share capital as at 31 December 2016 amounted to €256.500, divided into 150.000 ordinary shares of €1,71 each.

Compliance with initial capital requirements

The Company has to meet an initial minimum capital (own funds) of €125 thousand. As at 31st December 2016, the Company's own funds amounted to **€91 thousands**, which is below the minimum initial capital of €125 thousand. To this end, the Company's shareholder proceeded with additional capital increase during 2017 for the amount of €34 thousand.

Capital Adequacy Ratio

As at 31st December 2016 the Capital Adequacy Ratio was 25,23%. The Directive stipulates a minimum capital adequacy ratio of 8%.

5. CAPITAL REQUIREMENTS

Minimum regulatory capital requirements

The Company implements procedures and takes the necessary actions to maintain its capital above the minimum level as prescribed by the relevant legislation.

The total capital requirements of the Company as at 31 December 2016 are analyzed in Table 2 below:

Table 2: Minimum Capital Requirements	31 December 2016 €000
Risk Category	**Minimum Capital Requirements**
Credit Risk	19
Foreign Exchange Risk	-
Operational Risk / FOH	29
Total	**29**

The Capital Adequacy ratio of the Company as at 31 December 2016 was 25,23%.

5.1. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and trade and other receivables. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The Company has adopted the Standardised Approach for the assessment of capital requirements for credit risk, and has elected to use Moody's Ratings as the External Credit Assessment Institution ("ECAI") for all classes of exposure. The Company has used the credit step mapping tables provided in the Directive to map credit assessment from the ECAI to risk weightings.

Table 3

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

The Company made use of the sovereign Moody's ratings to rate this exposure. Since this amount relates to the Cyprus government, it was allocated into Credit Quality Step 1 and received a 0% risk weight.

For the credit ratings of institutions, the Company has used the Moody's ratings. The Company's main exposures were located in an institution in Cyprus, and therefore fell under Credit Quality Step 6, granting it a risk weight of 150%, according to the Central Government Risk Weight based method.

Exposures to corporates were unrated. As a result, a 100% risk weight was used.

For the credit ratings of equity, the Company has used the Moody's ratings. The Company's main exposure was located in equity in the banking sector in Cyprus, granting it a risk weight of 150%.

The Other Items category comprises exclusively of Fixed Assets. A risk weight of 100% has been applied to all other items.

No credit mitigation techniques ("CRM") used by the company as at the end of the year.

The exposure to credit risk as at 31 December 2016 was €185 thousands.

Capital Requirements

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

We note that the Company does not keep any collateral in relation to its credit risk exposures.

Table 4 below presents the allocation of credit risk in accordance with the Standardised Approach exposure classes:

Table 4: Exposure Amount, Risk Weighted Assets and Minimum Capital Requirements			**31 December 2016 €000**
Exposure Class	**Total Exposure Value**	**Risk Weighted Assets**	**Minimum Capital Requirements**
Central Governments and Central Banks	4	0	0
Institutions	110	165	13
Corporates	53	53	4
High Risk	1	2	0
Equity	9	9	1
Other Items	8	8	1
Total	**185**	**237**	**19**

Risk Weighted Assets and Credit Quality Steps

For the credit ratings of institutions the Company made use of the ratings of Moody's and mapped them to the corresponding Credit Quality Step ("CQS").

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

Table 5: Exposure Amount (before & after CRM) per Exposure Class	Credit Quality Step		31st December 2016 €000
	CQS5	N/A	Total
Central Governments and Central Banks	-	4	**4**
Institutions	110	-	**110**
Corporates	-	53	**53**
High Risk	-	1	**1**
Equity	9	-	**9**
Other Items	-	8	**8**
Total	**119**	**66**	**185**

Residual Maturity of the exposures

Table 5 below displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2016

Table 6: Credit Risk Capital Requirements by Maturity			31st December 2016 €000
Exposure Class	Residual Maturity		Total
	≤ 3 months	> 3 months NA and Unrated	
Central Governments and Central Banks	-	4	**4**
Institutions	110	-	**110**
Corporates	-	53	**53**
High Risk	-	1	**1**
Equity	9	-	**9**
Other Items	-	8	**8**
Total	**119**	**66**	**185**

Geographic Distribution

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

Table 7: Geographic Distribution of Exposures		31st December 2016 €000
Exposure Class	Cyprus	Total
Central Governments and Central Banks	4	**4**
Institutions	110	**110**
Corporates	53	**53**
High Risk	1	**1**
Equity	9	**9**
Other Items	8	**8**
Total	**185**	**185**

Exposures by Asset Class by Industry Segment

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

Table 8: Distribution of Exposure by Industry Type	31st December 2016 €000		
Exposure Class	**Financial / Banking Services**	**Other**	**Total**
Central Governments and Central Banks		4	**4**
Institutions	110	-	**110**
Corporates	-	53	**53**
High Risk	-	1	**1**
Equity	9	-	**9**
Other Items	-	8	**8**
Total	**119**	**66**	**185**

Average Exposure Amount per Exposure Class

Table below shows the Company's average credit risk exposure during 2016, analyzed by exposure class:

Table 9: Average Exposure Amount per Exposure Class	31st December 2016 €000
Exposure Class	**Average Exposure Amount**
Central Governments and Central Banks	2
Institutions	119
Corporates	32
High Risk	1
Equity	9
Retail	0
Other Items	22
PSE	33
Total	**218**

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when reimbursement is virtually certain.

As at 31 December 2016 the Company did not have any past due receivables and did not recognise any provisions for impairment in respect to trade and other receivables.

5.2. Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal procedures, human behaviour and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risk.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a programme of audits undertaken by the Internal Auditors of the Company and by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

Capital Requirements

Due to the limited authorisation of the Company, the Company falls under Article 95(1) of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

(a) Sum of risk weighted assets for credit and market risk

(b) Operational Risk Weighted Assets based on preceding year fixed overheads

The following table shows the calculation of the capital requirements for Operational Risk.

Table 10: Capital Requirement for Operational Risk under Fixed Overhead Approach	**31st December 2016 €000**
Operational Risk (Fixed Overheads Approach)	**Minimum Capital Requirements**
25% of the fixed overheads of the preceding year*	29

5.3. Market and Liquidity Risk

5.3.1. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

Currency risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency of the Company. The proportion of transactions that are denominated in a currency other than the Company's functional currency is not significant compared to the total volume of operations of the Company.

Interest rate risk

Interest rate risk is the Company's exposure to adverse movements in interest rates. It arises as a result of timing differences on the reprising of assets and liabilities.

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was represented by the carrying amount of the Company's balances held in accounts with banks, and its bank overdraft. The Company, however, had no exposure to adverse movements in interest rates as the interest rates of these amounts have been set at fixed rates.

Capital Requirements

The Company does not trade on own account. As a result, it does not have a trading book.

The Company calculates its capital requirements on currency risk only. As at 31 December 2016, the Company had no capital requirements against currency risk.

5.3.2. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses through its overdraft facility, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

5.4. Other Risks

5.4.1. Concentration risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

The Company's experience in the collection of trade receivables has never caused debts which are past due and have to be impaired. Due to these factors, management believes that no additional credit risk beyond any amounts provided for collection losses is inherent in the Company's trade receivables.

5.4.2. Reputation risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service fraud or theft, customer claims and legal action, regulatory fines.

The Company has transparent policies and procedures in place when dealing with possible customer complains in order to provide the best possible assistance and service under such circumstances, the possibility of having to deal with customer claims is very low as the Company provides high quality services to clients. In addition, the Company's Board of Directors is made up of high calibre professionals who are recognised in the industry for their integrity and ethos; this adds value to the Company.

5.4.1. Business risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimise the Company's exposure to business risk. These are analysed and taken into consideration when implementing the Company's strategy.

5.4.2 Compliance risk

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

5.4.3 Anti-Money Laundering risk

The continually assesses the applicable laws and regulations that it operates under and believes that it has adequate and effective systems in place to effect this. The Compliance Officer provides regular reports on the effectiveness of these procedures to the Board of the Company.

All procedures as per the pertinent section of the Company's Internal Manual are followed in order to minimize such risk.

5.4.4 Legal and Regulatory Risk

The Company ensures that it understands local conduct of business rules and regulations which apply in the jurisdictions in which it operates. It also ensures that it understands laws and regulations relevant to the securities in which it trades (e.g. shareholding disclosure requirements and foreign ownership rules) and can advise accordingly.

5.4.5 Audit Trail Risk

The Company follows consistent document management processes for its data and follows relevant regulations set by CySEC and the Company's Internal Operations Manual. Relevant documents are backed up electronically within the IT infrastructure.

5.4.6 Capital Adequacy Risk

The Compliance Officer ensures that all relevant CySEC reports (including the new Capital Adequacy reports) are completed and filed in time to meet CySEC imposed deadlines.

5.4.7 Outsourcing risk

The Company ensures that careful due diligence on third party service providers is conducted before recommending them to Clients. To the extent applicable, it will disclose the monitoring procedures in relation to its third party service providers upon request.

6. REMUNERATION DISCLOSURES

Requirements of the Directive

In accordance with paragraph Regulation (EU) No. 575/2013, the Company should disclose information about its remuneration policy and practices followed for those categories of staff whose professional activities have a material impact on its risk profile.

Due to its size and the principle of proportionality, which takes into account the scale, nature and complexity of activities of the Company, the Company considers all its employees as persons with material risk impact on the Company.

Remuneration Policy

The Board determines and agrees the framework and remuneration policy of its members and employees. The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, and individual performance and according to local market conditions.

The Company's Remuneration Policy addresses both the fixed and variable component of remuneration, the governance around remuneration, the characteristics of performance measurement, determination of pay, etc. As per the Company's Policies and Procedures manual the remuneration of the Directors is determined during the Company's Annual General Meeting.

The Company's annual remuneration to Executive Directors, Senior Management and other staff as at 31 December 2016 was as follows:

Aggregate Remuneration to Executive Directors, Senior Management and other staff				
Personnel	As at 31st December 2016			
	No. of staff during 2015	Fixed (€000)	Variable (€000)	Total (€000)
Executive Directors and Senior Management	4	25	0	25
Other Staff	0	0	0	0
Total	**4**	**25**	**0**	**25**

Three members of the Board are not remunerated by the Company.

ANNEXES

Annex I - Transitional Own Funds Disclosure

As at 31 December 2016	Transitional Definition	Full-Phased in Definition
	€'000	€'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	257	257
Retained earnings	(100)	(100)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**157**	**157**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(3)	(3)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(63)	(63)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(66)**	**(66)**
Common Equity Tier 1 (CET1) capital	**91**	**91**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**91**	**91**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**91**	**91**
Total risk weighted assets	**357**	**357**
Capital ratios and buffers		
Common Equity Tier 1	**25,23%**	**25,23%**
Tier 1	**25,23%**	**25,23%**
Total capital	**25,23%**	**25,23%**

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.

Annex II - BALANCE SHEET RECONCILIATION

Balance Sheet Description as per Financial Statements	As at 31 December 2016 €'000
Share Capital	257
Share Premium	-
Retained earnings	-
Profit / (Loss) for the audited period	(100)
- Intangible Asset	(3)
- Investor Compensation Fund	(63)
Total Own Funds	**91**