eurotrader

DISCLOSURES AND MARKET DISCIPLINE REPORTS FOR 2017

Pillar III

May 2018

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1. Introduction

Eurotrade Investments RGB Ltd (the "Company") is a Cypriot Investment Firm regulated by the Cyprus Securities and Exchange Commission (the Commission" or "CySEC") with license number 279/15.

Following the implementation of the EU Regulation 575-2013 (the "Regulation") and the Investment Services and Activities and Regulated Markets Laws of 2007 to 2014 (the "Law"), the Company is required to disclose information relating to its capital as well as the risks that the Company is exposed to. These disclosures are for the year ended 31 December 2017. The Company's policy is to meet all required Pillar III disclosure requirements as detailed in the Capital Requirements Regulations (CRR).

This report is published and will be available on the Company's websites at (https://www.eurotrader.eu/en/)

1.1. Reporting Frequency

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

1.2. Verification

The Company's Pillar 3 disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the General Manager, the Risk Manager, and the Head of Accounting.

The Company's Pillar 3 disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures as detailed in Section 6 of this document have been reviewed by the Board which has responsibility of the Remuneration Policy in the absence of a Remuneration Committee.

1.3. Reporting details

The Company reports on a Solo basis and the reporting currency is EUR.

1.4. Return on capital.

The Company's Return on capital was negative due to losses for the year.

1.5. Non Material, Proprietary or Confidential Information

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

2. Corporate Governance – Board and Committees

2.1. Board of Directors

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 2 executive directors and 2 non-executive independent.

Full name of Director	Position/Title	Capacity	Country
Mrs. Mila Yiapani	Chief Executive Officer	Executive Director, “4 eyes”	Cyprus
Mrs. Xenia Nephytou	General Manager	Executive Director, “4 eyes”	Cyprus
Mr. Evegenios Bagiazidis	Non-executive Director, Independent	Non-Exe. Director, Independent	Cyprus
Mrs. Inessa Levinskaya	Non-executive Director, Independent	Non-Exe. Director, Independent	Russia

2.2. Board recruitment policy

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

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfill their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission.

Main factors influencing the decision to propose the appointment of potential Directors include:

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

2.3. Number of Directorships held by the Board members

Full name of Director	Position/Title	Executive	Non-Executive
Mrs. Mila Yiapani	Chief Executive Officer	1	0
Mrs. Xenia Nephytou	General Manager	1	1
Mr. Evegenios Bagiazidis	Non-executive Director	1	1
Mrs. Inessa Levinskaya	Non-executive Director	0	1

2.4. Governance Committees

The Company has not formed any governance committees since the current scale and complexity of its operations does not require such level of elaborate governance oversight to adequately monitor its operational effectiveness and its potential risks. The Company intends in establishing a Risk Committee when its operations, scale and complexity increase.

3. Risk Management

Implementing a high-performance and efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates, as are maintaining a strong risk culture and promoting good corporate governance. The Company’s risk management, supervised at the highest level is compliant with the regulations enforced by CySEC and the European regulatory framework.

The Enterprise Risk Management program (“ERM”) is closely monitored at the highest level of the Company: it is supervised by Management body, with the participation of members of the Executive Committee, and is the subject of regular reporting to the BoD.

There is a formal structure for monitoring and managing risks across the Company comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk.

To ensure effective risk management the Company has adopted the “three lines of defense” model of governance with clearly defined roles and responsibilities.

First line of defense - Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds.

Second line of defense - the Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company’s risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them.

Third line of defense comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls.

3.1. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk Appetite is defined using both quantitative and qualitative criteria.

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the Internal Capital Adequacy Assessment Process ("ICAAP"), which is also used to ensure capital adequacy under stressed economic conditions.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analyzed and approved by the BoD. The Company's risk appetite strategy is implemented by the senior management in collaboration with the BoD and applied by all divisions through an appropriate operational steering system for risks covering:

- Governance (decision-making, management and supervisory bodies)
- Management (identification of risk areas, authorization and risk-taking processes, risk management policies through the use of limits and guidelines, resource management)
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits)

Essential indicators for determining the Risk Appetite and their adaptations are regularly supervised over the year in order to detect any events that may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

The Company is considering the time and requirements in order to initiate the establishment of a Risk Appetite Statements.

The ICAAP requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis, i.e., the internal capital supply to exceed internal capital demand.

The Company expects the preparation of the ICAAP report by the end of the second quarter of 2018.

3.1.1. Risk Identification

The Risk Identification process provides guidance on the sources to investigate and research in order to identify new and emerging risks and sets out consistent principles, which should be applied.

3.1.2. Risk Assessment

The Risk Assessment process is the means through which the Company understands and estimates the effect of risk on the business and the processes, systems and controls that mitigate those risks to an acceptable level.

3.1.3. Risk Management Function (RMF)

The RMF operates under the leadership of the Risk Management Officer (RMO) who reports directly to the Senior Management and the Board. The Risk Management function has been outsourced to a professional with specific expertise and structured to provide analysis, challenge, understanding and oversight of each of the principal risks faced by the Company.

3.1.4. Stress Testing

Stress Testing is the process by which the Company's business plans are subjected to severe stress scenarios in order to assess the impact of those potential stresses on the Company's business including the projected capital and liquidity positions.

The Company is required to prepare and make available upon request periodic ICAAP reports which set out future plans, their impact on capital availability and requirements and the risks to capital adequacy under potential stress scenarios.

3.2. Board Declaration - Adequacy of the Risk Management arrangements

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

The Board 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 minimize loss.

3.3. Board Risk Statement

Considering its current nature, scale and complexity of operations, the Company has developed a policy that establishes and applies processes and mechanisms that are most appropriate and effective in monitoring activities.

The aim is to promptly identify, measure, manage, report and monitor risks that interfere with the achievement of the Company's strategic, operational and financial objectives. The policy includes adjusting the risk profile in line with the Company's stated risk tolerance to respond to new threats and opportunities in order to minimize risks and optimize returns.

Risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. Risks are assessed systematically and evaluated as to the probability of a risk scenario occurring, as well as the severity of the consequences should they occur.

The following table sets out a number of key measures used to monitor the Company's risk profile:

Risk Area	Metrics	Comment	Measure as at 31/12/17 (Based on Audited Financial Statements)
Capital	Core Equity Tier1 (CET1), Tier 1 and Total capital ratios	The Company's objective is to maintain regulatory ratios well above the minimum thresholds set by CySEC. It therefore aims to maintain its capital ratios at least 2% points above the required level (regulator's current limit: 8%).	CET1: 4.00% Tier1: 4.00% Total capital ratio: 11.83%
Liquidity	Current Ratio	The Company aims to keep its Current Ratio i.e. (Current Assets)/Current Liabilities at values exceeding 1,0.	Current Ratio: 1.7
Credit Risk	Exposure to single financial institution	The Company's objective is to minimize the potential loss from counterparties. It thus aims to limit its exposure to a single financial institution at levels of	Current exposure: is in two institutions 98.5% in one and 1.5% in another

		90% of its overall cash positions or less, and maintains exposure to any one institution at levels of 100% of its own funds or less.	

4. Market Risk

Market risk corresponds to the risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

As mentioned above, in the context of Pillar I, market risk mainly arises as:

Position Risk: It refers to the probability of loss associated with a particular trading/security (long or short) position due to price changes.

Interest Rate Risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, precious metals, gas, electricity etc.

Foreign Exchange Risk: It is a financial risk that exists when a financial transaction is denominated a currency other than the base currency of the company. The foreign exchange risk in the Company is effectively managed by the establishment of and control of foreign exchange 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.

The Company monitors these exposures on a daily basis and has policies to minimize its market risk exposures which are in accordance with the CRR.

The Company’s Capital requirements related to market risk are mainly determined using the standardized approach.

In 2017, the Company did not have any market risk exposure.

5. Credit Risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. Generally, credit risk can be derived from the following areas:

- Cash and cash equivalents
- Debt securities
- Receivables
- Derivatives

The Company’s objective in managing credit risk exposures is to maintain them within parameters that reflect the strategic objectives and risk tolerance. Sources of credit risk are assessed and monitored, and the Company has policies to manage the specific risks within the various subcategories of credit risk. To assess counterparty credit risk, the Company uses the ratings assigned by external rating agencies.

The Company is only exposed to credit risk mainly arising from cash and cash equivalents. It has significant exposure with financial institutions in the European Economic area and mainly Cyprus. In order to mitigate risks related to cash and cash equivalents, the Company tries to utilize local Banks with lower default risks and tries to limit the maximum cash amount that can be deposited with a single counterparty. In addition, the Company reviews a list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

Exposures to institutions of a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight that is one category less favorable than the preferential risk weight assigned to exposures to the central government in which the institution is incorporated in accordance with Table 1 below., as described in Article 114(4) to (7) of the CRR.

Table 1						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	0%	20%	50%	100%	100%	150%

Exposures to Member States' central governments and central banks denominated and funded in the domestic currency of that central government and central bank shall be assigned a risk weight of 0%.

Until 31 December 2017, the same risk weight shall be assigned in relation to exposures to the central governments or central banks of Member States denominated and funded in the domestic currency of any Member State as would be applied to such exposures denominated and funded in their domestic currency.

According to Article 119 of the CRR, exposures to institutions for which a credit assessment by a nominated ECAI is available shall be risk-weighted in accordance with the Tables 3 and 4 below.

Table 3 - Exposures to institutions with a residual maturity of more than three months:

Table 3						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	50%	100%	100%	150%

Table 4 - Exposures to an institution of up to three months residual maturity:

Table 4						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	20%	20%	50%	50%	150%

Exposures to institutions for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned in accordance with Table 5.

Table 5						
Credit Quality Step	1	2	3	4	5	6
Risk Weight	20%	50%	100%	100%	100%	150%

Given the above, the Company uses a nominated ECAI to derive to the following Risk weighted exposure on Cash and cash equivalents of residual maturity of less than 3 months and of residual maturity of more than 3 months (both rated and unrated).

Credit Quality Steps	**Risk Weight**			**Moody's Credit Rating**	**Exposure amount**			**Risk weighted**
					2017			**2017**
					€000	**€000**	**€000**	**€000**
	Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated		Less than 3 months maturity	More than 3 months Rated	More than 3 months Unrated	
CQS1	0%	20%	20%	Aaa to Aa3	-	-	-	-
CQS2	20%	50%	50%	A1 to A3	131	-	-	26
CQS3	50%	50%	100%	Baa1 to Baa3	-	-	18	18
CQS4	100%	100%	100%	Ba1	-	-	-	-

Credit Quality Steps	**Risk Weight**			**Moody's Credit Rating**	**Exposure amount**			**Risk weighted**
				to Ba3				
CQS5	100%	100%	100%	B1 to B3	-	-	-	-
CQS6	150%	150%	150%	Caa1 and below	-	-	-	-
Total risk weighted cash exposure					**26**		**18**	**44**

5.1. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk

	Maximum exposure to credit risk	**Risk weight on**
	2017	**2017**
	€000	**€000**
Risk weighted assets:		
Cash	131	26
Central Government	0	0
Fees Receivable & Other Assets	20	20
Fixed Assets	8	8
Total	157	54

6. Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. In general, operational risk can be derived from the following areas:

- Employee error
- System failure

- Fire, floods or other losses to physical asset
- Fraud (internal/external) or other criminal activity
- Operational fixed overhead costs

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

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

Following the recent implementation of the Regulation 575/2013 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 ('the Regulation'), the amendments in the Investment Services and Activities and Regulated Markets Law (December 19, 2014) and the issuance of Directives DI2014-144-14 and DI2014-144-15, the Company has been categorized as an investment firm that falls under Article 95(1) of the CRR. Given its categorization, the Company has adopted the Fixed Overheads Exposure Risk calculation method to calculate its total risk exposure amount.

The table below shows the Total Risk Exposure which takes into account the exposure to Fixed Overheads (equal to 12.5 times the Fixed Overheads Requirements). The fixed overheads are based on the fixed overheads of the preceding year adjusted for items listed below:

a. fully discretionary staff bonuses
b. employees', directors' and partners' shares in profits, to the extent that they are fully discretionary
c. other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary
d. shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable
e. fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions
f. fees to tied agents in the sense of paragraph 1, Section 2 of Part I of Law 114(I)/2007, where applicable, notwithstanding the provisions of Note (i)

g. interest paid to customers on client money
h. non-recurring expenses from non-ordinary activities

	Total Risk Exposures
	2017
	€000
Total risk exposure due to Credit risk	54
Total risk exposure amount due to fixed overheads	584
Total Risk Exposure amount	638

7. Other Risks

7.1. Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses, monitors and manages its liquidity needs on an ongoing basis.

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

7.2. Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans
- Improper implementation of strategic plans
- Unexpected changes to assumptions underlying strategic plans

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

7.3. Reputation Risk

Risks to the Company’s reputation include the risk that an act or omission by the Company or any of its employees could result in damage to the reputation or loss of trust among its stakeholders. Every risk type has potential consequences for the Company’s reputation, and therefore, effectively managing each type of risk helps reduce threats to its reputation.

Additionally, the Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

7.4. Business Risk

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

7.5. Capital Risk Management

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of Company’s Management Accounts to monitor the financial and capital position of the Company.

7.6. Regulatory Risk

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

7.7. Legal and Compliance Risk

This could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the Compliance Officer. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

7.8. Concentration Risk

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

7.9. Information Technology (IT) Risk

IT risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

8. Leverage Ratio

The leverage ratio is a new monitoring tool which will allow the competent authorities to assess the risk of excessive leverage in their respective institutions. According to the CRR, the investment firms have to report all necessary information on the leverage ratio and its components.

According to the CRR, the requirement for institutions to start disclosing the leverage ratio from 1 January 2016, depends on the category of the institution. Please refer to the table below.

ANNEX VI – Summary of reporting requirements

Category	Minimum initial capital	Form 144-14-06.1	Form 144-14-07	Form 144-14-08.1	Form 144-14-08.2	Form 144-14-08.3	Form 144-14-09
Full scope [1]	€730.000	submit	submit	submit	submit	submit	Submit
Under art. 95(1) of CRR[2]	€125.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	exempted
Under art. 95(2) of CRR [3]	€50.000	Submit (calculation based on FOH)	exempted	exempted	exempted	exempted	exempted
Under art. 96(1) (a) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Under art. 96(1) (b) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Exempted under art. 4(1) (2) of CRR [4]	€50.000	exempted	exempted	exempted	exempted	exempted	exempted

9. Remuneration Policy

The obligation for any company to have a Remuneration Policy in place is utilized by the CySEC in order to be able to assess the quality of any company's remuneration policies and whether they encourage excessive risk-taking by their employees. It is the requirement of CySEC that investment firms must use the principles in assessing their exposure to risks arising from their remuneration policies as part of the internal capital adequacy assessment process ("ICAAP").

Eurotrade has established, implements and maintains remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management so as to avoid the rise of situations where employees will have incentives to act in ways that might undermine effective risk management.

Eurotrade will establish a risk committee, the task of which shall be to monitor the risk strategy of Eurotrade. The remuneration committee will be established once Eurotrade reaches a satisfactory level of business and personnel and the Remuneration Policy of Eurotrade shall be amended so as to enable the board of directors to act as the remuneration committee in order for the directors to be able to actively manage the remuneration policies and risks involved at any time.

The board of directors must determine the nature, the amount, the format, and the frequency of the information on risk which it is to receive. In order to assist in the establishment of sound remuneration policies and practices, the risk committee shall examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

The Remuneration Policy covers all aspects of remuneration that could have a bearing on effective risk management including salaries, bonuses and other incentives (stated in the clause 6 below). In applying the Remuneration Policy, Eurotrade should have regard to applicable good practice on remuneration and corporate governance. In considering the risks arising from its remuneration policies Eurotrade will also need to take into account its statutory duties in relation to equal pay and non-discrimination.

Eurotrade ensures that its board of directors devotes sufficient time to consideration of risk issues. The board of directors shall be actively involved in and ensure that adequate resources are allocated to the management of all material risks addressed in Directive and in Regulation (EU) No 575/2013 as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks. Eurotrade established reporting lines to the board of directors that cover all material risks and risk management policies and changes thereof.

When requested, Eurotrade shall provide to CySEC with evidence of how well Eurotrade remuneration guidelines meet the Remuneration Policy and where amendment is necessary, with proposals of how the Remuneration Policy will be improved.

The Remuneration Policy is principally concerned with the risks created by the way remuneration arrangements are structured and they may only apply in relation to certain categories of employees. The categories include senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on their risk profile.

Based on the requirements of paragraph 20 of Directive DI144-2014-14 the following principles shall be applicable on a firm-wide basis:

a) risk Management and Risk Tolerance;
b) supporting Business Strategy, Objectives, Values and Long-term Interests of the firm;
c) Eurotrade board of directors adopts and periodically reviews (at least annually) the general principles of the remuneration policy and is responsible for overseeing its implementation;
d) staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control;
e) the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the board of directors;

f) the remuneration policy, taking into account national criteria on wage setting, makes a clear distinction between criteria for basic fixed remuneration (stated in the employment contracts), which reflect to the relevant professional experience and organizational responsibility as set out in an employee's job description written in the Internal Manual Procedures as part of the terms of employment;
g) avoiding Conflicts of Interest and remuneration calculations will be not based on the following:
- remunerations as a percentage of the total volume of transactions, or the value of transactions, or the value of clients' deposits;
- remuneration based on retention of clients e.g. based on a predefined percentage of cancellation of withdrawal requests that an employee manages to achieve;
- remunerations based on the number of potential clients who have actually become Clients;
- remunerations as a percentage of the net revenue accruing to the CIF in respect to clients' transactions (closed P&L of clients);
- fixed remunerations based on the number of new clients attracted.

a) governance;
b) profit-based Measurement and Risk Adjustment;

The remuneration during 2017 was €67,092 payable to four directors. Whereas staff salaries during 2017 were €44,362.

10. Capital Base

At 31st of December 2017 the Capital base of the Company was as follows:

	Capital Base
	2017
	€000
Share Capital	6
Share Premium	559
Other reserves	41
Accumulated Losses	-453
Intangible Assets	-84
Common Equity Tier 1 Capital Total	**69**

Additional Tier 1 Capital	**-**
Tier 2 Capital	**50**
(-) Additional deductions of CET1 Capital due to Article 3 CRR	**-43**
Total Own Funds	**75**

11. Capital Adequacy

Based on the Company's authorization, quarterly Capital Adequacy Reports are prepared and submitted to Cyprus Securities and Exchange Commission. The Capital Adequacy Reports is prepared on a solo basis and the reporting currency is Euro.

As indicated in section 4 of this report, the Company has been categorized as an Investment Firm falling under the Article 95.1 category, which requires it to hold eligible capital of at least one quarter of the fixed overheads of the preceding year.

11.1. Capital Requirements (based on exposure to fixed overheads)

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximize shareholders' value.

According to the Regulation and the Law the minimum capital adequacy ratio is 8% and the minimum own capital is €125 thousand. As at 31 December 2017, the Company's total risk exposure amount was €638 thousand resulting in a capital adequacy ratio of 11.83% which is higher than the minimum required of 8%. The minimum capital requirements set by CySEC are €125 thousand, and the Company's total own funds of €75 thousand were below the minimum threshold.

It should be noted that the Shareholders made a Capital Injection of €150,000 on December 22nd, 2017 with the purpose of issuing them as Share Capital. However, the value date of the transaction was on December 27th, 2017 on which date only €50,000 were cleared by the Bank. The remaining €100,000 were cleared on January 4th, 2018. Had the €100,000 been cleared before the end of 2017 the Company would have Own Funds of €175,000.

Further the Company's total eligible capital of €34,000 does not cover the Fixed Overheads Requirement (25% * Fixed Overheads) of €51,000. However, as stated above if the remaining €100,000 of the capital injection were cleared in 2017 then the eligible capital would have been €167,000 which would have been more than 3 times the Fixed Overheads requirement.

	2017
	€000
Total Capital (Own Funds)	***75***
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	54
Total risk exposure amount for settlement/delivery	0
Total risk exposure amount for position, foreign exchange and commodities risks	0
Total risk exposure amount for operational risk (OPR)	0
Additional risk exposure amount due to fixed overheads	584
Total risk exposure amount for credit valuation adjustment	0
Total risk exposure amount related to large exposures in the trading book	0
Other risk exposure amounts	0
TOTAL RISK EXPOSURE AMOUNT	***638***
CET1 Capital ratio *(Own Funds / Exposure to Fixed Overheads)*	***4.00%***
T1 Capital ratio	***4.00%***
Total capital ratio	***11.83%***

Under the Law, Own Funds consists mainly of paid up share capital, retained earnings less any proposed dividends, translation differences and un-audited current year losses. Current year profits are not added to own funds unless these are audited.

Capital Resources

The Company maintains both Tier 1 (€25 thousand) and Tier 2 (€50 thousand) Capital as eligible Capital. Total eligible Capital for 31 December 2017 were €34 thousand.

Publication of disclosures

According to the CySEC Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures has been requested from the external auditors and will be sent to CySEC.