Regency Asset Management (Cyprus) Limited

Pillar III Disclosures

Report 2019

August 2020

Purpose and Regulatory Supervision

The present report ("The Pillar III Disclosures" or "Report") is prepared by **Regency Asset Management (Cyprus) Limited** (the "Company"), a Cyprus Investment Firm ("CIF") operating under the license number 089/08, authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC" or "Commission").
The Report was prepared in accordance with the requirements stated in the documents:

- Investment Services and Activities and Regulated Markets Law of 2017 (the "Law")
- Markets in Financial Instruments Directive ("MiFID II")
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation ("CRR")
- Directives DI144-2014-14 and 14(A) – For the prudential supervision of Investment Firms
- Directive 2013/36/EU – On the prudential supervision of investment firms

Regulation (EU) No. 575/2013 (CRR), introduced in late 2014, the Law and the subsequent Directives of the Commission require the Company to disclose information relating to its risk exposure, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance and management.

A capital adequacy framework is consisting of three 'pillars':

- **Pillar I** establishes minimum capital requirements comprising of base capital resources requirements; credit, market and operational risk capital requirements;
- **Pillar II** requires firms to undertake an overall internal assessment of their capital adequacy, considering all the risks which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP")
- **Pillar III** complementing Pillars I and II and requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework in accordance with Part 8 of the CRR and in particular articles 431 to 455, which set the requirements of the disclosures.

The information contained in the Pillar III Disclosures Report **was audited** by the Company's External Auditor and published on the Company's website at the address: www.ramcyprus.com. This document is updated and published annually.

The Board of Directors and the Senior Management have the overall responsibility for the disclosure of information, as well as for the internal control systems in the process of capital adequacy assessment and for the adequate processes to ensure that all risks faced by the Company is properly identified, measured, monitored and managed.

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1 Company's Background

Since October 2015, after the amendment of its initial authorization, received in 2008, the Company was entitled to provide the investment and ancillary services, as stated below:

- 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.

In accordance with the license the company can provide investment and ancillary services for the following financial instruments:

- Transferable securities
- Money-market instruments
- Units in collective investment undertakings
- Financial contracts for differences
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event).

The Company is 100% directly owned by the sole entity Regency Asset Management Ltd registered in Bahamas.

The Company does not have any subsidiaries and accordingly, not perform consolidations for either accounting or 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.

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 Corporate Governance

2.1 Board of Directors and Management

The Board of Directors members are the persons who effectively direct the business of the CIF. The Board consists of four members - two executive and two independent non-executive ones.
The executive directors – the Managing Director and the Administrative Director – perform the duty and responsibility of an executive management ("Four Eyes" principal) on a day-to-day basis.
The Board members possess a balance of skills and experience appropriate for the requirements of the business of the Company

The governance arrangements comply with the principles stated in the Law applicable to the members activity in the Company, in particular:

- overall responsibility for the CIF and approval and control of implementation of the strategic objectives, risk prevention strategy and internal governance;
- ensuring the integrity of the accounting and financial reporting systems, including financial and operational control and compliance with the law and relevant standards;
- overseeing the process of disclosure;
- supervision of senior management.

The executive directors of the Company have no directorships in other companies, while the independent non-executive members of the Board are able to commit sufficient time for performance of their function in the CIF, not exceeding the number of directorships (combinations of executive and non-executive directorships) as limited by the law.

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow to the Board and the Management body.
A part from the Executive Management, the Company has the following organizational arrangements as regards the substance of this Report:

- Risk Manager – simultaneously exercised by the Managing Director;
- AML Compliance Officer – outsourced, under Administrative Director's supervision;
- Internal Controller/Auditor – outsourced, directly reporting to the Board of Directors;
- Financial Accountant – outsourced, under Administrative Director's supervision;

2.2 Compliance and Reporting

The Company ensures that compliance rules are rigorously respected, especially in the area of anti-money laundering and terrorism financing and services to the clients. The Company monitors the loyalty of its employees' behavior with regard to clients and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk of harm to its reputation are integrated within all the Company's operating practices.

The Company's reputation is protected by making its employees aware of the values of responsibility, ethical behaviour and commitment.

During the year 2020 period, the Company has been timely submitting to the Commission all the required reports and information, specifically annual and other periodical reports, in compliance with the regulation.

Annual Reporting	**Purpose of reporting: to inform the BoD & Senior Management**
Compliance Report	regarding the legal compliance of the Company during the year
Internal Audit Report	regarding the Internal Control and Audit during the year
Anti-money laundering Report	regarding the work undertaken by the AML Compliance Officer identifying AML prevention deficiencies (if any)
Risk Management	regarding the work undertaken by the Risk Manager during the year
Pillar III Disclosures	bout the disclosure of information with regard to the Company's risk exposures, risk management, capital structure and capital adequacy
Financial Reporting	the report on the audited financial statements and results of the CIF
Capital Adequacy (quarterly & annual) Reports	calculation of own funds and capital ratio regarding the Company's various types of risk exposures, indication of stability and efficiency of its business activity and financial systems
Statistical reporting (quarterly & annual)	statistical analysis of the Company's and clients' funds and financial instruments, their distribution split by countries and institutions

2.3 Remuneration Policy

The Company has established a remuneration policy, approved by the Board of Directors, with the purpose to have remuneration practices of the Company in accordance with the provisions of the Directive DI144-2014-14. The Company's remuneration strategy is designed to reward and motivate the staff of the Company for performing high results in the interests of the Company.

Remuneration system of the Company is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

The total remuneration of staff consists of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

The people who effectively direct the business are responsible for correct implementation of the Remuneration Policy and relevant practices and for preventing any risks on this account.

The Policy adopts and maintains measures enabling to effectively identify where the relevant person fails to act in the best interest of a client and to take remedial action.

It is noted that the Company has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board level.

The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for a staff member to perform each position. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.
The remuneration of the Company's non-executive directors is fixed.

The quantitative remuneration criteria mostly rely on financial data of the Company's performance and the individual performance evaluation and ratings of each member of the staff. The Company also takes into account qualitative criteria which include compliance with regulatory requirements and internal procedures, fair treatment of clients and others.

The Company did not take decision to pay variable remuneration for the period 2019.

There are no natural persons at the Company that are remunerated €1mln or more per the financial year 2019, and therefore such disclosure is not applicable to the Company.
The Company paid no severance or sign-on payments during the period 2019.

2.4 Return on assets (RoA)

In compliance with the Commission's requirement (Para. 19 of the Directive DI144-2014-14), the Company must disclose information about its profitability – Return on Assets (the "RoA") being calculated as a percentage ratio of the net income (after interest and tax) earned by the Company for the period and the average total assets during the period.
Based on the audited financial results of the Company for the period 2019, the RoA was calculated as equal to **17.2** %.

2.5 Corporate Website

The Company maintains its corporate web site at the address: www.ramcyprus.com for the purpose of placing the pertinent information for its clients, as per MiFID II requirements, and also for placing the disclosure annual reports as per the Law and the Commission's Directive.

3 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.

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 – consisting of Managing Director, Administrative Director and Risk Manager – 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.

4 Capital Base

4.1 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 **2018** / **2019** is provided in the table below.

Company's Own Funds	**Year ended 31/12/2018**	**Year ended 31/12/2019**
Original Own Funds	EUR'1000	EUR'1000
Share Capital	299	299
Reserves	(89)	(99)
Audited Material Gain/(Loss)	(11)	40
Intangible Assets	-	-
Total Original Own Funds	**199**	**240**
Additional Own Funds	0	0
Deductions from Own Funds	(78)*	(74)*
Total Eligible Own Funds	**121**	**166**

(*) The Company's contribution to the Investments Compensation Fund as a CIF (Circular C162 dated 10.10.2016).

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.

4.2 Internal Capital Adequacy Assessment Process (ICAAP)

Pursuant to Article 29 of the Directive 2013/36/EU and with Article 26(1) of the Regulation (EU) 575/2013 in view, the Company falls into the category of an investment firm that does not deal in any financial instruments for its own account or underwrite issues of financial instruments on a firm commitment basis, but which holds client money or securities and which offers the management of individual portfolios of investments in financial instruments. Based on this, the minimum/initial capital of the Company is determined as equal to **EUR 125'000**.

The additional capital with respect to Pillar II risks over the minimum capital requirements (as determined using the Pillar I methodology), based on the Company's activity (financial) results 2018-2019 and given the information provided in the Background and Governance (1.1 Background), was estimated for the Company as "**Not Required**".

It should be noted that the Company does not perform any securitisations nor apply any leverage in its activity.

5 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 2019 (compared to 2018), the Company's capital requirements were as demonstrated in the table below:

Risk Category	Pillar 1 Capital Requirement 2018	Pillar 2 Capital Requirement 2018	Pillar 1 Capital Requirement 2019	Pillar 2 Capital Requirement 2019
Credit Risk	112	0	175	0
Market Risk	38	0	7	0
Operational Risk	0	0	0	0
Overheads	517	0	489	0
Total Requirements	**667**	**0**	**671**	**0**

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.

6 Credit Risk

6.1 Definition and Exposures Indicators

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.

In the table below the exposures to the various asset classes are presented.

	Credit Risk Weighted Exposures		
Asset Class	**as at 31/12/ 2019**	**in 2019 Average**	**as at 31/12/ 2018**
Institutions	0	0	7
Administrative Bodies	0	0	0
Corporates	174	152	105
Other (debtors, prepayments, fixed assets)	1	1	0
Total Exposures	**175**	**153**	**112**

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

The exposures only reflect on-balance sheet items, as the Company does not have any off-balance sheet positions/exposures, nor has it any derivatives positions.

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.

Past due and impaired assets

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.

6.2 Geographical distribution of risk 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 2019 / 2018

Asset Class	Cyprus	Russia	Other Country	Total
Institutions	0 / 7	0 / 0	0 / 0	0 / 7
Administrative Bodies	0 / 0	0 / 0	0 / 0	0 / 0
Corporates	5 / 10	34 / 48	135 / 47	174 / 105
Other (fixed assets, debtors & prepayments with 'no name')	1 / 0	0 / 0	0 / 0	1 / 0

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 is deemed not necessary to disclose exposures by maturity.

6.3 Nominated ECAIs for the application of the Standardised Approach

Under the Standardised Approach for calculating credit risk exposures, the Company uses the following External Credit Assessment Institutions (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 2019 / 2018

	Credit Quality Step					
	1	2	3	4	5	6
Risk Weight	**20%**	**50%**	**100%**	**100%**	**150%**	**150%**
Asset Class						
Institutions		0 / 7	0 / 0	-	-	
Corporate		-	174 /105	0 / 0	-	
Other			1 / 0			

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 0% risk weight (petty cash) or 100% risk weight (fixed assets, trade and other receivables).

7 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.

Market Risk Measurement

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

Interest Rate Risk

The Company does not have any long term interest bearing assets, meaning its exposure to Interest Rate Risk is immaterial. Although the Risk Manager still monitors interest rate fluctuations but has decided not necessary to perform any analysis on the value of earnings or its economic value following upward or downward changes in interest rates.

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 2019 / 2018

	Capital Requirement
Foreign Exchange Risk	7 / 38

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

Exposures in equities not included in the trading book

During the year 2019 (as well as during 2018) the Company did not assume any equity positions; and thus, there is no requirement for such exposures to be disclosed.

8 Operational Risk and Overheads

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.

Before 2015, the Company was adopting the Basic Indicator Approach ("BIA") to Operational Risk, the relevant indicator being the three year average of the annual net income, where the three year average was 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%.

Since 2015, the calculation of Operational Risk is not relevant to the Company's activity according to the new methodology of Operational Risk calculation, and the Company is using calculation of the **Additional Risk Exposure Due to Fixed Overheads.**
It is to be noted that Capital Adequacy Ratio for the Company's activity, for all the referenced periods in 2019 was always above the required minimum (the Table below).

Periods	Eligible Own Funds	Min Eligible Own Funds	Total Risk Weighted Exposure	Capital Adequacy Ratio (CAR)	Min CAR Required
1Q 2019	143	125	184	77,43%	8%
2Q 2019	143	125	427	33,59%	8%
3Q 2019	121	125	464	26,07%	8%
4Q 2019	166	125	671	24,69%	8%

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