

# **CONCORDE INVESTMENTS (CYPRUS) LTD**

## **RISK MANAGEMENT DISCLOSURES**

**YEAR ENDED 31 DECEMBER 2019**

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## General Notes

The following disclosures are based on the audited Financial Statements of Concorde Investments (Cyprus) Ltd (hereafter referred to as “the Company”) as at 31 December 2019, prepared in accordance with International Financial Reporting Standards (IFRSs), under the historical cost convention. The information has been prepared for the purposes 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.

The disclosures have been reviewed by the Company’s Board of Directors and Senior Management.

- The Company does not undertake any securitizations.
- The Company does not have any equity exposures in the non-trading book.
- All figures are presented in Euros. Figures are rounded to the nearest thousands, except where otherwise stated.

## Background and Introduction

Concorde Investments (Cyprus) Ltd was incorporated in Cyprus on 1 February 2012 as a Limited Liability Company under the Companies Law, Cap. 113. Concorde Investments (Cyprus) Ltd (hereafter the “Company”) is regulated by the Cyprus Securities and Exchange Commission (hereafter “CySEC”) and authorized to operate as a Cypriot Investment Firm since 22 January 2013, under the license number 189/13.

The Company has prepared this Disclosure and Market Discipline Report (hereafter the “Report”) to fulfil its obligations in accordance with the relevant provisions of:

- Law 144(I)/2007, as amended, which provides for the provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters, (hereinafter, the “Law”).
- The Capital Requirements Directive /Directive 2013/36/EU on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, for the amendment of the Directive 2002/87/EC and the repealing of the Directives 2006/48/EC and 2006/49/EC (‘the European Directive’).
- The Capital Requirements Regulation/Regulation 575/2013 on prudential requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012 (‘the Regulation’).
- Directive DI144-2014-14 and DI144-2014-14(A) of the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) for the Prudential supervision of Investment Firms, which repealed Directives DI144-2007-05 and DI144-2007-06.
- The Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007, 2010, 2012 and 2013, amending Law 188(I)/2014, 188(I)/2016 and 13(I)/2018 and the relevant Directives and Circulars issued thereof by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”).

The Company is licensed to provide the following investment and ancillary services:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of Orders on Behalf of clients;
- Safekeeping and administration of financial instruments, including custodianship and related services;
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction;
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings;
- Foreign exchange services where these are connected to the provision of investment services;
- Investment research and financial analysis or other forms;
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services.

The Company does not maintain any branches, representative offices or any other establishment in a Member State or third country. Financial reporting is performed on a solo basis.

The Company aims to provide the above-mentioned 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, as well as adherence to the principles of sound corporate governance, product governance and proper business practices.

## Scope of the Report

This Report together with our External Auditor's verification has been submitted to CySEC. The Report is prepared annually and is available on our website (<https://www.concordeinvestments.com>).

The Directive is based on the "three Pillar concept" as follows:

- **Pillar 1 – Minimum Capital Requirements:** the calculation of the total minimum capital requirements for credit, market and operational risk is presented, in addition to the calculation of the minimum ratio of capital to risk weighted-assets which is set to 8%. The Company adopted the Standardized approach for Credit and Market risk and the Fixed Overhead approach for Operational risk.
- **Pillar 2 – Supervisory Review Process:** the key principles of supervisory review, transparency and risk management are discussed, with emphasis to be given to the development of an internal capital adequacy assessment process for ensuring compliance with regulatory requirements regarding capital adequacy.
- **Pillar 3 – Market Discipline:** the introduction of disclosure requirements and recommendations enhances comparability through the dissemination of information to the market that enables better assessment of the financial strength of investment firms.

Under Pillar 3, the Company is required to publicly disclose information about the capital it holds and each material category of risk it faces, including the strategies and processes it has in place in order to manage and monitor these risks. Disclosures are made regarding the risks referred to under points 1 to 14 of Part 2, Annex XII, Part C of the Directive and in case that these are not applicable, no reference is made. The Regulation also permits investment firms to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary, or is immaterial based on the criterion that the omission or misstatement of

information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. The Company has prepared the Disclosures taking into consideration the above guidelines.

The aforesaid disclosures aim to strengthen market discipline and encourage transparency.

## **1. Introduction**

### **1.1 Governing Law**

The Senior Management of the Company has prepared the Disclosures and Market Discipline Report of the Company in accordance with Part Eight of European Regulation (EU) 575/2013 as adopted by Directive DI144-2014-14 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms (hereafter the “Capital Requirements Directive”).

### **1.2 Scope of Application**

These disclosures apply to the Company on a solo basis. The Company does not have any subsidiaries and thus does not need to produce any consolidated results.

### **1.3 Frequency of Disclosure**

The Disclosures must be published at least once a year in light of the relevant characteristics of the business, such as scale of operations, range of activities, etc. With these considerations in mind, the Directors have decided that the disclosures will be published on an annual basis on the Company’s website. ([www.concordeinvestments.com](http://www.concordeinvestments.com)).

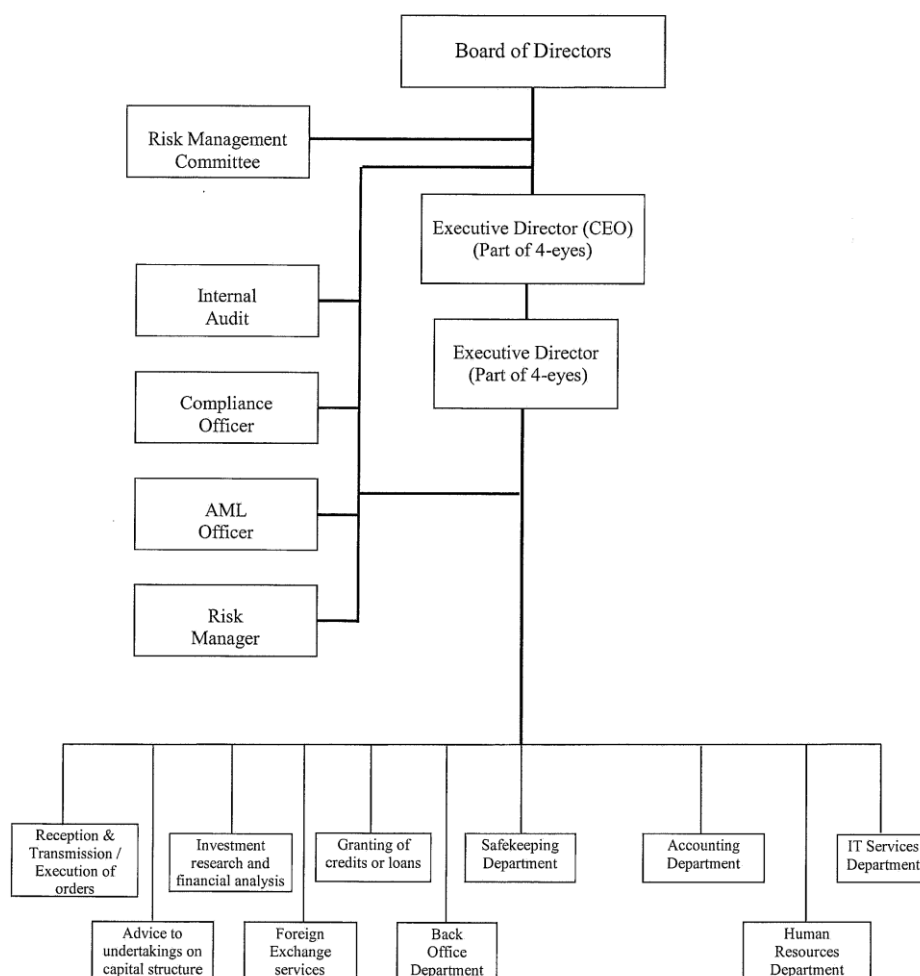
## **2. Risk Management**

The Company has a strong risk management culture which is embedded in all levels of the organization and aims to minimize the potential adverse effects of the constantly changing risk environment, on the Company’s financial performance. In light of this, the Company has established an effective risk oversight structure and all the necessary internal controls have been implemented in order to ensure that the Company identifies and manages its risks adequately and effectively.

### **2.1 Roles and Responsibilities**

Risk is inherent to the activities of investment companies. The Company’s ability to identify, measure and manage each type of risk, to which the Company is exposed, is an important factor in its financial soundness, profitability, reputation and in the achievement of its strategic targets. Risk management is also one of the most important aspects in decision making; it aims to identify any risks to which the Company is potentially exposed when making decisions and to avoid or minimize the risks.

The Company’s organizational structure as at 31 December 2019 is set out below.



The Company's organizational structure indicates the reporting lines, allocated functions, responsibilities and information communications at all relevant levels within the Company. Internal reporting is seen as a very important element of the overall risk management system. The Chief Executive Officer, and an Executive Director have a full and timely access to all relevant information, as part of the 4-eyes monitoring approach.

The information flow on risk to the management body is achieved, through the following reports that are prepared annually, and received by the Board of Directors:

Report	Prepared by
Risk Management Report	Risk Manager
Compliance Report	Compliance Officer
Internal Audit	Outsourced to Internal Auditor
AML	AML Officer

Additionally, the Board of Directors receives all the minutes of the Risk Management Committee as well as other financial and non-financial reports at regular intervals.

The Risk Management function prepares policies and procedures which are consistent with the Company's corporate strategy and risk appetite, monitors that these policies and procedures are functioning as directed, and that the necessary steps are taken in order to foster a culture of risk awareness throughout the organization. The Company set up a Risk Committee comprising of two

members. As per the Company's Internal Operations Manual, Risk Committee should be convened at least once a year. During the year ended 31 December 2019 and due to the very low level of activities of the Company, the Risk Committee met only once.

In particular, the Company's Risk Management function is primarily responsible to control and monitor:

- (i) the adequacy and effectiveness of the Company's risk management policies and procedures;
- (ii) the level of compliance by the Company and its employees with the arrangements, processes and mechanisms adopted, and
- (iii) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply or follow such policies and procedures.

Furthermore, the responsibilities of the Board of Directors, Senior Management, Internal Auditor, as well as of the Risk Management function, in relation to the management of the Company's risks include the following:

- the Board of Directors and Senior Management review and discuss the written reports prepared by the Risk Management function, which identify the risks faced by the Company and the mitigating actions to be taken;
- the Internal Auditor evaluates the adequacy and effectiveness of the Company's internal control systems, policies and procedures with respect to risk management;
- The Risk Management function ensures efficient management of the risks arising from the provision of investment and ancillary services to clients, as well as the operation of the Company in general. In addition, the Risk Management function is responsible for making recommendations and indicating whether the appropriate remedial measures have been taken in instances where deficiencies have been identified.

The Company's risk management is focused on the key areas of Credit Risk, Market Risk and Operational Risk. These risks are analyzed individually in greater detail in the sections which follow, together with further references for policies over hedging and mitigating risks. The assessment of the Company's risk profile and adequacy of risk management arrangements, considers key ratios including capital adequacy ratio, Tier 1 capital and liquidity ratio. Management considers that the risk management arrangements are proportional and adequate to the scale, nature, profile, strategy and complexity of the Company's business.

## 2.2 Directors

All Board Members of the Company, including new Board members will be selected based on their good repute, strong educational background, experience in the financial services industry and their ability to create value for the Company.

All current Board Members, except Mrs.Tatiana Ianouchkina, were approved by CySEC. Mrs. Tatiana Ianouchkina was appointed as the Company's Executive Director on the Board Meeting dated 21<sup>st</sup> April 2020 (pending the CySEC's approval). All the Company's Directors are highly and professionally qualified, with long experience in financial services, while three out of the five have obtained the CySEC's Advanced Certification.

The Company recognizes the benefits of having a diverse Board as a means of enhancing and securing the quality of performance. To facilitate independent opinions and critical challenge, the Company's management body is sufficiently diverse as regards age, geographic provenance and educational and professional background.

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. It shall be noted that the Company is not considered significant in terms of its size, internal organization and the nature, scope and complexity of its activities. Directorships in companies belonging to the same group are considered as one directorship.

Name	Position within the Company	Directorships - Executive in other companies	Directorships - Non Executive in other companies
Tatiana Ianouchkina	Executive Director (pending CySEC's approval)	none-	none-
Yevhen Volosiuk	Executive Director	none-	one-
Bagdasarjans Arturs	Non- Executive Director	one-	none-
Israilof Alik	Non- Executive Director	one-	none-
Igor Mazepa	Non- Executive Director	one-	three-

## 3. Capital Base

The Company's capital base comprises of Original Own Funds (Common Equity Tier 1/ Tier 1 capital). Tier 1 capital comprises capital instruments, that meet criteria stated in the Article 28 and 29 the Regulation (EU) No.575/2013; share premium; accumulated retained earnings and other comprehensive income and other reserves including' advances from shareholder. In order to arrive at the Tier 1 capital, the value of intangible assets, after the application of amortization charges, and the amount of the Investors Compensation Fund are deducted.



A detailed breakdown of the Company's Own Funds, as at 31 December 2019, is presented in the table below:

	<b>31 DECEMBER 2019</b>
	<b>€000's</b>
<b>ORIGINAL OWN FUNDS</b>	
SHARE CAPITAL	200
SHAREHOLDERS NON-REFUNDABLE ADVANCES	3,067
ACCUMULATED LOSSES	(3,084)
DEDUCTION: INTANGIBLE ASSETS	(2)
DEDUCTIONS: INVESTORS COMPENSATION FUND	(45)
<b>TOTAL ORIGINAL OWN FUNDS (TIER 1)</b>	<b>136</b>
<b>TOTAL ELIGIBLE OWN FUNDS</b>	<b>136</b>

#### **Authorized share capital**

The authorized share capital of the Company amounts to 200 000 ordinary shares of €1 each.

#### **Issued share capital**

Upon incorporation, the Company issued 200 000 ordinary shares at a par value of €1 each.

Further breakdown of the own fund is provided in Annex III and IV.

### **4. Internal Capital Adequacy Assessment Process Disclosure**

Internal Capital Adequacy Assessment Process (ICAAP), as part of the Pillar II requirements, is a process designed and implemented by the Company to recognize, evaluate, assess and manage the risks that the Company faces in its business activities. Pillar II connects the regulatory capital requirements to the Company's ICAAP and to the reliability of its internal control structures.

During the year under review the Company did not have in place the ICAAP process. This was due to a fact that the Company DID NOT have substantive business to create a meaningful data base upon to build and undertake the preparation of ICAAP. The Company deems it is prudent to have some meaningful data prior to commencing the necessary work required in preparing a useful and meaningful ICAAP.

### **5. Capital Adequacy Ratio**

In accordance with the Capital Requirements Directive, the Company must maintain a minimum capital adequacy ratio of 8%. However, the Company always aims to maintain a capital adequacy ratio well above the required minimum. Further in accordance with the provisions of the CRD Chapter 4, financial institutions are required to maintain in addition to the above certain capital buffers, countercyclical capital buffers. Capital buffers requirements are imposed for Cyprus financial institutions with the provisions of the CySEC Directive DI144-2014-14 Chapter 3. The Company bears zero (0) per cent additional countercyclical buffer. The company under Article 95(2) is excluded from CRD IV definition therefore the capital requirements are based on Fixed Overheads, Credit & Market risk are measured using the Standardized approach.

<b>Countercyclical capital buffer</b>	
<b>Period</b>	<b>%</b>
1/7/2016-31/12/2016	0,625
1/1/2017-31/12/2017	1,25
1/1/2018-31/12/2018	1,875
1/1/2019-31/12/2019	2.5
From 1/1/2020 onwards	0.912

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements. The capital adequacy ratio is calculated based on the higher of the operational risk exposure using the Fixed Overhead method and the total of credit and market risk exposures as at 31 December 2019.

As at 31 December 2019, the Company's Risk Weighted Exposures with respect to the three risk categories were as follows:

<b><u>RISK Weighted Exposures</u></b>	<b>31 DECEMBER 2019 €000's</b>
<b>Total Own Funds</b>	<b>136</b>
Credit Risk	157
Market Risk	0
Additional Risk due to fixed overhead	693
<b>Total Risk Exposure</b>	<b>850</b>
<b>Capital Adequacy Ratio</b>	<b>16.01%</b>

## 6. Credit Risk

### 6.1 Definition

Credit Risk is the risk of loss that the Company would incur if the counterparty in a transaction failed to perform its contractual obligations. The management of the Company's Credit Risk also encompasses Counterparty Credit Risk, as well as concentration risk and wrong-way risk.

### 6.2 Mitigation and Measurement

The following processes and measurement techniques are followed by the Company as follow:

- Accepts as counterparty, for the purposes of depositing clients' funds, only financial institutions (including banking institutions) that the Firm internally assesses as financially stable; in order to diversify its exposure;
- All client funds are held in segregated accounts, separated from company funds, meaning that once received clients' funds are deposited by the Firm on the clients' behalf. It should be noted that the above mentioned accounts are held by the Company in a fiduciary capacity and are not represented in the Firm's financial statements as assets or liabilities;
- Assesses the credit quality of its counterparty taking into account its financial position, past experience and other related factors (if there is no independent credit rating by a rating agency).

- Ensures that clients fund their accounts prior to the commencement of trading in financial instruments
- The Company does not apply on and off-balance sheet netting

Concorde Investments (Cyprus) Limited has no significant concentration of credit risk. The Company has policies in place to ensure that services are provided to Clients with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. All the custodians of the Company have been assessed in accordance with the provisions of the Company's Internal Operations Manual and CySEC's Directive DI144-2007-01. Furthermore, all counterparties and financial institutions are regulated entities within the European Union, mainly in Cyprus.

### 6.3 Exposure Classes and Minimum Capital Requirements

Asset Class	Exposure Value	Risk Weighted Exposure	Minimum Capital Requirements
	€000's	€000's	€000's
Institutions	98	98	8
Central Governmental	53	53	4
Corporate			
Retails	-	-	-
Other Items	6	6	1
<b>Grand Total</b>	<b>157</b>	<b>157</b>	<b>13</b>

### 6.4 Breakdown of Total Exposures by Risk Weights

Risk Weight	Exposure Value €000's
= 0%	-
> 0 and ≤ 12%	-
> 12 and ≤ 20%	101
> 20 and ≤ 50%	-
> 50 and ≤ 75%	-
> 75 and ≤ 100%	48
> 100 and ≤ 425%	8
> 425 and ≤ 1250%	-
<b>Grand Total</b>	<b>157</b>

### 6.5 Exposures by significant counterparty type

Asset Class	Counterparty (Banks)	Counterparty (Other)	Total
	€000's	€000's	€000's
Institutions	98	-	<b>98</b>
Central Governmental	53		<b>53</b>
Corporate	-	-	-
Retails	-	-	-
Other Items	6		<b>6</b>
<b>Grand Total</b>	<b>157</b>		<b>157</b>

## 6.6 Exposures by residual maturity

Asset Class	Residual Maturity ≤ 3 months €000's	Residual Maturity > 3 months €000's	Total €000's
Institutions	98	-	98
Central Governmental	-	53	53
Corporate	-	-	-
Retails	-	-	-
Other Items	6	-	6
<b>Grand Total</b>	<b>104</b>	<b>53</b>	<b>157</b>

## 6.7 Nominated External Credit Assessment Institutions for the application of the Standardized Approach

The External Credit Assessment Institution ("ECAI") used by the Company for the application of the Standardized Approach is Moody's Investors Service, Inc.

Nevertheless, due to the fact that original maturity of exposures to financial institutions is less than 3 months, they were assigned a risk weight of 20%. The majority of the exposures to financial institutions, are rated to Caa3, per Moody's.

## 6.8 Counterparty Credit Risk

Counterparty credit risk, one of the sub-classes of credit risk, is the risk that a counterparty to a transaction could default before the final settlement of the transaction's cash flows. This risk might arise from exposures due to OTC derivative instruments, repurchase and reverse repurchase agreements, long settlement transactions and other financial instruments. During the Reporting Period, the Company did not commit itself to any of the above contracts and is not exposed to the associated risks.

## 6.9 Past due and Impaired

In accordance with IFRS 7 Appendix A, "a financial asset is past due when a counterparty has failed to make a payment when contractually due". It is noted that during the year the Company did not have any past due exposures.

The Company recognizes impairment losses in the Statement of Comprehensive Income when incurred as a result of one or more "loss events" that occur after the initial recognition of the financial asset and which have an impact on the amount or timing of the expected future cash flows.

The criteria which the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- the Company, for economic or legal reasons relating to the borrower's financial difficulty,
- granting to the borrower a concession that the Company would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

## 7. Market Risk

### 7.1 Definition

Market Risk is defined as the risk of financial loss resulting from changes in market factors which reduce the Market Value of the financial instruments trading portfolio, as well as the risk of financial loss due to foreign currency movements.

### 7.2 Measurement

The following processes and measurement techniques are followed by the Company as follow:

- Applies a *mark to market* valuation, for accounting purposes.
- Sets the maximum loss that may be incurred, due to a client's trading activity at a certain level whereupon full hedging procedures should commence.
- Employs, on a full time basis, a Risk Manager.
- Records, through its trading platform(s) and real time reporting tool, the clients' trading activity including but not limited to the transactions that are executed; this gives the option to constantly monitor the Firm's exposure and take appropriate action, if required.
- It is the responsibility of the Head of the Execution Department, or the supervisor of the Execution Department in his/ her absence, and the Risk Manager to ensure that the Company maintains, at all times, sufficient funds in its multiple hedging accounts to offset, if required, any exposure. The Head of the Execution Department, or the supervisor of the Execution Department, shall inform the *Board of Directors*, accordingly.
- In case of an extraordinary event the Head of the Execution, or the supervisor of the Execution Department in his/ her absence, is responsible for taking all required measures to ensure the safeguard of the best interests of the Company and its clients. The Head of the Execution, or the supervisor of the Execution Department in his/ her absence, shall oversee the implementation of a business continuity plan, if required.

The Company follows the Standardized Approach for Market Risk.

### **7.3 Exposure to Market Risk**

The Company Market Risk arises from exposures to price, currency and interest rate risk.

#### **I. Price Risk**

The Company is exposed to market price risk from fluctuations in foreign currencies, commodities and equity securities due to the open positions which are held by the Company as counterparty to its customers and other third parties. However, all net client exposures are hedged with our Liquidity Provider BrokerCreditServices (Cyprus) Limited.

#### **II. Foreign Exchange Risk**

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency other than the Company's functional currency (the Euro). The Company's Management, as well as the Risk Management function, monitor exchange rate fluctuations on a continuous basis.

#### **III. Cash flow and fair value interest rate risk**

The Company's cash flow interest rate risk arises from its trading activities (both assets and liabilities) that remain open overnight. In addition, cash flow interest rate risk arises on the cash and cash equivalents held at variable interest rates. Other financial assets and liabilities held at fixed interest rates expose the Company to fair value interest rate risk, however this risk is insignificant to the Company as these assets/ liabilities are not material.

## **8. Operational Risk**

### **The Fixed Overhead Requirement**

In relation to the recent changes in the capital requirements regulation and the introduction of Regulation (EU) No. 575/2013, all investment firms have been reclassified according to the services offered and the risks imposed to retail clients, the financial system and themselves. In line with this, it has been indicated by CySEC, that the Company is a limited scope investment firm and thus it falls under Article 95 (1) which requires a different approach in calculating risk exposures for capital adequacy purposes.

The Company is now obliged to calculate its market and credit risk and compare this against its fixed overhead requirements. The higher of the two is then used as a measure of capital requirements for the Company at the specified period.

For the calculation of Operational Risk, in relation to the capital adequacy returns, the Company uses the Fixed Overhead approach. Under the fixed overhead requirement, the Company is required to hold eligible capital of at least one quarter of the fixed overheads of the previous year.

## **9. Other Risks**

### **9.1 Regulatory Risk**

Regulatory Risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body.

The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the CySEC.

Compliance with these procedures and policies is 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 mitigated to a significant degree.

Moreover, the external auditors and tax advisors of the Company provide all the necessary advice for tax issues so that the Company will avoid paying any penalties on taxes

### **9.2 Political Risk**

Political risk refers to external factors which are beyond the control of the Company, such as political developments and government actions, specifically in Cyprus and the EU, which may adversely affect the operations of the Company, its strategy and vision.

More specifically, this risk may result in lower volume of transactions or loss of clients and may also result in an increase of bad debts.

The general economic and political environment in the jurisdictions in which the Company operates (mainly Cyprus) may materially affect its activities. Political decisions that may be taken could have a dramatic effect on legislation, taxation, inflation and unemployment, factors that are directly linked to the economic progress of a country or region and may cause chain reactions in several areas affecting the Company.

Political instability is something that is externally defined and beyond the control of the Company and its Directors. The Company's management closely monitors such developments in order to be in the position to take proactive measures to mitigate or eliminate the effect of these risks.

## **10. Remuneration Disclosures**

### **10.1 Scope and Applicability**

The Policy applies to those categories of staff whose professional activities have a material impact on the risk profile of the Company, i.e. the Senior Management, the members of the Board of Directors, the Control functions, the Heads of the departments (i.e. key management personnel). Moreover, the Policy also applies to persons who can have a material impact on the service provided and/or corporate behavior of the Company, including persons who are in the provision of investment and/or ancillary services.

The policy aims to provide transparency in the procedure for payment of additional remuneration, to motivate staff and provide for sufficient incentives so as for the key personnel of the Company to achieve the business targets, to increase productivity and competitiveness, to deliver an appropriate link between reward and performance whilst at the same time consisting of a

comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or mis-selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long-run.

The policy is aligned with effective conflict of interest management duties and conduct of business management duties so to ensure that clients' interests are not impaired by the Company's remuneration policies and practices.

## **10.2 Procedures and Controls**

The applicability of the Company's Policy is reviewed regularly, at least annually, by the Board of Directors, in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standards. The Board of Directors shall also review the Policy in the context of the business and conflicts of interest requirements of the Law 144(I)/2007.

The Company's remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff. Thus, the Company considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long term success; whilst simultaneously ensuring that Clients' interests will not be impaired by the remuneration policies and practices adopted by the Company in the short, medium and long term.

## **10.3 Remuneration**

### **A. Fixed Remuneration**

The employees' total remuneration currently consists of a fixed component while variable components may also occur (see Section (B) below).

Fixed 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 an employee to perform each position/role.

The Policy is also set in comparison with standard market practices employed by the other market participants/competitors. The Company's policy is to provide an attractive fixed remuneration to its employees so to ensure good and stable performance.

The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees.

### **B. Variable Remuneration**

The Company does not guarantee any variable remuneration. Nevertheless, the Company is dedicated to recognize the contribution of the employees to its success by payment of bonuses whenever it is financially appropriate and depending on the performance of the Company as a whole. Moreover, the variable remuneration is also allocated to employees based on the individual performances.

The Board of Directors for the payment of any variable remuneration to employees takes into consideration and reviews the current financial position and performance of the Company, the development plans, liquidity, operational and capital risks.



It is noted that, no remuneration is payable under deferral arrangements (with vested or unvested portions), nor there are any severance payments.

Further to this, the Company shall periodically review the Policy, as and when applicable, and thus adjust, it should the need of arises for remuneration to include any other possible sources of additional variable components.

In this regard, it is understood that should the Policy incorporates additional variable components in the future, then the fixed and variable components should be appropriately balanced and the fixed component shall always represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components (even to allow for zero variable component to be offered).

Further to the above, variable remuneration should be designed to ensure that the total remuneration remains in competitive levels thus rewarding the staff for its performance whilst remaining aligned with the department's and/or the Company's performance and long term targets.

### **C. Other Factors**

Other factors taken into account for the remuneration of the Company's employees are the Following:

- The financial viability of the Company
- The general financial situation and the state in which the Company operates
- Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics).
- Each employee's professional conduct with Clients (such as acting in the best interest of the Client, fair treatment of Clients and inducing Client satisfaction), as applicable.

Further to the above, the Policy of the Company is not designed so as to, inter alia:

- a. Give incentives that might influence the Company's relevant employees to sell one product or category of product, instead of another
- b. Achieve a quota of minimum sales level across a range of products in order to earn any bonus thus might also impair the duty to act in the best interest of Clients
- c. Create disproportionate return for marginal sales, where relevant persons need to achieve a minimum level of sales before bonus payments can be earned, or incentives are increased
- d. Increase the relevant employee's focus on short-term gains rather than the client's best interest

### **Early Termination Agreement**

In the case of an employee's early termination of a contract, the Policy is designed so as to only reflect the performance achieved over time, and thus, not reward failure.

## **Pension**

The Company does not have currently any active pension scheme. The Company shall proceed and establish such arrangements when and if deemed necessary, while taking into consideration the business strategy, objectives, values and long-term interests of the Company.

### **10.4 Performance Appraisal**

The Company implements a performance appraisal method, mainly to foster talent and promote healthy competition amongst personnel (i.e. it is not currently related to any variable remuneration scheme) which is based on a set of Key Performance Indicators, developed for each department.

In general, the performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take into account the Company's underlying business cycle.

Additionally, the performance appraisal on medium and short-term is being performed as follows:

- a. The appraisal entails the review of the performance of the individuals against the set personal targets/objectives of the year.
- b. Targets/objectives are defining what the Company's functions, departments and individuals are expected to achieve over an upcoming period of time.
- c. There are also mid-term procedures that allow, if necessary, to amend any targets/objectives and incorporate any changes that might happen during the year.
- d. Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies
- e. Performance evaluation takes place annually, usually at the end of each year in order to set the targets for the following year.

### **10.5 Remuneration Committee**

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 Remuneration Committee. The design of the remuneration policies and practices has been approved by the Board of Directors after taking advice from the compliance function. In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.

### **10.6 Documentation and Disclosures**

The Senior Management shall keep records containing information as regards the remuneration of the Company's employees in a separated file/record (e.g. payroll data) at the Company's premises.

The Company, as part of its Disclosure and Market discipline obligations (Pillar 3 Disclosures), discloses in its annual disclosures, information relevant to its Remuneration Policy.

For the year ended 31 December 2019 the Company identified the persons classified as Code Staff

and the disclosure of the aggregate remuneration of the Code Staff can be found below:

Balance Sheet Description	Staff No.	Fixed Remuneration	Variable Remuneration	TOTALS
		€'000	€'000	€'000
Executive Directors	2	€96	-	€96
Other Staff	5	€55	-	€55
<b>Total</b>	<b>7</b>	<b>€151</b>		<b>€151</b>

Due to the size of the Company, the remuneration was not broken into business area.

During 2019, no sign on or severance payments have been made.

The Executive Directors of the Board are being remunerated through their monthly basic salaries. The Non-Executive Directors of the Board are being paid on a quarterly basis for their appointment.

### **FAQs**

Questions regarding this Disclosure Report should be addressed to the Compliance Department of the Company at the email, [compliance@concordeinvestments.com](mailto:compliance@concordeinvestments.com).

### **Annexes**

#### **Annex I - Board Declaration - Adequacy of the Risk Management arrangements**

The Board of Directors is aware of the fact that in accordance with the Regulation (EU) No.575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No.648/2012, the Company shall disclose its risk management objectives and policies for each separate category of risk, including the risks referred under Article 435 of the above mentioned regulation. These disclosures shall include, inter, a declaration approved by the management body on the adequacy of risk management arrangements of the Company, providing assurance that the risk management systems put in place are adequate regarding the company's profile and strategy.

All Board members have reviewed and analyzed the content of the Report for 2019.

The Board of Directors concludes that the Company's risk management framework, including liquidity risk management is adequate in relation with the Company's business strategy and business model reflects actual risks.

In addition, the management body confirms that the Risk Report provides a relevant and a comprehensive review of the Company's risk management and the information in this report has been prepared in accordance with the internal control processes of the Company. Having examined the Report for 2019, attached hereto as Annex 1, the board of Directors and Board of Management have approved it.

The Report for 2019 process as well as the results of the report will be used for future strategic decisions and will be embedded in the day to day operations of the Company.

#### **Annex II - Risk Statement**

Concorde Investments (Cyprus) Limited, in the course of its business, enters into transactions which predominantly lead to Operational Risk exposure, whereas Credit and Market risk exposures constitute

only a minor portion of the total own funds requirements under regulatory Pillar I. The Company strives to maintain a strong Tier 1 capital ratio that is well above the regulatory minimum requirements as defined in Article 92 CRR.

The risk management strategy of the Company is to develop and implement effective processes to identify report, assess, measure and manage risks incurred by the business, and to comply with applicable regulatory requirements and internal guidelines associated with risk management. The Company complies with its own risk policies.

### **Annex III - Balance Sheet Reconciliation**

<b>Balance Sheet Description</b>	<b>Amount (€'000)</b>
Shareholders contribution, as per published financial statements	3,067
Share Capital, as per published financial statements	200
Retained Earnings, as per published financial statements	(2,812)
Profit & Loss, as per published financial statements	(272)
Other instruments eligible as capital	-
Intangible assets/goodwill, as per published financial statements	(2)
Investors Compensation fund	(45)
<b>Total own funds</b>	<b>136</b>

### **Annex IV - Own Funds**

<b>At 31 December 2019</b>	<b>Transitional Definition</b>	<b>Full - phased in Definition</b>
<b><u>At 31 December 2019</u></b>	<b>€'000</b>	<b>€'000</b>
<b>Common equity Tier 1 capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	0	0
Retained earnings	(2812)	(2812)
Accumulated other comprehensive income (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>136</b>	<b>136</b>
Intangible assets ( net of related tax liability)	(2)	(2)
Investors Compensation Fund	(45)	(45)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>0</b>	<b>0</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>136</b>	<b>136</b>
<b>Additional Tier 1 (AT1) Capital</b>	<b>-</b>	<b>-</b>
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>136</b>	<b>136</b>
<b>Tier 2 (T2) capital</b>	<b>-</b>	<b>-</b>
<b>Total capital (TC = T1 + T2)</b>	<b>136</b>	<b>136</b>
<b>Total risk exposure amount</b>	<b>850</b>	<b>850</b>
<b>Capital ratios and buffers</b>		
CET1 capital ratio	16.01%	16.01%
T1 capital ratio	16.01%	16.01%
Total capital ratio	16.01%	16.01%