



TRADING POINT OF FINANCIAL INSTRUMENTS LTD
RISK MANAGEMENT DISCLOSURES

YEAR ENDED 31 DECEMBER 2017

APRIL 2018

According to 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

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1. Introduction

1.1 Corporate Information

Trading Point of Financial Instruments Ltd (“the Company”) is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) to offer Investment and Ancillary Services under license number 120/10, dated August 2010.

The Company has the licence to provide the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Dealing on own account	Foreign exchange services where these are connected to the provision of investment services
	Investment research and financial analysis or other forms

1.2 Pillar III Regulatory Framework

On 26 June 2013, the European Parliament and the Council released a legislative package known as “CRDIV” to strengthen the regulation of the financial sector. The “CRDIV” package replaces the previous European Capital Requirements Directives (2006/48 and 2006/49) and CySEC’s Directives DI144-2007-05 and DI144-2007-06, commonly known as Basel II, in relation to capital requirements and large exposures, with a European Directive (2013/36/EU) and a European Regulation (575/2013). The Regulation (EU) No. 575/2013 (“**the Regulation**”) is directly applicable as a Single Rule book by all Member State institutions, whereas the Directive 2013/36/EU has been transposed by all member state regulatory authorities into local legislation. The transposed Directive of CySEC is Directive DI144-2014-14 (“**the Directive**”). In addition, CySEC issued Directive DI144-2014-15 which includes some national discretions arising from the Regulation. The main purpose of the Basel III revisions was to make the framework more risk sensitive and representative of actual risk management practices.

The new regulatory framework consists of three Pillars:

- Pillar I sets out the minimum capital requirements firms are required to meet;

- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured, or not adequately captured, in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management practices.

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

The Regulation provides that an investment firm may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, it has stated so in this document.

The Regulation also permits an investment firm to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The European Banking Authority ("EBA") defines proprietary as "...if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable." Information is considered as confidential "if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality." Where the Company has omitted information for either of these two reasons, it has stated this in the relevant section together with the reasons for this.

Basis and Frequency of Disclosure

This document represents the disclosures of Trading Point of Financial Instruments Ltd, in accordance with the Pillar III requirements. These disclosures are made mainly in order to give information on the risks faced by the Company and how these are dealt with, as well as the basis of calculating the Company's capital requirements.

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

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

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

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

1.3 Scope of Application

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

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

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

2. Risk Management Objectives and Policies

2.1 Strategies and Processes to Manage Risks

2.1.1 Risk Management Framework and Governance

The Company implements and maintains risk management policies and procedures which identify and manage the risks relating to its activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company has adopted arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

Risk is inherent in the Company's business activities and is linked to strategic and capital decisions. The Company's management strives to achieve the Company's business and financial strategic plans without exceeding set risk tolerances and by considering internal and external constraints imposed by regulators and other stakeholders.

To this respect, the purpose of the Company's Risk Management Framework is to provide:

- A clearly defined and well-documented risk management strategy that:
 - Sets the Company's risk management objectives, key risk management principles, overall risk appetite and responsibilities for risk across the entire spectrum of the Company's activities
 - Is consistent with the Company's overall business strategy
- Adequate written policies that:
 - Include a definition and categorization of the material risks faced by the Company and establish acceptable risk limits for each risk type
 - Implement the Company's risk strategy
 - Facilitate control mechanisms

- Take into account the nature, scope and time horizon of the business and the risks associated with it.

The Company's Board of Directors and Senior Management have the overall responsibility for the establishment and oversight of the risk management framework. Furthermore, the Company has established a Risk Management Function, which operates independently and is assigned the monitoring of the following:

- The adequacy and effectiveness of the Company's risk management policies and procedures
- The level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted
- 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.

2.1.2 Risk Management Committee

As an additional control, the Company has formed a RM Committee consisting of two Non-Executive Directors, who report directly to the Board with the view to ensure the efficient monitoring 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. It is responsible for overseeing the adequate and efficient performance of the duties of the Risk Management Function.

The Risk Management Committee presents its findings to the Board indicating the adequacy of risk management arrangements, the compliance of relevant people with them and the measures taken to address any deficiencies. The Board shall decide upon the risk management policies of the Company, giving regard to the recommendations of the Risk Management Committee.

The responsibilities of the Risk Management Committee are as follows:

- Overseeing the Risk Management framework of the Company and specifically the effectiveness of risk management, governance and compliance activity within the Company
- Supporting the Board in its consideration of the business activities that expose the business to material risks with explicit and dedicated focus on current and forward-looking aspects of risk exposure
- Reviewing, on behalf of the Board, and, if appropriate, challenging the process undertaken by the business in setting the Company's Risk Appetite
- Providing oversight of the process to set and subsequently adhere to the approved Risk Appetite on a regular basis and at least annually and making recommendations to the Board

- Ensuring that senior management has in place procedures and mechanisms to identify and control all fundamental prudential, operational, financial, reputation, legal and regulatory risks within the Company
- At least annually reviewing the ICAAP recommended by the Risk Manager.

The Risk Management Committee meets at least annually except where the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee as well as by the Risk Manager. The Risk Management Committee has met once in 2017.

2.1.3 Audit Committee

The Board has also established an Audit Committee to assist the Board in monitoring the integrity of the Company's financial statements, the Company's compliance with regulatory requirements, the independent external auditors' qualifications and independence, and the performance of the Company's Internal Audit Function and independent internal audit firm. The Audit Committee consists of one Executive Director, one Non-Executive Director and the CFO.

The main responsibilities of the Audit Committee include the following:

- Assuming the sole authority to retain and terminate the Company's independent external audit firm subject, if applicable, to shareholder ratification. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent external audit firm
- Reviewing with the independent external audit firm any management letter provided by the independent external audit firm and management's response to that letter, and a summary of the major audit reports issued by the Internal Audit Function and management's response thereto
- Discussing with management, including the CEO and CFO, the internal auditors and the independent external audit firm, any major issues relating to the adequacy of the Company's internal controls, any steps adopted in light of material weaknesses or significant deficiencies in internal control over financial reporting, and any fraud, material or otherwise, that involved management or other employees who have a significant role in the Company's internal controls
- Reviewing the Company's policies with respect to risk assessment and risk management, including, as necessary and appropriate, discussing with management and the RM Committee the Company's major financial risk exposures and the steps that have been taken to monitor and control such exposures.

2.1.4 Nomination & Remuneration Committee

The Nomination & Remuneration Committee consists of members of the Board who do not hold an executive function and are appointed by the Board. As at 31st December 2017, the Committee's members comprised of two independent non-executive directors. Only members of the Committee have

the right to attend and vote at Committee meetings. However, other individuals such as the Chief Executive Officer, members of the Board, the Risk Manager, the Compliance Officer or any employee of the Company may be invited to attend all or part of any meeting as and when appropriate. In 2017, the Nomination & Remuneration Committee met two times.

The Nomination & Remuneration Committee has the following main responsibilities in relation to:

The Company's Nomination Policy:

- Regularly, and at least annually, review the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes
- Regularly, and at least annually, review the knowledge, capabilities and experience of individual members of the Board and of the Board as a whole and make relevant recommendations to the Board
- Give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company as well as the consequent skills and expertise required by the Board in the future
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise
- Keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

The Company's Remuneration Policy:

- Ensure that the Remuneration Policy set in place is duly followed, applied and implemented
- Ensure that the implementation of the Remuneration Policy is, at least annually, subject to central and independent internal review for compliance with relevant policies and procedures
- Approve the design and review the operation of any performance-related pay schemes operated by the Company
- Ensure that contractual terms on termination and any relevant payments made are fair to both the individual and the Company, and that failure is not rewarded and the duty to mitigate loss is fully recognised.

Reporting Responsibilities:

- The Nomination & Remuneration Committee reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee makes any recommendations to the Board it deems appropriate on the areas within its remit where action or improvement is needed.

2.1.5 Risk Management Function

The Risk Management Function is led by the Risk Manager, an officer appointed by the Board to ensure that all different types of risks assumed by the Company are in compliance with the applicable regulatory framework and the obligations of the Company under that framework, and that all the necessary procedures relating to risk management are in place. The Risk Manager is responsible for:

- **General:**

- Complying and implementing the relevant provisions of the applicable legislation relating to risk management issues
- Analysing the market and its trends (from a risk management perspective), as applicable
- Evaluating how the introduction of any potential new services or activities by the Company could affect the risk management of the Company and providing these evaluations to the Senior Management or the Board, as requested
- Examining the capital adequacy and the exposures of the Company
- Recommending, providing and supervising policy description concerning information systems (including backup systems that can restore the smooth operation in case of failure)
- Suggesting to the Senior Management to stop trading, if market conditions and credit risk make it necessary, and
- Educating and training the personnel of the Company on risk-related issues.

- **Information and Reporting:**

- Requiring sufficient information from all the relevant departments of the Company, as applicable
- Examining the financial results of the Company
- Drafting written reports to the Senior Management, making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually
- Monitoring the amount and type of information provided to clients regarding the nature and risks of financial instruments according to the client classification.

- **Capital Adequacy & CRR/CRDIV**

Pillar I

- Performing or arranging for the performance of the Pillar I capital adequacy calculations of the Company and the submission of the relevant CoRep templates to CySEC on a quarterly basis
- Prior to submitting the CoRep templates, carrying out a number of reconciliation checks to ensure that the Pillar I calculations include all Balance Sheet and Income Statement items as

appropriate, and that they capture the state of the Company's open positions as per its trading platforms, for the CoRep reporting date

- Taking proactive action to make sure that the Company remains at all times compliant with the minimum capital adequacy ratio requirements, any applicable capital buffer requirements, the relevant large exposure limits and the minimum requirements for the amount of initial capital and own funds.

Pillar II

- Designing and implementing (either internally or with the assistance of external advisors) the Internal Capital Adequacy Process ("ICAAP"), during which methodologies are applied to identify and assess the Company's exposure to all risks that are either not adequately captured or not captured at all under Pillar I.

Pillar III

- Coordinating the preparation of the Pillar III Disclosures Document based on the disclosure requirements set out in the Regulation, and arranging for its review and approval by the Board, as well as its uploading on the Company's website within the deadlines set by the CySEC
 - Arranging for the audit of the Pillar III Disclosures document by the Company's external auditors and ensuring that a copy of the audited Pillar III disclosures, including the external auditors' audit opinion, is submitted to the Board for review and approval and subsequently to CySEC
 - Determining, in consultation with the Risk Management Committee ("RM Committee"), whether all the information that is required to be disclosed in the Pillar III Disclosures is considered by the Company.
- **Clients and Counterparties:**
 - Calculating, setting, reviewing, updating and monitoring client and counterparty limits
 - Maintaining a record of all client and counterparty risks and limits.
 - **Dealing on Own Account:**
 - Monitoring the performance and overall actions of the Dealing on Own Account Department, on a continuous basis
 - Monitoring the performance of the portfolios that the Company shall be dealing on own account, as applicable
 - Maintaining a record of all own account risks and limits.
 - **Market and Liquidity Risk:**
 - Defining maximum acceptable risk assumption limits per class of risk

- Further breaking down the above risk limits where necessary, for example, per class of investment service or financial instrument, client or market, etc.
- Implementing stop loss-control limits, where applicable
- Following up open positions within the approved limits.

2.1.6 Internal Audit Function

The Internal Audit Function undertakes independent reviews and testing of the Risk Management Framework or of specific components of the framework and reports its results to the RM Committee. It ensures that the Company maintains an independent Risk Management Function and that appropriate policies and procedures relating to the management of risk are established and are properly implemented. The Internal Audit Function makes recommendations to the Senior Management and the Board regarding the internal controls and the management of the various risks based on the work carried out.

2.1.7 Compliance Officer

The Compliance Officer is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations. The Compliance Officer is also responsible to establish adequate measures and procedures to minimize the aforementioned risk and to enable the competent authorities to exercise their powers effectively. As part of this, the Compliance Officer identifies the level of compliance risk the Company faces, taking into account the investment services, activities and ancillary services provided, as well as the types of financial instruments traded and distributed. The Compliance Officer reports to the Senior Management and the Board of Directors of the Company.

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information. The responsibilities of the Compliance Officer include:

- Monitoring the adequacy and effectiveness of the measures and procedures of the Company and assisting the relevant persons to be in compliance with the applicable legislation
- Drafting and updating company documentation (including the IOM) so that they reflect all obligations of the Company under the applicable legislation, and communicating these to the staff, notifying them of any changes to their responsibilities
- Ensuring that the Executive Directors or other hierarchically higher officers do not exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and/or ancillary services

- Ensuring that the performance of multiple functions by the Company's relevant persons does not and is not likely to prevent those persons from discharging any particular function soundly, honestly, and professionally
- Training and educating the staff of the Company with respect to the Compliance Function according to the applicable legislation and ensuring that they are able to identify cases of potential conflicts of interest
- Monitoring information disclosed to clients and potential clients, including disclosures about potential conflicts of interest, confirmations of trade executions and periodic reports
- Drafting written reports to the Senior Management and the Board making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually
- Drafting written reports for the Management Body and the Regulatory Authority, at least annually, and
- Deciding whether to allow or not a transaction by notifying clients, after being informed by members of the staff of a potential conflict of interest situation and keeping records regarding conflict of interest situations, where relevant.

2.1.8 Money Laundering Compliance Officer

The Board also retains a person to the position of the Company's Money Laundering Compliance Officer (hereinafter the "MLCO") to whom the Company's employees should report any knowledge or suspicion of transactions involving money laundering and terrorist financing. The MLCO shall belong to the management of the Company so as to command the necessary authority. The MLCO leads the Company's Money Laundering Compliance procedures and processes and reports to the Senior Management of the Company and the Board of Directors.

The MLCO conducts an annual inspection of the Company's activities and a review of the periodic examinations of client engagements. During 2017, the MLCO performed in total two inspections during the reporting year. Additionally, the MLCO retains a written record of the results of the annual review and inspection which serves to assess the level at which the Company meets regulatory obligations. This is achieved by taking reasonable care in establishing and maintaining effective systems and controls for compliance with applicable requirements and standards under the regulatory system and to counter the risk of being used to promote financial crime.

2.1.9 Head of Own Account Department

Finally, the Head of Own Account Department implements a number of procedures which contribute towards the better management and control of risk. These include:

- Restricting deal sizes so as to avoid concentration to a single client
- Diversifying currency pairs so as to not concentrate risk to a single currency pair
- Monitoring on a daily basis the Company's foreign currency positions
- Reporting to management large changes in exposure of net FX positions
- Monitoring on a daily basis the Company's capital adequacy ratio and informing the management in the event the ratio falls below a specified threshold, and
- Screening the hedging process, whereby the Company effects transactions with its liquidity providers in order to hedge its positions against its clients.

The Company has established policies for identifying, assessing, managing and mitigating specific categories of risk (even though some policies may be geared to the achievement of objectives in one or more separate but overlapping categories). The Company also takes risk mitigation measures and allocates the responsibility for applying these measures to certain employee(s).

2.1.10 Risk Inventory

The Company is primarily exposed to the following risks from its trading in financial instruments:

Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. In order to limit exposure to Credit risk, effort is made so that cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

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 minimising such losses such as maintaining sufficient cash.

Market Risk

Market risk is the risk of loss due to fluctuations in market prices, such as foreign exchange rates and interest rates. These market prices affect the Company's income or the value of its holdings of financial instruments.

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 recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and British Pound. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The Company is mainly exposed to currency risk on cash and cash equivalents held and on the notional positions of its foreign exchange CFD positions.

Price Risk

The Company is exposed to Market Price risk from fluctuations in the price of foreign currency, commodity, gold and equity derivatives, due to its open CFD positions with its customers and selected counterparties. The Company itself does not take proprietary positions based on an expectation of market movements but takes positions with liquidity providers to economically hedge part of its open client contracts. However, not all net client exposures are hedged and, as a result, the Company may have a residual net position in any of the underlying currencies, commodities, gold or equities it offers.

To manage its price risk, the Company has a formal risk policy set by the Board of Directors, which includes limits, or a methodology for setting limits, for every single financial market in which the Company trades, as well as certain groups of markets and groups of financial instruments which the Board of Directors considers to be correlated. These limits determine the net exposure arising from client activity and hedging which the Company is prepared to carry. The Board of Directors continually monitors the Company's exposure against these limits. If the Company's exposure exceeds the limits, the policy requires that sufficient hedging is carried out to bring the exposure back within the defined limit or, if the market is closed, as soon as it re-opens. For this purpose, the Company maintains trading (hedging) accounts with other regulated financial institutions (liquidity providers) for engaging in proprietary positions in financial instruments when a need to hedge arises.

The Company benefits from a number of factors which also reduce the volatility of its revenue and protect it from market shocks such as the diversification of its clientele and its product range since the Company acts as a market maker in over 300 trading instruments; specifically, CFDs on foreign currency pairs, equities, commodities and indices as well as stocks. This diversification of product offering tends to result in minimal concentration risk within the market risk portfolio. In the year ended 31 December 2017, the Company traded with a large number of customers from various countries. This large international customer base has a range of diverse trading strategies resulting in the Company enjoying a high degree of natural hedging between customers. This 'portfolio net-effect' leads to a significant reduction in the Company's net market exposure.

Another factor being considered and monitored continually in conjunction with the risk limits, is the Capital Adequacy, as prescribed by the local regulatory authorities, that the Company needs to maintain and therefore at some points in time there might be a need to hedge, even if the exposure on specific instruments is within the defined limits but the overall exposure is lower than the levels allowed by the Capital Adequacy requirements applicable to the Company.

The Company's exposure to Price risk at any point in time depends primarily on short-term market conditions and client activities during the trading day, hence the exposure at each balance sheet date may not be representative of the Price risk exposure faced by the Company over the year.

Operational Risk

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.

Litigation Risk

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

Reputational Risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result to a reduction of its clientele, reduction in revenue and/or legal cases against the Company. The Company applies procedures to minimize this risk.

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. This risk is limited to a significant extent due to the supervision applied by the Compliance Department, as well as by the monitoring controls applied by the Company.

2.1.11 Adequacy of Risk Management Arrangements

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and internal controls. These are designed to manage rather than eliminate the risks of not achieving business objectives, and therefore offer a reasonable assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy as well as assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

2.1.12 Risk Appetite Statement

Managing risk effectively in an adverse, complex and continuously changing risk environment requires a strong risk management culture. To this end, the Company has established an effective risk oversight structure and the necessary internal organizational controls to ensure that it identifies and manages its risks adequately, establishes the appropriate policies and procedures, sets the relevant limits and complies with the relevant legislation.

The management strives to have an appropriate control environment and sufficient capital in place to mitigate the level of risk it assumes in its business.

The Board expresses the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across the below categories:

- Financial: Market, business, liquidity and credit risks
- Reputational: Regulatory, political and external reputational risk
- Operational: The risk associated with the failure of key processes or systems as well as the risk of human error and natural disasters.

2.1.13 Internal Capital Adequacy Assessment Process (“ICAAP”)

ICAAP overview

In accordance with Directives DI144-2014-14 and DI144-2014-15 of the CySEC:

- The Company shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the risks to which it is, or might be, exposed. In this respect, the Company shall adopt the relevant guidelines issued by CySEC.
- These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

As a result of the aforementioned requirements, the Company has in place an Internal Capital Adequacy Assessment Process. The ICAAP is an internal tool which allows the Company to assess its position and determine the amount of internal capital it needs to hold in order to be covered against all the risks it is facing or to which it may be exposed in the future.

The ICAAP falls under the scope of Pillar II, which can be described as a set of relationships between CySEC and the investment firm, the objective of which is to enhance the link between an investment firm's risk profile, its risk management and risk mitigation systems, and its capital. Pillar II establishes a process of prudential interaction that complements and strengthens Pillar I 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 measures and procedures adopted by the Company with the purpose of ensuring:

- The appropriate identification and measurement of risks
- An appropriate level of internal capital in relation to the Company's risk profile, and
- The application and further development of suitable risk management and internal control systems and tools.

From the Company's perspective, the ICAAP:

- Is a key element of its day to day governance process and its strategic management initiatives
- Promotes a comprehensive risk management framework
- Aligns capital with risk management and strategy, and
- Provides a tool for communicating to the Board and the regulator the key aspects of its risk management and governance frameworks.

The ICAAP is clearly owned and approved by the Company's Board of Directors.

ICAAP Profile and Methodology

The planning of the ICAAP is closely related to the size of the Company and the complexity of its operations, taking into consideration the principle of proportionality. In addition, the link between the ICAAP and the Supervisory Review Process ("SREP"), which is going to be carried out by CySEC, is also influenced by the size and complexity of the Company's operations. According to the size of the Company as well as the complexity of its operations, the Company utilizes the minimum capital requirement approach for the calculation of the additional capital for Pillar II.

The Company has implemented the minimum capital requirement approach in four stages:

1. The Pillar I minimum capital requirement was used as the foundation, since it reflects the Company's exposure to Pillar I risks (i.e. Credit Risk, Operational Risk and Market Risk).
2. The adequacy of the minimum capital required under Pillar I was then assessed, in relation to risks arising from the following three categories:
 - i. Risks covered in Pillar I
 - ii. Risk not fully covered in Pillar I (e.g. Concentration Risk which is part of Credit Risk)
 - iii. Risks not covered in Pillar I (e.g. Liquidity Risk, Strategic Risk, Reputational Risk).
3. A comprehensive risk assessment was carried out for all three groups of risks, during which a profile was determined for each risk (high/medium/low), based on its anticipated impact and its

likelihood of occurrence. All high profile risks were further analyzed and mitigation measures were set in order for the Company to better control and mitigate them.

4. The additional measures set for the mitigation of these risks are considered over and above the capital allocated for Pillar I purposes and can take the following forms:
 - i. Provision of additional capital corresponding to the risks not covered (fully or partially) by Pillar I, and
 - ii. Enhancement of internal procedures to reduce the likelihood of these risks materializing and/or the impact of these risks to the Company.

2.2 Governance Arrangements

2.2.1 Recruitment Policy

The recruitment process of Board Members combines an assessment of both technical capability and competency skills. Criteria shall include, as relevant:

- Good repute
- Skills, knowledge and expertise

These characteristics are matched against the Company's framework and used to assess their applicability.

The Company's Nomination & Remuneration Committee is responsible for evaluating any candidates to be appointed as Directors of the Company and provide its recommendations to the Board. The Nomination & Remuneration Committee must ensure that the overall composition of the Board reflects an adequately broad range of experiences, qualities and competences to be able to understand the Company's activities, including the main risks.

The Company must ensure that it devotes adequate human and financial resources to the induction and training of the members of the Board of Directors. The purpose of this training is to facilitate the new member's clear understanding of his or her role and the Company's structure, business model, risk profile and governance arrangements.

2.2.2 Other Directorships

The table below provides the number of directorships each member of the management body of the Company holds at the same time in other entities (including the directorship held in the Company). It shall be noted that, 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.

No.	Name of Director	Executive Directorships	Non-Executive Directorships
1	Constantinos Cleanthous – Executive Director	1	0
2	Ilias Mavrommatis – Executive Director	1	2
3	Andreas Loizides – Executive Director	1	0
4	Tasos Anastasiou – Non-Executive Director	1	2
5	Charis Charalambous – Non-Executive Director	1	1

As at 31 December 2017 the Company's Board of Directors consisted of five members.

2.2.3 Diversity Policy

The Company recognizes the benefits and necessity of an adequately diverse Board of Directors which includes and utilizes all the differences in certain characteristics and skills of the Directors. The Policy aims to promote a balanced working environment where the educational and professional background, skills, experience, qualities, professionalism and other backgrounds, such as the temperament and perspective of the Directors, irrespective of gender, age, race, ethnicity and other discriminating criteria, enable each of them to contribute individually.

New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded Board and the diversity benefits each candidate can bring to the overall Board composition.

2.2.4 Reporting and Control

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

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management, Internal Audit and Financial Control functions) of the Company have an open line of communication with Senior Management and the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that these will be resolved through the guidance of the management body. In addition, the Risk Management and Audit Committees are communicating their suggestions and findings to the Board, as and if necessary.

The following table presents the various reports and information submitted to the Board:

S/N	Report Name	Report Description	Preparer	Recipient	Frequency
1	Risk Report	Risk Management report	Risk Manager	BoD	Annually
2	ICAAP	Internal Capital Adequacy Assessment Process	Risk Manager	BoD	Annually
3	AML Report	Anti-Money Laundering Compliance Officer Report	Money Laundering Compliance Officer	BoD	Annually
4	Compliance Officer Report	Compliance Officer Report	Compliance Officer	BoD	Annually
5	Internal Audit Report	Internal Auditor Report	Internal Auditor	BoD	Annually
6	Audited Financial Statements	Audited Financial Statements	External Auditor	BoD	Quarterly
7	Suitability Report	Suitability Report	External Auditor	BoD	Annually

3. Own Funds

3.1 Composition of Own Funds and Capital Adequacy Ratio

Own Funds components	31 Dec 2017
	€000
Common Equity Tier 1 Capital	
Share capital	1.775
Share premium	233
Retained Earnings	109.820
Common Equity Tier 1 Capital before deductions	111.828
Deductions from Common Equity Tier 1 Capital	
Intangible Assets	(853)
ICF Contribution	(147)
Total Deductions	(1.000)
Common Equity Tier 1 Capital after deductions	110.828
Additional Tier 1 Capital	-
Tier 2 Capital	-
Total Own Funds	110.828
Capital Requirements	
Credit risk	3.281
CVA Risk	7
Market Risk	19.860
Operational Risk	19.592
Additional capital requirements for the large exposure excess in the Trading Book	-
Total Capital Requirements	42.740
Capital Adequacy Ratio	20,74%

3.2 Balance Sheet reconciliation

Reconciliation of Equity as per Balance Sheet with Own Funds	31 Dec 2017
	€000
Share capital	1.775
Share premium	233
Retained Earnings	109.820
Total Equity as per audited financial statements	111.828
(Less: Intangible Assets)	(853)
(Less: ICF Contribution)	(147)
Total Deductions	(1.000)
Total Own Funds	110.828

3.3 Own funds disclosure template under the transitional and fully-phased in definition

At 31 December 2017	Transitional Definition	Fully - phased in Definition
	€000	€000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	2.008	2.008
Retained earnings	109.820	109.820
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	118.828	111.828
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-
Intangible assets (net of related tax liability)	(853)	(853)
Additional deductions of CET1 Capital due to Article 3 CRR	(147)	(147)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1.000)	(1.000)
Common Equity Tier 1 (CET1) capital	110.828	110.828
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	110.828	110.828
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	110.828	110.828
Total Risk Weighted Assets	534.252	534.252
Capital ratios and buffers		
Common Equity Tier 1	20,74%	20,74%
Tier 1	20,74%	20,74%
Total capital	20,74%	20,74%

3.4 Main terms and conditions of capital resources

As at 31 December 2017, the Company's eligible Own Funds consisted entirely of Common Equity Tier 1 capital ("CET1"). The Company's CET1 capital comprises of share capital, share premium and retained earnings (including audited profits for the period), less intangible assets and the Company's contribution to the Investor Compensation Fund, as requested by CySEC through its Circular C162 issued on 10 October 2016.

As at 31 December 2017, the Company's issued share capital amounted to € 1.775.425, divided into 1.775.425 ordinary shares of €1 each. The Company's authorised share capital amounted to €3.000.000, consisting of 3.000.000 ordinary shares of €1 each.

4. Minimum Capital Requirement for Credit, Market and Operational risk

4.1 Risk Weighted Assets ("RWAs") and Capital Adequacy Ratio

Risk Type – 31 Dec 2017	RWAs	Pillar 1 Capital Requirement
	€000	€000
Credit	41.014	3.281
Market	248.253	19.860
Operational	244.900	19.592
CVA	85	7
Large exposures in the Trading Book	-	-
Total	534.252	42.740

As at 31st December 2017, the Capital Adequacy Ratio of Trading Point of Financial Instruments Ltd stood at 20,74%. The Company is required to maintain a minimum ratio of capital to risk weighted assets of 8% for Pillar I risks, plus a capital conservation buffer which for 2017 amounted to 1,25% according to the transitional implementation provisions, resulting to a combined minimum requirement of 9,25%. Moreover, following review of the Company's ICAAP, CySEC may impose additional capital requirements for risks not covered by Pillar I.

4.2 Credit Risk

The Company uses the Standardized Approach for measuring Credit Risk. The table below presents the allocation of RWAs and capital requirements for Credit Risk by asset class as at 31st December 2017:

Asset Class – 31 Dec 2017	RWAs	Minimum capital requirement
	€000	€000
Institutions	22.242	1.779
Corporates	8.188	655
Retail	9.297	744
Other Items	1.287	103
Total	41.014	3.281

4.3 Market Risk

The Company uses the Standardized Approach for measuring Market Risk. The table below shows the Capital Requirements for Market Risk as at 31st December 2017:

Risk Type – 31 Dec 2017	RWA	Minimum capital requirement
	€000	€000
Market		
<i>of which Equity market risk</i>	18.740	1.499
<i>of which Commodity market risk</i>	2.702	216
<i>of which Interest rate market risk</i>	-	-
<i>of which FX market risk</i>	226.811	18.145
Total	248.253	19.860

4.4 Operational Risk

The Company uses the Basic Indicator Approach for measuring its minimum capital requirements for Operational Risk. As at 31st December 2017, the capital requirements for Operational Risk amounted to €19.592 thousand and the RWAs amounted to €244.900 thousand.

5. Counterparty Credit Risk

5.1 Internal capital and credit limits for Counterparty Credit risk exposures

Counterparty Credit risk arises from the possibility that a counterparty will fail to perform on an obligation arising from transactions such as money market placements, FX, derivatives and other transactions. As at 31 December 2017, the Company was exposed to Counterparty Credit risk through its open positions in FX, equity, gold, commodity and other CFDs held by the Company's clients whereby it acted as the counterparty to the trades, and open positions held by the Company with liquidity providers for dealing on own account, whereby the Company entered into such trades to economically hedge part of its open client contracts.

During 2017, the Company decided to trade in Cryptocurrency CFDs with its clients and liquidity providers, while obtaining the relevant CySEC license/permission. However, the offering of these products to clients was terminated by the end of the year, leaving only an immaterial amount of open positions with the respective liquidity providers.

The Company allocates a limit to each counterparty it is trading with. The allocation of the limit takes into consideration the following factors for each counterparty:

- a) Operations
- b) Environment and country of establishment
- c) Financial statements
- d) Financial experience.

5.2 Policies for securing collateral and establishing credit reserves

The Company uses cash collateral to mitigate its Counterparty Credit risk arising from its open CFD positions with its clients. The collateral primarily consists of the margin maintained by clients in their trading accounts with the Company, in order to support all their open positions, and its value is derived by taking into consideration the performance of each client's portfolio. In its capital adequacy calculations, the Company recognises this collateral by applying the financial collateral comprehensive method and, for derivative positions with clients, the contractual netting of derivatives methodology as described in Article 298 of the Regulation.

5.3 Policies with respect to wrong-way risk exposures

Wrong way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Company's derivative transactions) have an adverse impact on the

probability of default (PD) of a counterparty. This risk is not currently measured as it is not anticipated to be significant given the existence of netting arrangements for all derivative transactions with clients, which significantly reduce Counterparty Credit risk.

5.4 Collateral provided in case of a downgrade in the Company's credit rating

The Company was not involved in any agreements which would require the Company to provide additional collateral in the event of a downgrade.

5.5 Derivatives exposure and Mark-to-Market Method

The Company's total exposure in derivatives is calculated using the "Mark-To-Market Method" as the sum of the current replacement cost and the potential future credit exposure based on the methodology for contractual netting of derivative transactions.

The minimum capital requirement calculated for the Company's open derivative positions as at 31 December 2017 is presented in the table below:

Derivative types – 31 Dec 2017	Netted Credit Current Exposure before CRM	Netted Credit Current Exposure after CRM	RWAs	Min Capital Requirement
	€000	€000	€000	€000
FX, Equity, Commodity & Other CFDs	22.614	16.492	13.068	1.045

6. Exposure to Credit risk and Impairment risk

6.1 Past due and impaired assets

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Provisions

Provisions are recognised 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 the reimbursement is virtually certain.

As at 31 December 2017 the Company did not have any past due loans with clients or any past due receivables and did not recognise any provisions for impairment in respect of loans or trade and other receivables.

6.2 Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors)

The table below outlines the Company's exposures by asset class net of any specific provisions and before applying Credit Risk Mitigation:

Asset Classes – 31 Dec 2017	Original exposure amount, net of specific provisions	Average exposure
	€000	€000
Institutions	110.912	120.186
Corporates	10.029	7.333
Retail	16.677	25.849
Equity	-	7
Other Items	1.289	1.135
Total	138.907	154.510

The table below outlines the Company's exposures by asset class and geographic area of the counterparty, net of any specific provisions and before applying Credit Risk Mitigation:

Exposures per Asset Class per region of Counterparty – 31 Dec 2017	United Kingdom	Cyprus	Switzerland	Germany	Spain	Other	Total
	€000	€000	€000	€000	€000	€000	€000
Institutions	40.399	11.060	36.103	7.816	8.891	6.643	110.912
Corporates	203	1.957	-	204	346	7.319	10.029
Retail	1.631	79	144	777	617	13.429	16.677
Other Items	-	1.289	-	-	-	-	1.289
Total	42.233	14.385	36.247	8.797	9.854	27.391	138.907

The table below outlines the Company's exposures by asset class and industry area net of any specific provisions and before applying Credit Risk Mitigation:

Exposures by Asset Class by Industry Segment – 31 Dec 2017	Banking/Financial services	Private Individuals/small companies (CCR exposure from open positions with clients)	Other	Total
	€000	€000	€000	€000
Institutions	110.912	-	-	110.912
Corporates	4.465	5.531	33	10.029
Retail	-	16.677	-	16.677
Other Items	-	-	1.289	1.289
Total	115.377	22.208	1.322	138.907

The table below outlines the Company's exposures by asset class and residual maturity net of any specific provisions and before applying Credit Risk Mitigation:

Allocation of exposures by residual maturity – 31 December 2017	Up to 3 months	More than 3 months	Total
	€000	€000	€000
Institutions	110.632	280	110.912
Corporates	9.996	33	10.029
Retail	16.677	0	16.677
Other Items	11	1.278	1.289
Total	137.316	1.591	138.907

7. External Credit Assessment Institutions (ECAIs) used for calculating Risk Weighted Assets under the Standardised Approach

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

7.1 Application of External Ratings from Recognised ECAIs

The Company has used the credit step mapping table below to map the credit assessment to credit quality steps ("CQS"):

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

7.2 Transfer of Credit Assessments onto items not included in the Trading Book

For exposures to regional governments or local authorities, public sector entities, institutions and corporates, the ECAIs' credit assessment are applied in the following priority:

1. Issue/Exposure
2. Issuer/Counterparty
3. Sovereign.

For exposures to central governments or central banks, multilateral development banks and CIUs, the ECAIs' credit assessments are applied in the following priority:

1. Issue/Exposure
2. Issuer/Counterparty.

The ECAIs are not taken into account where all relative exceptions per the Regulation apply.

7.3 Exposures before and after Credit Risk Mitigation

The table below analyses the Company's exposures before and after Credit Risk mitigation by Credit Quality Step:

Credit Quality Step – 31 Dec 2017	Exposure values before Credit Risk Mitigation	Exposure values after Credit Risk Mitigation
	€000	€000
CQS 1	24.942	24.942
CQS 2	45.598	45.598
CQS 3	0	0
CQS 4	739	739
CQS 5	3.993	3.993
CQS 6	1.135	1.135
Unrated	44.534	42.692
Not Applicable	17.966	13.685
Total	138.907	132.784

8. Exposures in Equities not included in the Trading Book

As at 31 December 2017 the Company did not have any exposures in equities that were classified in the non-Trading Book (i.e. Banking Book).

9. Exposure to Interest Rate Risk on positions not included in the Trading Book

The Company has no interest rate risk exposure to positions not included in the trading book.

10. Remuneration Policy and Practices

The remuneration policy of the Company is set by Senior Management and the Board of Directors, based on the recommendations of the Nomination & Remuneration Committee. It is subject to annual central review which is coordinated by the Senior Management and, ultimately, the Board of Directors upon the recommendation of the Nomination & Remuneration Committee. In addition, it undergoes an independent, internal review by the Compliance Function at least annually. Furthermore, the Board is responsible for the ultimate validation of the policy, including principles, budgets and individual allocations, following the review of the Nomination & Remuneration Committee.

The Company's Board adopts and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation. In addition, it takes all actions it considers necessary in relation to the Nomination & Remuneration Committee's findings and suggestions.

Decisions with regards to remuneration levels and salary increases of employees are taken by the CEO and the Managing Director, who are also Executive Directors, in consultation with the departmental heads. In addition to examining these factors, the departmental heads hold discussions with each employee at the beginning of each year to discuss the employee's performance during the preceding year.

10.1 Performance-Related Pay

In 2017 remuneration consisted of fixed monthly salaries and performance-based bonuses. The Company operates a performance-based remuneration scheme, the Discretionary Annual Bonus Scheme.

Variable Remuneration (Discretionary Annual Bonus Scheme)

The discretionary annual bonus scheme operated by the Company aims at recognising an employee's contribution to the success of the Company. The bonus year runs from January 1st until December 31st.

Allocation of variable remuneration is not contractual, but depends on both individual and corporate performance and takes into account previously-defined quantitative and qualitative criteria as set out in the Remuneration Policy and linked to the individual performance targets, Key Performance Indicators (KPIs) and competencies as set out in the Company's Competency Framework which is linked to the Company's Performance Enhancement System (PES) for the purposes of performance review and development of each employee. It also takes into consideration the economic, social and competitive context. The criteria used to set the variable remuneration, as well as its allocation, take into account all risks through quantitative and qualitative adjustments.

The variable element of employees who can have a material impact on the service provided to clients and/or corporate behaviour of the Company is based on quantitative and qualitative criteria which measure the staff member's activities in terms of acting in the best interests of the client and, specifically, that the staff member in question acted honestly, fairly and professionally towards clients. These criteria include, among others, the number of clients and/or partners assigned to the staff member concerned and the quality of service offered to them, the level of compliance with internal policies and procedures and legal and regulatory requirements, communication skills, effectiveness, professionalism and client complaints.

As decided by the Company's Board of Directors, during 2017 the Company did not offer any entitlements to shares and/or options as a form of variable remuneration.

10.2 Aggregate information on remuneration broken down by business area

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

Business Area – 31 Dec 2017	Aggregate quantitative information on remuneration
	€000
Control Functions	2.397
Investment Activities (Reception/Transmission/Execution & Own Dealing)	625
Total	3.022

10.3 Aggregate information on remuneration, broken down by senior management and other members of staff whose actions have a material impact on the risk profile of the Company

The table below provides a breakdown of aggregate remuneration by senior management and members of staff whose actions have a material impact on the risk profile of the Company.

	No. of Beneficiaries	Fixed Remuneration €000	Variable Remuneration* €000	Total Remuneration €000
Senior Management	10	790	947	1.737
Other members of staff whose actions have a material impact on the risk profile of the Company	50	1.042	243	1.285
Total	60	1.832	1.190	3.022

* Note: During 2017, no sign-on or severance payments have been made and no deferred remuneration has been awarded. No compensation was paid to any leavers (in some cases leavers were paid the appropriation of their bonuses however this doesn't form any compensation that the Company was obligated to pay). Moreover, all variable remuneration was paid in cash.

11. Leverage Ratio

The Basel III framework introduced a simple, transparent, non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014, amending the Regulation with regards to the Leverage Ratio. The Company calculates its Leverage Ratio at the end of each quarter.

The recommended minimum for the purposes of Leverage Ratio is currently assessed at 3%. The Company's Leverage ratio as at 31st of December 2017 was 79,41%.

The table below, provides a reconciliation of accounting assets and Leverage Ratio exposures:

Summary reconciliation of accounting assets and Leverage Ratio exposures		Applicable Amounts €000
31 December 2017		
1	Total assets as per published financial statements	127.283
4	Adjustments for derivative financial instruments	10.936
7	Other adjustments	1.344
8	Total Leverage Ratio exposure	139.563

The table below provides a breakdown of the exposure measure by exposure type:

Leverage Ratio common disclosure		Leverage Ratio exposures €000
31 December 2017		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	117.293
2	(Asset amounts deducted in determining Tier 1 capital)	(1.000)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	116.293
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (i.e. net of eligible cash variation margin)	12.334
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	10.936
11	Total derivative exposures (sum of lines 4 to 10)	23.270
Securities financing transaction exposures		
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
19	Other off-balance sheet exposures (sum of lines 17 to 18)	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
Capital and total exposures		
20	Tier 1 capital	110.828
21	Total Leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	139.563
Leverage ratio		
22	Leverage Ratio	79,41%

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
31 December 2017		Leverage Ratio exposures €000
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	116.292
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	116.292
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
EU-7	Institutions	110.505
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	4.498
EU-11	Exposures in default	-
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1.289

Description of the processes used to manage the risk of excessive leverage

The Company monitors its Leverage Ratio at least on a quarterly basis and makes sure that it always remains well above the suggested minimum limit of 3%.

Factors that had an impact on the Leverage Ratio during the period

The Leverage Ratio of the Company over the financial year 2017 ranged between 50,02% (March) to 79,41% (December), mainly due to the increase in Tier 1 capital.