

Corporate Governance Disclosures

This section is intended to provide information about the measures taken by BrokerCreditService (Cyprus) Limited (hereon "the Firm") to comply with several Corporate Governance matters, pursuant and in compliance with Paragraph 23 of "Directive DI144-2014-14 of The Cyprus Securities And Exchange Commission For The Prudential Supervision of Investment Firms", which transposes "Directive 2013/36/EU Of The European Parliament And Of The Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC".

1 Country-by-country Reporting

From 1 January 2015 Cypriot Investment Firms (hereon "CIFs") are required to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:

- (a) name(s), nature of activities and geographical location
- (b) turnover;
- (c) number of employees on a full time equivalent basis;
- (d) profit or loss before tax;
- (e) tax on profit or loss;
- (f) public subsidies received.

The information referred to here above shall be audited in accordance with the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the CIF concerned.

BrokerCreditService (Cyprus) Limited does not have an establishment, over and above its headquarters located in Cyprus, in any other Member State or a third country and thus this requirement does not apply to it.

2 Public disclosure of return on assets

CIFs must disclose in their annual report among the key indicators their return on assets, calculated as their net profit divided by their total balance sheet.

Our Firm discloses the above stated information in the notes to the Financial Statements. The Firm's Report and Financial Statements can be obtained upon request at Clientonboarding@bcscyprus.com.

3 Remuneration policy

In line with the requirements of the Directive, the Company has prepared and implemented a Remuneration Policy (herewith "Policy"). The aim of the Policy is to ensure that BrokerCreditService (Cyprus) Limited has risk-focused remuneration policies which:

- (a) are consistent with and promote effective risk management;
- (b) do not expose the company to excessive risk;
- (c) avoid conflicts of interest and do not encourage inappropriate risk taking;
- (d) attract, motivate and retain high calibre directors, officers and employees;
- (e) operate a fair and consistent policy that rewards individual contributions to company's overall performance; and
- (f) are competitive with industry standards.

The key facets of the Remuneration Policy are presented here below, whereas certain remuneration related disclosures are included in the annual "Risk Management Disclosures" prepared in accordance with Chapter 7 (paragraphs 34-38) of Part C and Annex XII, Part 2 of the final text of Directive DI144-2007-05 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms. The "Risk Management Disclosures" are posted on the Firm's website under the "[Disclosures and Market Discipline](#)" section.

The Policy forms an integral part of BrokerCreditService (Cyprus) Limited's corporate governance framework and is developed taking into consideration the Firm's objectives, business and risk strategy, the corporate culture and the values and the long-term interests of the Firm. The Policy applies to employees and appointees of the Firm whose professional activities have a material impact on the company's risk profile, including any employee who is deemed to have a material impact on the company's risk profile in accordance with Regulation (EU) 604/2014 of 4 March 2014 (Regulatory technical standards to identify staff who are material risk takers). As a minimum, the Policy applies to:

- (i) top management executives,
- (ii) risk takers,
- (iii) individuals whose total remuneration takes them into the same remuneration level as the aforementioned categories,

- (iv) individuals who perform control duties, and
- (v) individuals whose professional activities have a significant impact on the Firm's risk profile.

The Policy is reviewed at least on an annual basis and any amendments made are approved by the Board of Directors and the Remuneration Committee. The Board of Directors adopts and periodically reviews the general principles of the Policy. The Board of Directors is also responsible for its implementation as well as preventing/mitigating any risks, which may arise as a result of the Policy and practices of the Firm.

The implementation of the Policy is also subject to independent periodic review by the Compliance function and an independent audit firm (other than the Firm's financial auditors) mandated for that purpose in order to assess the level of compliance with applicable laws, rules, regulations and regulatory guidance.

In establishing the Policy, the Firm complies with the following principles, in a manner appropriate to its size, internal organisation and the nature, scope and complexity of its activities:

- (a) where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the CIF and when assessing individual performance, financial and non-financial criteria are taken into account;
- (b) the assessment of the performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the CIF and its business risks;

In relation to points (a), (b) hereabove, the performance appraisal process is geared in such a way as to force the discipline on the assessor to take into account the performance of the business unit and the Firm, in addition to the performance of the individual concerned and also to take into account qualitative factors such as adherence to effective risk management and compliance with the regulatory requirements and relevant overseas regulatory requirements. Poor risk management or other behaviours contrary to the values of the Firm shall override metrics of financial performance. In addition, the appraisal process is set in a multi-year framework, currently spanning over the last three (3) years.

- (c) the total variable remuneration does not limit the ability of the CIF to strengthen its capital base. In this respect, the Firm ensures that payment by the same of the total variable

remuneration will not result in the company's capital adequacy ratio falling below the minimum capital adequacy ratio, including any buffer capital as may apply, plus a margin of 5%.

- (d) guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle and shall not be a part of prospective remuneration plans;
- (e) guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the CIF has a sound and strong capital base and is limited to the first year of employment. In addition to the above conditions, and also in conjunction with point (i) here below, in the Policy it is specified that any guaranteed variable remuneration is not more generous in either its amount or terms (including any deferral or retention periods) than the variable remuneration awarded to the affected person by his / her previous employer; and it is subject to appropriate performance adjustment requirements.
- (f) fixed and variable components of total remuneration 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;
- (g) CIFs must set the appropriate ratios between the fixed and the variable component of the total remuneration, whereby the following principles shall apply:
 - (i) the variable component shall not exceed 100 % of the fixed component of the total remuneration for each individual.
 - (ii) shareholders of the CIF may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200 % of the fixed component of the total remuneration for each individual.

Any approval of a higher ratio in accordance with point (g)(ii) must be carried out in accordance with the following procedure:

- the shareholders must act upon a detailed recommendation by the CIF giving the reasons for, and the scope of, an approval sought, including the number of staff affected, their functions and the expected impact on the requirement to maintain a sound capital base;
- shareholders must act by a majority of at least 66 % provided that at least 50 % of the shares or equivalent ownership rights are represented or, failing that, must act by a majority of 75 % of the ownership rights represented;

- the CIF must notify all shareholders of the CIF, providing a reasonable notice period in advance, that an approval under the first subparagraph of this point will be sought;
 - the CIF must, without delay, inform the Commission of the recommendation to its shareholders, including the proposed higher maximum ratio and the reasons therefore and must be able to demonstrate to the Commission that the proposed higher ratio does not conflict with the CIF's obligations under this Directive and under Regulation (EU) No 575/2013, having regard in particular to the CIF's own funds obligations;
 - the CIF must, without delay, inform the Commission of the decisions taken by its shareholders, including any approved higher maximum ratio pursuant to point (g)(ii), and the Commission must use the information received to benchmark the practices of CIFs in that regard. The Commission shall provide the European Banking Authority ("EBA") with that information and EBA shall publish it on an aggregate home Member State basis in a common reporting format;
 - staff who are directly concerned by the higher maximum levels of variable remuneration referred to in point (g)(ii) of this paragraph must not, where applicable, be allowed to exercise, directly or indirectly, any voting rights they may have as shareholders;
 - CIFs may apply the discount rate to a maximum of 25 % of total variable remuneration provided it is paid in instruments that are deferred for a period of not less than five years.
- (h) payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct;
- (i) remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the CIF including retention, deferral, performance and clawback arrangements;
- (j) the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required;
- (k) the allocation of the variable remuneration components within the CIF must also take into account all types of current and future risks;
- (l) substantial portion, and in any event at least 50 %, of any variable remuneration must consist of a balance of the following:

- (i) shares or equivalent ownership interests, subject to the legal structure of the CIF concerned or share-linked instruments or equivalent non-cash instruments, in the case of a non-listed CIF;
- (ii) (where possible, other instruments within the meaning of Article 52 [1] or 63 [2] of Regulation (EU) No 575/2013 or other instruments which can be fully converted to Common Equity Tier 1 instruments or written down, that in each case adequately reflect the credit quality of the CIF as a going concern and are appropriate to be used for the purposes of variable remuneration.

The instruments referred to in this point must be subject to an appropriate retention policy designed to align incentives with the longer-term interests of the CIF. This point must be applied to both the portion of the variable remuneration component deferred in accordance with point (m) and the portion of the variable remuneration component not deferred;

- (m) a substantial portion, and in any event at least 40 %, of the variable remuneration component is deferred over a period which is not less than three to five years and is correctly aligned with the nature of the business, its risks and the activities of the member of staff in question.

Remuneration payable under deferral arrangements shall vest no faster than on a pro-rata basis. In the case of a variable remuneration component of a particularly high amount, at least 60% of the amount shall be deferred. The length of the deferral period shall be established in accordance with the business cycle, the nature of the business, its risks and the activities of the member of staff in question;

- (n) the variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the CIF as a whole, and justified on the basis of the performance of the CIF, the business unit and the individual concerned.

Without prejudice to the general principles of national contract and labour law, the total variable remuneration shall generally be considerably contracted where subdued or negative financial performance of the CIF occurs, taking into account both current remuneration and reductions in payouts of amounts previously earned, including through malus or clawback arrangements.

Up to 100 % of the total variable remuneration shall be subject to malus or clawback arrangements. CIFs must set specific criteria for the application of malus and clawback. Such criteria shall in particular cover situations where the staff member:

- (i) participated in or was responsible for conduct which resulted in significant losses to the CIF;
- (ii) failed to meet appropriate standards of fitness and propriety;

It should be noted that taking account of the Firm's size, internal organisation and the nature, the scope and the complexity of its activities the Firm shall apply proportionality conditions in relation to the rules relating to:

- guaranteed variable remuneration (point (e) here above),
- retained shares or other instruments (point (l) here above),
- deferral and performance adjustment (points (m) and (n) here above).

For the above referenced measures not to apply, both the following proportionality conditions must be satisfied:

- (i) that individual's variable remuneration is no more than 55% of total annual remuneration;
and
 - (ii) that individual's total annual remuneration is no more than €300,000.
- (o) the pension policy is in line with the business strategy, objectives, values and longterm interests of the CIF.

If the employee leaves the CIF before retirement, discretionary pension benefits shall be held by the CIF for a period of five years in the form of instruments referred to in point (l). Where an employee reaches retirement, discretionary pension benefits must be paid to the employee in the form of instruments referred to in point (l) subject to a five-year retention period;

- (p) staff members are required to undertake not to use personal hedging strategies or remuneration- and liability- related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;
- (q) variable remuneration is not paid through vehicles or methods that facilitate the noncompliance with this Directive or Regulation (EU) No 575/2013.

4 Remuneration Committee

CIFs which are significant in terms of their size, internal organisation and the nature, the scope and the complexity of their activities, must establish a remuneration committee.

The remuneration committee must be constituted in such a way as to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

The remuneration committee must be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the CIF concerned and which are to be taken by the board of directors.

The Chair and the members of the remuneration committee must be members of the board of directors who do not perform any executive function in the CIF concerned. If employee representation on the board of directors is provided for by Cyprus law, the remuneration committee shall include one or more employee representatives. When preparing such decisions, the remuneration committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the CIF and the public interest.

BrokerCreditService (Cyprus) Limited has been adjudged by the Cyprus Securities and Exchange Commission to be a "significant CIF" and as such, it has established a Remuneration Committee, comprised, as at the time of drafting these disclosures, by:

- (a) The Firm's non-executive Chairman,
- (b) Two non-executive directors, one of which is independent.

The Remuneration Committee is responsible for setting the general principles of the Remuneration Policy and making proposals to the Board of Directors as to the actual remuneration of the persons that are subject to the Remuneration Policy. It is also directly overseeing the remuneration of the senior officers in the risk management and compliance functions.