DISCLOSURES IN ACCORDANCE WITH PART EIGHT OF REGULATION (EU) NO 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 JUNE 2013 ON PRUDENTIAL REQUIREMENTS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS AND AMENDING REGULATION (EU) NO 648/2012 FOR THE YEAR ENDED 31 DECEMBER 2017

June 2018

CONTENTS

1 Introduction

Company Incorporation and Principal Activities

BDSwiss Holding Plc ("the Company") was incorporated in Cyprus on 23 January 2012 as a limited liability company under the Companies Law, Cap. 113. The Company through its licensed brand BDSwiss Holding Plc, is an innovative consumer trading company providing to its clients Forex and CFD trading in relation to stocks, currencies, indices and commodities. Since 31 May 2013 the Company is authorized and regulated as a Cyprus Investment Firm ("CIF") by the Cyprus Securities and Exchange Commission ("CySEC"), under the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), with License Number 199/13.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

Investment Services	Ancillary Services	Financial Instruments
1. Reception and transmission of orders in relation to one or more financial instruments 2. Execution of orders on	1. Safekeeping and administration of financial instruments, including custodianship and related services 2. Foreign exchange services where these are connected to the provision of investment services	1. Transferable securities 2. Money-market instruments 3. Units in Collective Investment Undertakings (CIUs) 4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash 5. Options, futures, swaps, forward rate agreements 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 (otherwise than by reason of a default or other termination event)

Investment Services	Ancillary Services	Financial Instruments
behalf of clients 3. Portfolio Management	3. Investment Research and financial analysis	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 or/and an MTF 7. Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls 8. Derivative instruments, 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, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures, not otherwise mentioned in this Part, which have the characteristics of other financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through

Investment Services	Ancillary Services	Financial Instruments
		recognized clearing houses are subject to regular margin calls

Regulatory framework

The Management of BDSwiss Holding Plc, in accordance with the provisions of Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “Regulation”) and paragraph 32(1) of DI144-2014-14 of the CySEC for the prudential supervision of investment firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum**.**

Disclosure Requirements

This document represents the Pillar 3 disclosures of BDSwiss Holding Plc for the year ended 31st December 2017. Pillar 3 introduces the obligation to provide to the public a market disclosure and discipline report. The purpose of this report is to inform the public and other market participants of the key components, scope and effectiveness of the Company’s risk measurements, risk profile and capital adequacy, thus promoting market discipline and improving transparency to market participants.

Frequency

The Company’s policy is to publish the Pillar 3 disclosures on an annual basis. The frequency of disclosure will be reviewed should there be a material change in the approach used for the calculation of capital, business structure or regulatory requirements.

Medium and location of publication

The Company’s Pillar 3 disclosures are published on the BDSwiss Holding PLC website (https://www.eu.bdswiss.com/en/).

Verification

The Company's Pillar 3 disclosures are subject to internal review and validation prior to being submitted to the Board for approval. In addition, their adequacy and accuracy is verified by the Company's external auditor and are submitted to CySEC together with the auditor's opinion the latest by 31st of May of each year.

Non-material, proprietary or confidential information

This document has been prepared to satisfy the Pillar 3 disclosure requirements as these are set out in the Regulation. The Company does not seek any exemption from these requirements on the basis of materiality or on the basis of proprietary or confidential information.

Scope of Disclosures

As at 31 December 2017, the Company owned the following entities:

Name	Country of incorporation	Principal activities	Holding	Exposure amount (€)
BDSwiss GmbH	Germany	Sales & customer support	100%	52.506
BDSwiss LLC	United States	Introducing Broker	100%	40.521
Total				

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law and it therefore does not intend to issue consolidated financial statements for the year ended 31 December 2017. As a result, the Pillar 3 disclosures relate solely to information of the Company.

The company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present.

As at year ended, the Company has tested the investment in BDSwiss LLC and decided to impair the investments by €11.265.

2 Governance, Risk Management Objectives and Policies

2.1 Board of Directors

The Board of Directors is responsible for overlooking the operations of the Company.

The main responsibilities of the Board of Directors are:

- Ensure that the Company complies with its obligations under the legislation.
- Ensure that the management body defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties in the Company and the prevention of conflicts of interest and effective managerial oversight.
- Periodically assess and review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the applicable legislation and to take appropriate measures to address any deficiencies.
- Set the strategy and ensure the continuing operations of the Company.
- Meet on a frequent basis to ensure that operational and strategic issues are discussed and issue guidance to the Senior Management and the heads of departments.
- Ensure that written reports concerning internal audit, compliance and risk management are received on a frequent basis, and at least annually, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Address any issues raised by the regulators and define the action to be taken in case corrective measures are required.
- Oversee the process of disclosure and announcements and must be responsible for providing effective supervision of Senior Management.
- Monitoring the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company
- Approve the information script and/or standard FAQ which shall state the information that can be shared with Clients before same are used by the Company's Staff

As at 31 December 2017 the Company's Board of Directors consisted of two executive members and two non-executive members. The Chairman of the Board is an Executive Director.

2.2 Number of Directorships held by Board members

The table below presents the number of directorships each member of the Company's management body holds at the same time in other entities (including the one in BDSwiss). 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. It shall be noted that, the Company is not considered significant in terms of its size, internal organization and the nature, scope and complexity of its activities.

Name	Number of Executive Directorships	Number of Non-Executive Directorships
Mr. Jan Eric Malkus	3	-
Mr. Konstantinos Tsoraklidis	1	-
Mr. Pieris Hadjipieris	-	2
Mr. Dimitris Christoforou	-	2
Mr. Stefanos Mitsi	2	-

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

Mr. Stefanos Andreas Mitsi resigned from his position as a member of the Board of Directors of the Company on September 19, 2017.

2.3 Recruitment Policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

Board recruitment is subject to the approval of the CEO, the Chairman and the senior Non-Executive Director. Regulatory approval is coordinated through the Compliance Officer.

Reference is made to the most recent Board Skills review to establish the specific experience and skills needed to ensure the optimum blend of individual and aggregate capability having regard to the Company's long term strategic plan.

2.4 Diversity Policy

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognising that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organisation. The Directors of the company will be responsible for ensuring there is an appropriate balance of skills and experience across the Board.

2.5 Risk Management Function

The Company establishes, implements and maintains adequate risk management policies and procedures which identify the risks relating to its activities, processes and systems. Furthermore, the level of risk tolerated by the Company is set.

The Company's Risk Management Function operates independently and is responsible, for implementing the Risk Management Policy set by the Board of Directors, as well as for ensuring that it is properly followed under the supervision and control of the Risk Manager.

The head of the risk management function is an independent senior manager and shall not be removed without prior approval of the board of directors as it should have direct access to the board of directors when necessary.

The Company established a Risk Management Committee during 2018 as planned and is implementing a Risk Management governance and culture.

Responsibilities of the Risk Manager

- Identify and evaluate the fundamental risks faced by the Company.
- Adopt and implement effective arrangements and procedures to manage all types of risks that arise due to the Company's operations in respect of the level of risk tolerance.
- Monitor the adequacy and effectiveness of the Company's risk management policies and procedures.
- Monitor the level of compliance by the Company and the persons employed to the measures and arrangements set for the managing of the risk exposures of the Company.

- Monitor 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.
- Produce all the required reports related to the risks the Company is exposed as well as the documents that are required by the Law to be submitted to CySEC, and keep records of these reports. Furthermore, where applicable and required, the Risk Manager should provide advice to the Senior Management of the Company in relation to any potential deficiencies and suggest remedial measures so as to be in full compliance with the Law.
- Undertake a quarterly review of effectiveness of the system of internal control and provide a report to the Senior Management
- Monitor the operations and risks of any Branch
- Monitor the operations and risks of any Tied Agent

The Company ensures that the risk management function guarantees that all identified, measured and properly reported. Company ensures in this term that the risk management function is actively involved in elaborating the Company's risk strategy and can deliver a complete view of the whole range of risk.

The Risk manager can report directly to the board of directors, independent from senior management in order to raise concerns and warn where appropriate when risks can affect 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 managers and staff. The Company started the restructuring of a new in-house Compliance Unit and has plans to continue to expand significantly in 2018.

The Duties of the Compliance Officer include the following:

- Review and assess regular Compliance reports and plans as presented to the Committee during the year by the Head of Compliance
- Review and monitor management's responsiveness to the findings and recommendations of the Compliance department
- Review and monitor the effectiveness of the Company's Compliance function
- Review and consider if the Compliance function is structured in line with CySEC standards and

The Compliance Officer reports to the Senior Management and Board of Directors at least annually, on the compliance of management and staff with regulatory requirements and supervisory expectations, as well as with internal policies and procedures, pointing out any weaknesses in compliance and any deficiencies in the relevant policies and their implementation.

Internal Audit Function

The Company, taking into consideration the nature, scale and complexity of its operations, as well as the investment services and activities provided, establishes, implements and maintains adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Company. The Internal Audit Function is independent from all other functions of the Company.

The Internal Audit Function has the following responsibilities:

- Establish, implement and maintain an audit plan with the purpose of examining and evaluating whether the Company's systems, internal control mechanisms and agreements are adequate and effective and comply with the legal framework.
- Issue recommendations based on the result of the audit plan's examinations.
- Verify compliance with any potential recommendations.
- Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board and the Senior Management of the Company, at least annually. The internal audit report shall be presented to the Board for review and discussion. The minutes of the meeting along with the report shall be submitted to CySEC within twenty days from the date of the meeting.

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

2.6 Information Flow on Risk to Management Body

All risks relating to the Company's activities and operations are communicated to the Management body through the following reports which are prepared annually and reviewed and approved by the Board:

- Annual Risk Management report
- Annual Internal Audit report

- Annual Compliance Officer report
- Annual AML Compliance Officer report
- Internal Capital Adequacy Assessment Process (ICAAP)
- Financial Statements

2.7 Board Declaration

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

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

2.8 Internal Capital Adequacy Assessment Process

The ICAAP Report and the subsequent Supervisory Review and Evaluation Process (SREP) from CySEC, fall within the scope of the Pillar2 rule as set and discussed in the Basel III Capital Accord of the Bank of International Settlements (BIS) and also in the Directive.

The ICAAP is embedded to the core of the Company's operations, and comprises as well as aligns the Company's overall Risk Management System, Governance Framework, Internal Control system, the definition of its financial budget and corporate strategy, and the alignment of those with the Company's available capital and the risks faced. The ICAAP serves as a valuable Risk Management tool which ensures that the Company's Risk Management framework receives the necessary attention from all the related functions/personnel of the Company and ensures the forging of a robust organization by promoting a risk-averse culture within the Company.

The Board of the Company and the Senior Management ensure the appropriate design, adoption and implementation of the Company's ICAAP, by performing their ICAAP related duties and responsibilities as these are detailed in the ICAAP Report of the Company.
The company has prepared the ICAAP report for 2017.

2.9 Risk Statement

The company is assessing its risk appetite in respect to investing and to managing business and operational activities. The Board maintains a Risk Appetite which is regularly monitored with formal reviews of the risk measures in conjunction with the long term planning process. During the year the risk profile of the Company has been maintained within the key financial exposure limits.

. The Risk Statement is provided in Annex I.

3 Own Funds

Table 1: Composition of the Capital Base of BDSwiss Holding Plc

Own Funds Components	31 Dec 2017 €'000
Eligible Tier 1 Capital before solvency filters (Original Own Funds)	
Share capital	235
Share Premium	1.333
Retained Earnings	2.495
Audited Profit/(Loss) for the period	(1.183)
Total Tier 1 Capital	***2.880***
Additional Own Funds (Tier 2)	
Subordinated Loan Capital	107
Total Tier 2 Capital	***107***
Deductions	
Intangible Assets	(1.362)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(50)
Total Own Funds	**1.575**

Capital management

The Company aims to operate at all times over and above the minimum capital requirements and maintains a prudent level of capital for both short and long term requirements.

The Own Funds of the Company as at 31st December 2017 consisted of both Tier 1 & Tier 2 Capital. The Company's CET1 capital includes share capital and reserves, less the contribution to the Investors Compensation Fund, less intangible assets which is deducted in accordance with CySEC's Circular C162 issued on 10/10/2016.

Subordinated Loan Capital

As at 31 December 2017 the Company had a subordinated loan from its shareholder amounting to €134.979 (nominal value €133.032), out of which €107.387 was eligible as Tier 2 capital.

Capital Adequacy Ratio

The Capital Adequacy Ratio as reported to CySEC for the year ended 31 December 2017 was 12,85%, above the minimum regulatory requirement of 8%.

Large Exposures

As at 31st December 2017 the Company's total exposure to its group entities, namely BDSwiss GmbH ,BDSwiss LLC and BDS Markets LTD exceeded the large exposure limits to shareholders and Directors and their connected persons, as these are set out in paragraph 61 of CySEC's Directive 144-2014-14. The Company plans to take action to rectify the issues raised in order to reduce this exposure within the allowable limits within the next three months.

The Company plans to proceed with the replacement of common Directors in order to resolve common directorship between BDSwiss and any other Companies in the Group within the next three months.

4 Minimum Capital Requirements

The total capital requirements of the Company as at 31st December 2017 amounted to €980 thousand and are analyzed in Table 2 below:

Table 2: RWA & Minimum Capital Requirements

Risk Type 31 Dec 2017	Risk Weighted Assets €'000	Minimum Capital Requirements €'000
Credit Risk	1.472	118
Market Risk	0	0
Operational Risk (based on Fixed Overheads)	12.254	980
Total Risk Weighted Assets as per Article 95(2) of the Regulation (i.e. for the reference date, this will be equal to the sum of risk weighted assets for credit and market risk)	**12.254**	**980**

The Company follows the Standardized Approach for the measurement of its Pillar 1 capital requirements for Credit and Market Risk and the Fixed Overheads Approach for Operational Risk. The capital requirement calculated for each category of risk as at 31 December 2017 is shown in the table above. As at 31st December 2017, the Company did not have any collaterals or guarantees, and therefore did not make use of Credit Risk Mitigation techniques.

4.1 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 has credit exposure to the banks with which it deposits funds and the market counterparties with which it trades on own account.

The Company has no credit risk exposure to clients since all client accounts are being segregated from the operational accounts of the company and are handled as such all in accordance with the CySEC regulations.

The Company follows mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- Performing regular credit review of all counterparties, and

- Diversifying its funds over several European banks and is choosing banks that were awarded by with high ratings by recognised credit rating agencies.

For calculating its credit risk capital requirement, the Company uses the standardized approach. The following table represents the Company's Risk Weighted Assets ("RWA") and minimum capital requirements as at 31 December 2017, broken down by asset class:

Table 3: Credit Risk Summary

Asset Class	Exposure Amount €'000	Risk Weighted Assets €'000	Minimum Capital Requirement €'000
Corporate	222	222	18
Equity	41	101	8
High Risk	51	78	7
Institution	866	247	20
Other Items	619	618	49
Retail	274	206	16
Total	**2.073**	**1.472**	**118**

The following table provides information on the average exposures of the Company's asset classes as at 31/12/2017 as well as on the total amount of exposures after accounting offsets:

Table 4: Average exposures and total amount of exposures after accounting offsets

Asset Class	Original exposure amount, net of specific provisions €'000	Average exposure €'000
Corporate	591	197
Equity	41	51
High Risk	51	162
Institution	497	951
Other Items	619	533
Retail	274	656
Total	**2.073**	**2.550**

The following table provides information on the residual maturity of the Company's credit risk exposures as at 31/12/2017:

Table 5: Residual Maturity of credit risk exposures, broken down by exposure class

Asset Class	Up to 3 months €‘000	More than 3 months €‘000	Total €‘000
Corporate	0	222	222
Equity	0	41	41
High Risk	0	51	51
Institution	857	9	866
Other Items	0	619	619
Retail	0	274	274
Total	**857**	**1.216**	**2.073**

The table below illustrates the geographic distribution of the Company’s exposures as at 31/12/2017:

Table 6: Geographic Distribution of exposures

Asset Class	Cyprus €‘000	Germany €‘000	Greece €‘000	USA €‘000	Total €‘000
Corporate	222	-	-	-	222
Equity	-	-	-	41	41
High Risk	-	51	-	-	51
Institution	385	429	52	-	866
Other Items	619	-	-	-	619
Retail	274	-	-	-	274
Total	**1.500**	**480**	**52**	**41**	**2.073**

The following table shows the distribution of the Company’s exposures by industry type as at 31/12/2017:

Table 7: Distribution of exposures by industry

Asset Class	Financial €‘000	Other €‘000	Total €‘000
Corporate	222	-	222
Equity	41	-	41
High Risk	-	51	51
Institution	866	-	866
Other Items	-	619	619
Retail	-	274	274
Total	**1.129**	**944**	**2.073**

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights

Institutions

For the credit ratings of Institutions, the Company uses the sovereign ratings of Standard & Poor's to rate its exposures, matching the external rating of the government of the country where each institution is incorporated with the corresponding Credit Quality Step ("CQS"), according to the provisions of the Regulation.

Public Sector Entities

The Company's exposure to Public Sector Entities included its contribution to the Investors Compensation Fund, which is unrated, and was therefore assigned a 100% risk weight.

Other Items

A risk weight of 100% was applied to Other Items, with the exception of petty cash, which received a 0% risk weight.

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

Table 8: Exposures before and after credit risk mitigation by credit quality step

Asset Class	CQS 5	CQS 6	N/A	Total
Corporate	-	-	222	222
Equity	-	-	41	41
High Risk	-	-	51	51
Institution	5	51	810	866
Other Items	-	-	619	619
Retail	-	-	274	274
Total	**5**	**51**	**2.017**	**2.073**

4.2 Operational Risk

General

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

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilized. To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Table 9: Operational Risk (Fixed Overheads Approach)

Operational Risk (Fixed Overheads Approach)	Minimum Capital Requirements €'000
25% of the fixed overheads of the preceding year	**980**
Additional Capital Requirements due to the fixed overheads approach	**863**

Capital Requirements

The Company applies the Fixed Overhead Approach for calculating the amount of capital required under the minimum regulatory capital requirements for operational risk. The minimum capital requirement under this approach amounts to €980 thousand (see Table 2).

4.3 Market Risk

General

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. Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income or the value of its holdings of financial instruments.

Foreign exchange risk

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis. As at 31st of December 2017, the foreign exchange exposures did not generate any capital requirement for the Company.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk in relation to its bank deposits and from the interest changed on the derivative financial instruments that remain open overnight.
The Risk Manager monitors interest rate fluctuations with the assistance of the accounting function and based on the fluctuation of the relevant rates, the necessary, the necessary hedging activities will be undertaken, as and where applicable. The company considers interest rate risk to be significantly low.

4.4 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 holds in separate accounts all the funds of its clients. The company considers liquidity risk to be significantly low.

4.5 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.

4.6 Reputation risk

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

5 Remuneration

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company. The remuneration policy is in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflict of interest. The Remuneration Policy of the Company is designed in such a way so as not to create incentives that may lead persons to favor their own interests, or the Company's interests, to the potential detriment of clients.

Assessment of Performance

The Company ensures that where remuneration is linked with performance:

a. The total amount of remuneration is based on a combination of the assessment of the performance of:

  i. The individual; and

  ii. The business unit concerned; and

  iii. The overall results of the Company; and

b. When assessing individual performance, financial (quantitative) as well as non-financial (qualitative) criteria are taken into account.

The Company ensures that the assessment of performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and its business risks. The assessment process is required to be documented and kept within the Company's records.

Fixed Remuneration

The Company ensures that the basic remuneration primarily reflects the relevant professional experience and organizational responsibility as set out in an employee's job description as part of the terms of the employment.

Variable Remuneration

The remuneration policy and practices of the Company allow the operation of a flexible policy on variable remuneration. In this respect, the Company may decide not to pay variable remuneration at all in case where such a variable remuneration may decrease the employees' interests to act for the best interest of the Company's clients.

The variable remuneration, if any, reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfill the employee's job description as part of the terms of employment.

For determining the variable remuneration, the Company ensures that not only the sales volumes are taken into consideration as this can create conflicts of interest which can ultimately result in detriment to the client. In particular, for determining the variable remuneration, the Company has defined that both quantitative and qualitative criteria shall be taken into consideration.

Ratios between fixed and variable remuneration

It is noted that high variable remuneration, based on quantitative criteria, can increase the relevant person's focus on short-term gains rather than the clients' best interest. Thus, the Company ensures that the variable component is not exceeding 100% of the fixed component of the total remuneration for each individual. A higher maximum level of the ratio between the fixed and variable components might be approved by the shareholder(s) of the Company provided that the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.

The table below provides information on the remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable remuneration. During the year 2017 the Company provided variable remuneration in the form of bonus.

Table 9: Aggregate Remuneration by Senior Management and Other Staff

Fixed and Variable Remuneration by Senior Management and Other Staff (€ '000)				
Position / Role	**No. of staff**	**Fixed**	**Variable**	**Total**
Directors/Senior Management	5	189	2	191
Other Risk Takers	13	719	57	776
Total	**18**	**908**	**59**	**967**

The aggregate remuneration of the Company's risk takers and other staff whose activities have a material impact on the risk profile of the Company, for the year ended 31st December 2017, broken down by business area, is as follows:

Table 10: Aggregate Remuneration by Business Area

Annual Aggregate Remuneration by Business Area (€ '000)	
Business Area	**Aggregate Remuneration**
Control Functions (Directors/CEO/COO, Compliance, AML, Risk)	285
IT, Investment Research, Finance, Portfolio Management	271
Strategy, Sales, Marketing, Customer Support, HR, Back Office	411
Total	**967**

During 2017, there was no outstanding deferred remuneration and no share options were offered, no new sign-on and severance payments made, no amounts of severance payments awarded to the members of the Board of Directors of the Company. There were no individuals being remunerated €1m or more during 2017.

Appendices

ANNEX I: Risk Appetite Statement

Risk Appetite Statement		
Strategic Risks	The Company has a low appetite for threats to the effective and efficient delivery of strategic initiatives. It recognises that the actual or perceived inability to deliver strategic initiatives could have a significant impact on its ability to achieve its objectives as well as its reputation.	
Operational Risk	Internal Fraud	The Company has low appetite for any fraud or corruption perpetrated by its staff.
	External Fraud	The Company has low appetite for losses due to acts of a type intended to defraud, misappropriate property or circumvent the law by a third party which is not related with the staff.
	Employment practices and workplace safety	The Company has low appetite for losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims or from diversity and discrimination events.
	Clients, products and business practices	The Company has low appetite for losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients.
	Damage to physical assets	The Company has low appetite for losses arising from damage to physical assets from natural disaster or other events.
	Business disruption and systems failures	The Company has low appetite for losses arising from disruption of business or system failures (Business Continuity Plan).
	Execution, delivery, and process management	The Company has low appetite for losses from failed transaction processing or process management.
Regulatory Risk	Financial Crime	The Company has zero tolerance and appetite regarding the financial crime.
	Mifid II, AML 4 and GDPR	The Company has zero tolerance with respect to regulatory risk.

ANNEX II: Transitional Own Funds Disclosure

At 31 December 2017	Transitional Definition €'000	Full - phased in Definition €'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1.568	1.568
Retained earnings	1.312	1.312
Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	0	0
Funds for general banking risk	0	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**2.880**	**2.880**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(1.362)	(1.362)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(50)	(50)
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)	**(1.412)**	**(1.412)**
Common Equity Tier 1 (CET1) capital	**1.468**	**1.468**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**1.468**	**1.468**
Tier 2 (T2) capital	**107**	**107**
Total capital (TC = T1 + T2)	**1.575**	**1.575**
Total risk weighted assets	**12.254**	**12.254**
Capital ratios and buffers		
Common Equity Tier 1	11,97%	11,97%
Tier 1	11,97%	11,97%
Total capital	**12,85%**	**12,85%**

ANNEX III: Balance Sheet Reconciliation

Balance sheet reconciliation	**2017 €'000**
Capital and reserves	
Share capital	235
Share Premium	1.333
Retained Earnings	2.495
Audited Income/(Loss) for the year	(1.183)
Intangible Assets/Goodwill	(1.362)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(50)
Total Equity as per Audited Financial Statements	**1.468**
Tier 2 Capital: Subordinated loan	107
Total Own funds as per CoRep	**1.575**