Regency Asset Management (Cyprus) Limited

Disclosures in accordance with the Cyprus Securities and Exchange Commission Directive DI144-2007-05

As at 31 December 2015

Disclaimer

The following disclosures are based on the audited accounts of Regency Asset Management (Cyprus) Limited (hereafter referred to as “the Company”) as at 31 December 2015. The information has been prepared for the purpose of explaining how risks are managed by the Company and to disclose the capital requirements corresponding to these risks, in line with the requirements of the Cyprus Securities and Exchange Commission. It should be noted that the Company does not perform any securitisations.

The disclosures do not constitute the financial statements of the Company.

The disclosures have been reviewed by the Company’s Directors and by the Company’s External Auditor.

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1 Scope of the Application

1.1 Governing Law

Disclosures are made in accordance with the Capital Requirements of Investment Firms stated in the Directives DI144-2014-14 and DI144-2014-15 (“the Directives”) of the Cyprus Securities and Exchange Commission (“the CySEC” or “the Commission”), and in Part Eight of European Regulation 575/2013 (“the Regulation”) with regard to Pillar III disclosures.

1.2 Policy Statement

The Directors have assessed the need to publish some or all of the Disclosures more frequently than annually in light of the relevant characteristics of their business, such as scale of operations, range of activities, presence in different countries, involvement in different financial sectors, and participation in international financial markets.

With these considerations in mind, the Directors of the Company have decided that the Disclosures will be made on an annual basis and only on the Company’s website.

The Company will be held responsible to submit the external auditor’s verification of the Disclosures.

1.3 Background

The Company is a Cypriot Investment Firm (CIF) regulated by the Cyprus Securities and Exchange Commission (“the CySEC”).
Until October 26, 2015 the Company was entitled to provide the investment and ancillary (non-core) services as shown below:

- Reception and transmission of orders;
- Execution of such orders on behalf of clients;
- Portfolio management;
- Safe-keeping and administration of financial instruments for the account of clients;
- Foreign exchange services where these are connected with the provision of investment services.

The two highlighted (shadowed) investment services – “Reception and transmission of orders” and “Execution of such orders on behalf of clients” – were renounced by the Company (the formal request to the Commission was dated August 19, 2015) due to the loss of clientele and reduction of the brokerage services. On October 26, 2015 the CySEC amended the license accordingly.

The Company is wholly owned by Regency Asset Management Ltd of Bahamas. The Company does not have any subsidiaries and so does not perform consolidations for either accounting purposes or for regulatory purposes. As a result, the Company does not have any current or foreseen material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities amongst any subsidiaries.

The Company provides the investment and ancillary services, in accordance with the principles of good faith and fair business conduct. The Company takes all suitable measures in order to ensure the best possible protection of its clients’ interests, and also adheres to the principles of sound corporate governance and proper business practices.

2 Risk Management

Risk is an everyday part of the Company's operations. Management recognises that it is vital to identify, assess, monitor and control each type of risk.

The Company's Risk Management framework encompasses the scope of risks to be managed, the processes / systems and procedures to manage risk, and the roles and responsibilities of all individuals involved in risk management. This framework is comprehensive enough to capture all risks.

The Company has a dedicated Risk Management function which is responsible for the determination, evaluation and efficient management of the risks inherent in the provision of the investment services. The function's aim is to provide these services in accordance with the provisions of the Law and Directives issued by CySEC, as well as the internal regulations of the Company.

Specifically, the Risk Management function is involved in:

- Establishing, implementing and maintaining adequate risk management policies and procedures which identify the risks relating to the Company's activities and processes.
- Providing effective controls to safeguard information processing systems.
- Performing credit assessments (including quality and financial analysis) of clients when opening new accounts and then classifying them according to their risk criteria and limits.
- Monitoring day-to-day operational risks, and building a risk aware culture within the organisation and providing the relevant training.
- Monitoring the adequacy and effectiveness of its risk management policies and procedures.
- Providing the Company's Directors with reporting on a periodic basis.

Furthermore, on an ongoing basis, the Directors of the Company, together with the Risk Manager will:

- Evaluate the effectiveness of the policies and procedures of the Company which identify, analyse, evaluate, treat and monitor risk during the course of business, and the escalation process.
- Assess the Company's risk tolerance and risk bearing capacity.
- Ensure the Company has sufficient capital to support its risks and activities both now and in the future.
- Establish prudent methodologies for setting risk limits and ensuring exposures to risk stay within these limits, as well as allocating limits where they can be used most profitably and efficiently. Management is dynamic in the sense that it will reassess all limits set, as new information is known. It will review the general level of interest rates, current and projected national and local economic conditions and the Company's strategy in order to set forth the business plan for the next period.

Resolution of emergency situations:
The Company has set out in its Internal Operation (Procedures) Manual emergency response procedures (Business Continuity Plan and Disaster

Recovery Program) in order to stabilized situations following an incident or external disaster event. A Crisis Management team has been appointed for the handling of such a disaster/emergency event, including the recovery of the IT function and maintenance of the operating system network.

3 Capital Base

3.1 Regulatory Capital

The Company's capital base is comprised of Original Own Funds (Tier 1 capital).
The Company does not have any Additional Own Funds (Tier 2 capital).

A breakdown of the Company's Own Funds as at 31 December 2015 / 2014 is provided in the table below.

Company's Own Funds	Year ended 31/12/2015	Year ended 31/12/2014
Original Own Funds		
Share Capital	298.664	298.664
Reserves	(69.215)	(39.347)
Audited Material Gain/(Loss)	88.628	(29.868)
Intangible Assets	(11.178)	(16.477)
Total Original Own Funds	**306.899**	**212.972**
Additional Own Funds	0	0
Deductions from Own Funds	0	0
Total Eligible Own Funds	**306.899**	**212.972**

Figures are represented in EUR.

As shown above, the Company's Total Eligible Own Funds are comprised of Share Capital and Eligible Reserves (excluding revaluation reserves), and include specified deductions. It is noted that the Company's Share Capital consists of ordinary shares.

3.2 Internal Capital Adequacy Assessment Process (ICAAP)

The first Company's ICAAP document was prepared based on the activity results of the period 2013; the assessment was conducted of the additional risks to which the Company was exposed to; and the required Internal Capital of the Company for the "Pillar I plus" approach was assessed. The "Pillar I plus" approach assigns capital to those Pillar III risks for which capital is considered to be an adequate mitigant.

The estimated additional capital with respect to Pillar III risks over the minimum capital requirements (as determined using the Pillar I methodology), based on the Company's activity results 2013, was determined for the Company on the on the level EUR 10'000 due to Operational risks/Overheads. Given the information provided in the Scope of the Application (1.3 Background), the additional capital with respect to Pillar III risks over the minimum capital requirements, estimated on the financial results of the year period 2015, was determined for the Company as on the level zero (not required).

4 Capital Requirements

The Company has adopted the Standardised Approach for the measurement of Pillar 1 capital requirements for Credit and Market Risk. For Operational Risk, the Company has adopted the Basic Indicator Approach.

As at 31 December 2015 (compared to 2014), the Company's capital requirements were as demonstrated in the table below:

Risk Category	Pillar 1 Capital Requirement 2015	Pillar 3 Capital Requirement 2015	Pillar 1 Capital Requirement 2014	Pillar 2 Capital Requirement 2014
Credit Risk	284	0	181	0
Market Risk	157	0	77	0
Operational Risk	0	0	0	0
Overheads	951	0	1163	10
Total Requirements	**1392**	**0**	**1421**	**10**

Figures are represented in EUR'000 and have been rounded to the nearest thousand for reporting purposes. Market Risk is comprised solely of Foreign Exchange Risk.

5 Credit Risk

5.1 Definition

Credit Risk is the risk that a financial institution, a counterparty or client may potentially fail to meet their obligations, when they become due.

The Company's Credit Risk exposure is minimal given its business activities (no dealing on own account). Nevertheless, the Risk Management function within the Company is responsible for assuming a supervisory role in the process for analysing, evaluating, treating and monitoring risk. The setting of limits acts as a mitigating factor.

	Credit Risk Weighted Exposures		
Asset Class	**as at 31/12/ 2015**	**in 2015 Average**	**as at 31/12/ 2014**
Institutions	55	25	20
Administrative Bodies	0	0	0
Corporates	205	178	124
Other (debtors & prepayments, fixed assets)	24	26	37
Total Exposures *	**284**	**229**	**181**

Figures are represented in EUR'000 and have been rounded to the nearest thousand for reporting purposes. There are no provisions; the exposure mitigants can be a number of things (e.g. due diligence, etc).

In the table above the exposures to the various asset classes are presented. The exposures only reflect on-balance sheet items, as the Company does not have any off-balance sheet exposures.

The Company does not have any Counterparty Credit risk. It is noted that the Company does not have any derivatives or off-balance sheet positions.

5.2 Value of Exposures

Financial assets are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Specifically:

Trade receivables
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand.

5.3 Past due and Impaired

According to the IFRS 7 Appendix A, "a financial asset is past due when a counterparty has failed to make a payment when contractually due."

With regards to impairments, the Company ensures that appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted using the effective interest rate method.

During the year the Company did not recognise any impairments of its financial assets, nor did it have any revaluations or past due exposures.

The Company's geographic distribution of risk weighted exposures, broken down in significant areas by material exposure classes, can be found below.

Geographic distribution of risk weighted exposure classes as at 31 Dec 2015/2014

Asset Class	Cyprus	Russia	Other Country	Total
Institutions	13 / 3	42 / 17	0 / 0	55 / 20
Administrative Bodies	0 / 0	0 / 0	0 / 0	0 / 0
Corporates	83 / 82	0 / 0	122 / 46	205 / 128
Other (debtors & prepayments, fixed assets)	14 / 37	10 / 0	0 / 0	24 / 37

Figures are represented in EUR'000 and have been rounded to the nearest thousand for reporting purposes.

Since the Company does not have exposure to long-term instruments, it does not consider it necessary to disclose exposures by maturity.

5.4 Nominated External Credit Assessment Institutions (ECAIs) for the application of the Standardised Approach

Under the Standardised Approach for calculating credit risk exposures, the Company uses the following ECAIs: Standard and Poor's Rating Services ("S&P"), Fitch Ratings ("FR"), and Moody's Investor Services ("MIS"). The Company primarily uses S&P for rating purposes, which is in compliance with the requirements of the Directive. Where there is no rating from the specific institution, the Company adopts the consistent approach of seeking ratings from FR and then MIS.

The Company's financial exposures are limited to Banking Institutions where cash deposits are held. As such, the Company does not use any exposure mitigants, so the exposure values after Credit Risk mitigation associated with each Credit Quality Step ("CQS") below are identical to those before Credit Risk mitigation.

Distribution by Credit Quality Step as at 31 December 2015 / 2014

	Credit Quality Step					
	1	**2**	**3**	**4**	**5**	**6**
Risk Weight	**20%**	**50%**	**100%**	**100%**	**150%**	**150%**
Asset Class						
Institutions		55 / 17	0 / 3	-	-	
Corporate		-	83 / 82	122 / 46	-	

Figures are represented in EUR'000 and have been rounded to the nearest thousand for reporting purposes.

It is noted that the Company's "Other" asset class includes exposures which are assigned either a 0% risk weight (petty cash balances) or 100% risk weight (fixed assets, trade and other receivables).

6 Market Risk

A change in market factors which may potentially reduce the Market Value ("MV") of a trading portfolio and thus cause a financial loss to the Company is known as Market Risk.

It should be noted that the Company does not engage in any proprietary trading activity. The Company is however exposed to Foreign Exchange which is managed under the Market Risk umbrella. Additionally, the Company does not have any long term interest bearing assets, meaning its exposure to Interest Rate Risk is immaterial.

6.1 Market Risk Measurement

The Company calculates the minimum capital requirement for the foreign exchange risk using the Standardised Approach.

6.2 Interest Rate Risk

Although the Company does not have any long term financial instruments, the Risk Manager still monitors interest rate fluctuations. Nevertheless the Company's management has decided that it is not necessary to perform any analysis on the value of earnings or its economic value following upward or downward changes in interest rates.

6.3 Foreign Exchange Risk (“FER”)

The Company is required to ensure it has sufficient capital to meet FER requirements. If the sum of the Company’s overall net foreign exchange position and its net gold position, exceeds 2% of its total own funds, it is required to multiply the sum of its net foreign exchange position and its net gold position by 8% in order to calculate its own funds requirement against FER.

In the table below, the Company’s capital requirement is shown. It should be noted that the Company does not have a gold position.

Foreign Exchange Risk requirement in 2015 / 2014

	Capital Requirement
Foreign Exchange Risk	157 / 77

Figures are represented in EUR’000 and have been rounded to the nearest thousand for reporting purposes.

6.4 Exposures in equities not included in the trading book

During the year 2015 (as well as during 2014) the Company did not assume any equity positions; and thus, there is no requirement for such exposures to be disclosed.

7 Operational Risk

The Company is exposed to Operational Risk (the risk of loss resulting from inadequate or failed processes, people and systems) which it manages by encouraging a culture amongst its employees where Operational Risk is identified, monitored and controlled in line with the Company’s established procedures.

The Company adopts the Basic Indicator Approach (“BIA”) to Operational Risk, the relevant indicator being the three year average of the annual net income. The three year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year.

Under the BIA, capital is held to support Operational Risk for the business at the rate of 15%.

Operational Risk 2015 / 2014	**Amount of 2015**	**3-year Average Sum of 2014**
Income and commissions / fees receivable for investment services and activities	555	521
Expenses and commissions / fees payable for investment services and activities	(75)	(94)
Total Operational Risk	**480**	**427**
Capital Requirement @ 15%	**72**	**64**

Figures are represented in EUR’000 and have been rounded to the nearest thousand for reporting purposes.