

Disclosure of Information (Pillar 3)
For the year ended December 31st, 2015

Consulco Capital Ltd



May 2016

Regulated by the Cyprus Securities and Exchange Commission (License. No. 215/13)

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1. Introduction

Consulco Capital Ltd (the “Company”) is a Cypriot Investment Firm regulated by the Cyprus Securities and Exchange Commission (the Commission” or “CySEC”) with license number 166/12.

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 2015. 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 www.consulcocapital.com.

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 for 2015 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 3 executive directors and 2 non-executive independent.

Full name of Director	Position/Title	Capacity	Country
Mr. Marios Hajiroussos	Chief Executive Officer	Executive Director, “4 eyes”	Cyprus
Mr. Rafii Mahdessian	General Manager	Executive Director, “4 eyes”	Cyprus
Mr. Dmitry Khenkin	Non-executive Director	Non - Executive Director	Cyprus
Mr. George Skordis	Non-executive Director	Non-Exe. Director, Independent	Cyprus
Mr. George Kasapis	Non-executive Director	Non-Exe. Director, Independent	Cyprus

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
Mr. Marios Hajiroussos	Chief Executive Officer	1	2
Mr. Rafii Mahdessian	General Manager	1	1
Mr. Dmitriy Khenkin	Non-executive Director	1	2
Mr. George Skordis	Non-executive Director	1	1
Mr. George Kasapis	Non-executive Director	1	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.

3. Risk Management

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

Risk Appetite limits the risks which the business can accept in pursuit of its strategic objectives. Risk Appetite is formally reviewed annually and is monitored on an ongoing

basis for adherence. The Company's strategy, business plan and capital and liquidity plans are set with reference to Risk Appetite.

The Board approves the Risk Appetite, which defines the level of risk that the Company is prepared to accept to achieve its strategic objectives and is translated into specific risk measures that are tracked, monitored and reported to the Board. The Risk Appetite framework has been designed to create clear links to the strategic long term plan, capital planning, stress testing and the Company's risk management framework. The review and approval process is undertaken at least annually. The Company's Risk Appetite covers three core areas, financial risk, reputational risk and operational risk.

The Board approves the Company's business plans, budget, Internal Capital Adequacy Assessment Process (ICAAP) and also monitor's the Company's risk profile and capital adequacy position.

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 totality of systems, structures, policies, processes and people within the Company that identify, assess, mitigate and

monitor all internal and external sources of risk that could have a material impact on the Company's operations.

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

The Board considers that it has in place adequate systems and controls 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 31/12/15
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	CET1: 36,98% Tier1: 36,98% Total capital ratio: 36.98%

		current limit: 8%).	
Liquidity	Cash Ratio	The Company aims to keep its Cash Ratio i.e. (Cash & Cash Equivalents)/Current Liabilities at values exceeding 1,0.	Cash Ratio: 2,72
Credit Risk	Exposure to single financial institution	The Company's objective is to minimize the potential loss from counterparties. It thus limits its exposure to a single financial institution at levels of 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.	Current exposure: is 100% and 98,1% respectively

4. Market Risk

Market risk is the risk associated with the Company's balance sheet positions where the value or cash flow depends on financial and real estate markets. Fluctuating risk drivers resulting in market risk include:

- Equity market prices
- Real estate market prices
- Interest rates
- Currency exchange rates

The Company manages the market risk of assets relative to liabilities on an economic total balance sheet basis. It strives to maximize the economic risk-adjusted excess return of assets relative to the liability benchmark taking into account the Company's risk tolerance as well as regulatory constraints.

The Company is exposed to Currency risk, the risk of loss resulting from changes in exchange rates. The Company is exposed to the financial impact arising from changes in the exchange rates of various currencies in two ways. Firstly, the Company may receive commissions and management fees in a currency other than Euro, which is the base currency of the Company.

However, considering the current nature, scale and complexity of the Company's operations, the said risk is deemed insignificant and any adverse movement in exchange rates is not expected to materially impact the Company's financials. It will however, be regularly monitored and if deemed necessary corrective actions such as currency hedging will be taken to minimize the effect.

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 utilizes European 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, as described in Article 114(4) to (7) of the CRR, assigned to exposures to the central government in which the institution is incorporated in accordance with Table 1 below.

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
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					2015			2015
					€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	102	-	-	20
CQS3	50%	50%	100%	Baa1 to Baa3	-	-	-	-
CQS4	100%	100%	100%	Ba1 to Ba3	-	-	-	-
CQS5	100%	100%	100%	B1 to B3	-	-	-	-
CQS6	150%	150%	150%	Caa1 and below	-	-	-	-
Total risk weighted cash exposure								20

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
	2015	2015
	€000	€000
Risk weighted assets:		
Cash	102	20
Fees Receivable & Other Assets	4	4
Fixed Assets	-	-
Investors Compensation Fund	34	34

<i>Total risk weighted assets</i>	140	58
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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
	2015
	€000
Total risk exposure amount due to fixed overheads	281

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 2015, 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 purpose of the Company's Remuneration Policy is to ensure the consistent implementation of the MiFID conflicts of interest and conduct of business requirements in the area of remuneration.

The remuneration policy and practices of the Company are designed in such a way to avoid exposing the Company into excessive or undue risks. Moreover, they are targeted to avoid creating incentives that may lead relevant persons to favour their own interest, or the firm's interests, to the potential detriment of clients. The Company has set up adequate controls for compliance with the regulatory requirements on the remuneration policy and practices. The controls are implemented throughout the Company and subject to periodic review. These address all relevant factors such as:

- the role performed by relevant persons
- the type of products offered
- the methods of distribution
- the fixed and variable components of the total remuneration are appropriately balanced
- appropriate criteria to assess the performance of relevant persons (financial (quantitative) and non-financial (qualitative) criteria)

The Board of Directors is responsible for determining and approving the Company's remuneration policy and practices. The Board of Director's is also responsible to monitor the Company's compliance towards the approved policy and to identify and work towards any deficiencies. The Board of Directors meets at least once a year, and whenever the need arises, to discuss issues and to reformulate the policy where this is necessary on account of changes and developments, whether internal to the Company or external in its market environment. Any changes in the Company's remuneration policy can be brought about only as a result of a decision of its Board of Directors.

The remuneration for 2015 was €84.286 and it was payable to 4 employees and 3 directors.

No severance payments and variable or deferred remuneration have been awarded during the year. Further, all payments were made in cash.

10. Capital Base

At 31st of December 2015 the Capital base of the Company was as follows:

	Capital Base
	2015
	€000
Share Capital	308
Share Premium	70
Accumulated Losses	(275)
Common Equity Tier 1 Capital Total	104

Additional Tier 1 Capital	-
Tier 2 Capital	-
Total Own Funds	104

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 2015, the Company's total risk exposure amount was €281 thousand resulting in a capital adequacy ratio of 36,98%, considerably higher than the minimum required of 8%. However, the minimum capital requirements set by CySEC are €125 thousand, and the Company's total eligible capital of €104 thousand is below the minimum threshold.

Further the Company's total eligible capital stated above covers the Fixed Overheads Requirement (25% * Fixed Overheads) of €23 thousand by more than 4 times.

	2015
	€000
Total Capital (Own Funds)	104
Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	58

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	223
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	281
CET1 Capital ratio (Own Funds / Exposure to Fixed Overheads)	36,98%
T1 Capital ratio	36,98%
Total capital ratio	36,98%

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 only Tier 1 Capital as eligible own funds. Total eligible own funds for 31 December 2015 were €104 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 have been made by the external auditors and sent to CySEC.