



PILLAR III DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2016

Disclosures In accordance to the Paragraph 32(1) of the Directive DI144-2014-14 of the Cyprus Securities & Exchange Commission for the Prudential Supervision of Investment Firms

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General Information

The information below is disclosed in accordance with Directive DI144-2014-14 of 19 December 2014 (the "Directive") of the Cyprus Securities and Exchange Commission (the "CySEC" or "Commission") for the Prudential Supervision of Investment Firms and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. The Disclosures will be uploaded on the website of the Company where they will be publicly available to view and download.

The information that PMT Matrix Capital Ltd ("the Company" or "PMT") discloses herein relates to the year ended 31 December 2016.

The Company has commissioned independent auditors to verify this document. The Company is required by the Directive to provide a copy of the auditor's verification report to CySEC within five months of each financial year-end.

Company's profile

PMT Matrix Capital Ltd was incorporated in Cyprus on 16 July 2012 as a private limited liability company under the Companies Law, Cap. 113 with the registration number HE 309339. The Company is a Cyprus Investment Firm authorized by the Cyprus Securities and Exchange Commission with license number 197/13. The Company is authorized to provide the investment service of Portfolio Management in relation to the following financial instruments:

- Transferable securities
- Money-market instruments
- Units in collective investment undertakings
- 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)
- Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF
- Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point (6) above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls
- Derivative instruments for the transfer of credit risk
- Financial contracts for differences
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics 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), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in the financial instruments listed in this section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses or are subject to regular margin calls.

It is noted that the Company is not authorized to provide any ancillary services.

The authorization was granted to the Company in May 2013 and the license was activated in May 2014.

Risk Management objectives and policies

The Company implemented Risk Management Policy and Business Continuity Policy which are both parts of the Company's Internal Operational Manual ("IOM"). The Business Continuity Policy was last updated in 2015 while the Risk Management Policy was reviewed in 2016 and updated versions was approved by the Board in December 2016.

The Company's Business Continuity Policy addresses to the risks of business interruption due to interruption of systems and procedures used by the Company caused by reasons outside the Company's control. The Policy describes possible faults and measures aimed to avoid business interruption or to provide fastest possible recovery. The risks estimation and measures prescribed seems to be quite adequate to the Company's environment. The Company's staff was duly informed of the content of the Policy and of their actions in the fault cases.

The Risk Management Policy is the document, which lays down the principles of identification and management of risks (mainly financial) to which the Company is exposed in its activities.

The Company aims at low risk tolerance, in line with its strategic priorities and following the generally set low risk appetite.

Credit risk

Credit risk is a risk of loss of principal or financial reward that arises when counterparty fails to meet its contractual obligations.

The Company faces credit risk of counterparties in the following cases:

- a) Trading on stock-exchanges,
- b) Transferring or keeping funds and financial instruments with banks,
- c) Trading over-the-counter (OTC),
- d) Having non-trading receivables.

The Company has the following strategies and processes to manage credit risk:

- The Company establishes limits on a number of banks where it holds its accounts on the basis of their credit ratings
- The Company limits its exposure to Counterparty Credit Risk by restricting its business from holding any accounts with stock exchanges
- Each Counterparty is allocated a pre-defined limit. Counterparties which are not allocated pre-defined limits are not allowed to trade with the Company
- In relation to the standard deals for purchase or sale of financial instruments, PMT does not entail any additional financial obligations except for fees
- Risk evaluation is carried out on all types of issuers of financial instruments.

Market risk

Market risk is the risk of loss resulting from changes in market variables.

The Company is not engaged in proprietary trading activities at present time; therefore, it is not exposed neither to interest rate risk nor to securities' prices fluctuations. The Company however is exposed to the foreign exchange risk in connection with the Company's operating activities (the revenues are denominated and paid in a currency different from its functional currency, namely in USD).

If the sum of the Company's overall net foreign-exchange position exceeds the threshold set the Company mitigates its foreign exchange risk in currency positions by using hedging transactions. In order to reduce the remaining foreign currency risk that is not mitigated through hedging, the Company holds net borrowings in foreign currency.

At present, the main part of the Company's income is nominated and paid in United States dollars («USD») while only a small part of the Company's expenses is nominated in USD. This leads to a permanent increase in the Company's open USD/EUR position, which is diminished periodically through the bank foreign exchange transactions. The Company considers such permanent variable risk rather as a business risk than a pure market

risk (though market risk is also present). In view of the abovementioned and taking into account relatively low short-term volatility in USD/EUR ratio the Company can keep part of its assets (both as Receivables and as Cash in Banks) amounting up to 100% of the Company's capital in USD without any hedging. The Risk Manager should monitor the global trends affecting the mentioned risks and notify the Senior Management in any case when steep changes are expected.

Operational risk

Operational risk is risk of loss caused by inadequacies or failures in internal processes, people or systems, or caused by external factors, whether natural, accidental or deliberate. The Company divides its operational risks into Information technology (IT) risk, Human risk, Legal risk and Reputation risk.

The company uses the following approaches to manage and minimize operational risk:

- a) IT risk
 - All systems have been tested by IT specialists.
 - They are examined by their successful performance in the course of considerable time.
 - Maintenance and technical support of those systems are continuously performed by the IT Department.
- b) Human risk
 - All data relating to the transactions of the Company and its Clients are recorded into the Company's systems and are stored on the reliable storage facilities with relevant backup procedures.
 - The Company devotes essential efforts to the training of the staff.
 - Four-eyes principle applies to transactions processing whenever possible.
- c) Legal risk
 - The Company continuously and cautiously monitors the new regulations, and implements new Directives issued by the competent supervisory authorities, receives and implements recommendations from the Compliance Officer;
 - On a regular (at least annual) basis the Board of Directors receives and analyzes the reports on Anti-Money Laundering Compliance, Internal Audit, Legal Compliance, and Risk Management and specifically addresses any possible deficiencies in the Company's procedures with the further validation of the measures undertaken;
 - Annual reports prepared by the Compliance Department and Internal Auditors attest and confirm that the Company successfully follows the governing Law and applicable legislation.
- d) Reputation risk
 - The Company expects that proper mitigation of the above mentioned components of the operating risk will diminish considerably the probability of the reputation risk.

Other risks

Residual risk – the risk that the recognized credit risk mitigation techniques prove less effective than expected. The Company does not apply risk mitigation techniques.

Concentration risk – the risk arising from exposures to each counterparty, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer. The company subject to concentration risk due to all the income generated by a single client, however the client is a Fund (UCITS) and thus cannot be considered as a person.

Securitisation risk - the risks arising from securitisation transactions in relation to which the CIFs are investors, originator or sponsor, including reputational risks, such as arise in relation to complex structures or products. The Company has not been involved into complex securitisation transactions in any role.

Interest risk arising from non-trading book activities - the risk arising from potential changes in interest rates that affect a CIF's non-trading activities. The company has very low non-trading credit risks and no one of the assets and liabilities of the Company can be affected considerably by the reasonable changes in interest rates.

Liquidity risk - the risk when the maturity of assets and liabilities does not match. The Company keeps above 95% of its own funds as cash in the banks which excides considerably any liabilities within the timeframe considered.

Risk of excessive leverage – the risk of the CIF's indebtedness is above the reasonable level compared to its assets. The Company does not use the financial leverage for trading. The only non-own source of funding is related to the Company's non-traded payables (current liabilities) which are rather low.

Business Risk - the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. The interest of potential clients to the products related to the emerging markets (and especially to Russian) can calm down by the continuing slowing of the corresponding economies and unfavorable political events. The Company has got the main expertise namely in the mentioned products. However the information from the marketing department confirms the existence of the interest to the Company's products. The Company continue corresponding monitoring and development of the alternative products.

Risk management function

In compliance with the legal requirements the Company established the Risk Management function. It was decided by the Board in view of the Company's size and nature and complexity of its business to appoint a Risk Manager who was at the same time a Senior Manager of the Company. The Board considered such appointment guaranty sufficient independence of the Risk Management function as the mentioned duties did not include direct involvement into the operational functions.

The Company's Senior Management will provide Risk Manager with any additional resources or apply to the Board for such resources if it is required by a business development and/or risk growth.

The Risk Manager's role according to the Company's Risk Management Policy is to:

- Implement policies on risk management and internal control;
- Periodically review the risk management policies and procedures as well as processes and mechanisms adopted by the Company to manage the risks relating to the Company's activities;
- Identify and evaluate the fundamental risks faced by the Company for consideration by the Senior Management;
- Provide training and assistance in the implementation of the required controls of the Company;
- Ensure that the risk management function operates independently;
- Provide adequate information in a timely manner to the Senior Management on the status of risks and controls;
- Provide reports to the Senior Management, with details of the Company's total exposure across all instruments. These reports will include information about Clients' positions and the positions opened under the guidance of the Risk Management, as part of the hedging activity;
- Undertake a review of effectiveness of the system of internal control and provide a report to the Senior Management.

The Board is regularly informed by the Senior Management on all the Risk Management issues. The annual Risk Manager report is presented to the Board. The report is discussed and approved by the Board.

The annual Risk Manager report for the year 2016 was discussed and approved by the Board in April 2017. It was stated by the Board that the Company's risk management arrangements are adequate to its business profile and strategy.

The Board via the Risk Management Policy approved a very low Company's appetite to risk, stimulating the establishment of the long-term client-focused business.

Governance arrangements

The Board of Directors of the Company (hereinafter also called the «Board») is the management body of the Company and it essentially exercises substantial control over the Company's activities and affairs. The Company's Board of Directors consists of four Directors. Two of them are independent non-executive Directors and the other two are executive Directors.

It should be mentioned that one of the executive Directors resigned and was replaced in his duties by the other person following the resolution of the shareholders and of the Board at the beginning of the 2017.

Members of the Board of Directors must at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board shall reflect an

adequately broad range of experiences. Members of the Board of Directors must, in particular, fulfil the following requirements:

- All members of the Board must commit sufficient time to perform their functions in the Company.
- The number of directorships which may be held by a member of the Board at the same time must take into account individual circumstances and the nature, scale and complexity of the Company's activities.
- The Board of Directors must possess adequate collective knowledge, skills and experience to be able to understand the Company's activities, including the main risks.
- Each member of the Board must act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the Senior Management where necessary and to effectively oversee and monitor management decision-making.

The Company allowed the Directors to have the directorships in other companies. In 2016 one of the executive Directors was a Director (non-executive) in a licensed European UCITS Company (Fund) which was a client of the Company. One of the Company's non-executive Directors was an executive Director in a Cyprus Investment Firm (CIF) and also a non-executive Director in another CIF. The two remaining Directors of the Company had no other directorships in financial companies.

The Company engages a broad set of qualities and competences when recruiting members to the Board of Directors and for that purpose promotes diversity of the Board.

The Board of Directors must ensure that the management body defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties in the organization and the prevention of conflicts of interest. Those arrangements must comply with the following principles:

- the Board must have the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk strategy and internal governance;
- the Board must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards;
- the Board must oversee the process of disclosure and communications;
- the Board must be responsible for providing effective oversight of Senior Management;
- the Chairman of the Board of Directors of the Company must not exercise simultaneously the functions of a Chief Executive Officer within the Company, unless justified by the Company and authorized by the Commission.

The current composition of the Board is considered to be in agreement with the abovementioned requirements.

It was decided by the Board that the current size and business specifics of the Company did not require establishment of the Risk Committee.

Scope of application

PMT Matrix Capital Ltd is preparing these disclosures on an individual (solo) basis. The Company has no subsidiaries. The company is not a subsidiary of a European financial institution. There are no entities which, for the purposes of the Directive, might be treated as fully consolidated, proportionately consolidated, or deducted from PMT's own funds.

Own funds

The Own Funds of the Company as at 31 December 2016 consisted solely of Tier 1 Capital and amounted to 665 thousand EURO. There were no deductions from Tier 1 capital. No prudential filters were applied. No allowances to avoid deduction were used.

The composition of the Company's capital base/own funds is presented in Table 1 below.

Table 1: Composition of the capital base of PMT Matrix Capital Ltd

CAPITAL FOR REGULATORY PURPOSES	As at 31st Dec 2016
Description	EUR '000
Tier 1 - Original Own Funds	692
- Share capital	1600
- Previous year retained earnings	(887)
- Profit (or loss) from current year	(21)
Tier 1 Deductions	(27)
Capital for regulatory purposes	665

The Company did not change its authorised share capital in 2016. The Company's issued share capital as at 31 December 2016 amounted to 1.600 thousand EURO and consisted of 1.600.000 ordinary shares of EUR 1.00 each.

Capital requirements

The Company uses approaches specified by the regulator to assess its capital adequacy. The Company monitors capital adequacy on an ongoing basis via both the estimation of the current Company's capital and monitoring and limiting existing exposures within the frame of the adopted Risk Management policy to avoid sharp increase in their value. Maintained capital buffer allows to be sure that the Company has sufficient capital compared to the regulatory requirement.

The capital requirements of the Company as at 31 December 2016 were 74 thousand EURO as analysed in Table 2 below.

Table 2: Minimum Capital Requirements

Type of Risk	As at 31 December 2016	
	RWA (EUR '000)	Minimum Capital Requirements (EUR '000)
Credit Risk	198	16
Foreign Exchange Risk	53	4
Operational Risk	0	0
Additional Fixed Overheads requirements	1156	93
Total	1407	113

On the 31 of December 2016, the Company did not have any exposure relating to equities, commodities and traded debt instruments.

The Capital Adequacy ratio of the Company as at 31 December 2016 was 47%

Exposure to counterparty credit risk

The Company implements the Standardised Approach for the calculation of its minimum capital requirements for credit risk. PMT is not exposed to any derivatives or/ and repurchase transactions thus the Company is not subject to corresponding counterparty credit risk.

The Company does not make use of Credit Risk Mitigation and does not have any provisions.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

With regards to impaired exposures, the Company considers a financial asset as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset, provided that such loss event has an impact on the estimated future cash flows of the asset which can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for loans and other financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the Company, or economic conditions that correlate with defaults in the Company.

The impairment loss on a financial asset is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral (excluding future cash flows that have not been incurred), discounted at the asset's original effective interest rate.

As at 31 December 2016, PMT did not have any impaired exposures.

Table 3 below presents the allocation of credit risk according to the exposure class of the Company's counterparties.

Table 3: Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

Exposure Classes	As at 31 December 2016 (EUR '000)				
	Total value	exposure	RWA	Minimum Requirements	Capital
Public sector entities	0		0	0	
Institutions	624		128	10.2	
Corporates	1		1	0.1	
Other Items	70		70	5.6	
Total	694		198	15.8	

The following table presents the countries to which each exposure class is concentrated.

Table 4: Geographic distribution of exposures

Exposure Class	As at 31 st December 2016 (EUR '000)			
	Cyprus	Ireland	Switzerland	Total
Public sector entities	0	0	0	0
Institutions	11	0	613	624
Corporates	1	0	0	1
Other Items	10	60	0	70
Total	21	60	613	694

Table 5 below analyses the distribution of the Company's counterparties by industry.

Table 5: Distribution of exposures by industry type

Exposure Class	As at 31 December 2016 (EUR '000)			
	Banking Services	Financial Services	Other	Total
Public sector entities	0	0	0	0
Institutions	624	0	0	624
Corporates	0	0	1	1
Other Items	0	60	10	70
Total	624	60	10	694

The following table, Table 6, displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2016.

Table 6: Residual Maturity per Exposure Class

Exposure Class	As at 31 December 2016 (EUR '000)		
	Residual Maturity < 3 months	Residual Maturity > 3 months	Total
Public sector entities	0	0	0
Institutions	624	0	624
Corporates	0	1	1
Other Items	60	10	70
Total (EUR)	684	10	694

The Company applied neither specific nor general risk adjustments.

For the credit ratings of Institutions, the Company uses the sovereign ratings of Standard & Poor's, Fitch Ratings and Moody's to rate its exposures, matching the external rating of the government of the country where each institution is incorporated with the corresponding Credit Quality Step, according to the provisions of the Central Government Risk Weight based method of the Capital Requirements Directive.

In the cases where the three credit ratings differ, the Company remain conservative and applies the worst among those three to rate its exposures.

The main exposures of PMT are located in banks incorporated in Cyprus and Switzerland.

The Corporates to which PMT was exposed as at 31st December 2016 were unrated. As a result, a risk weight of 100% was applied.

The Other Items category includes other current debts, and refundable taxes. A risk weight of 100% was applied to all exposures that were classified into Other Items asset class.

The following table presents the exposures of the Company per risk weight.

Table 7: Exposure amount broken down by risk weight

Risk Weight	As at 31 December 2016
	Exposure Amount (EUR '000)
20%	613
50%	11
100%	70
Total	694

The following table presents the exposures of the Company per Credit Quality Step (CQS).

Table 8: Exposure amount broken down by Credit Quality Step (CQS)

Credit Quality Step (CQS)	Total exposure value (EUR '000) as at 31 December 2016			
	Public sector entities	Institutions	Corporates	Other Items
1	0	613	0	0
2	0	11	0	0
4	0	0	1	70
Total	0	624	1	70

Operational risk

The Company uses Fixed Overhead requirement to calculate the capital requirement for operational risk. 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 with some additional corrections. At the end of 2016 the calculated weighted additional risk exposure to the fixed overheads was 1,156 thousand EURO which was the largest weighted exposure (see Table 1 above).

Remuneration policy

This Remuneration Policy (the Policy) of PMT is a document which stays the foundations and principles for establishing remunerations within the Company, how the Policy should be applied and followed.

The Board of Directors monitors compliance with the Policy and reviews it once a year or at more frequent time as necessary.

Generally, it is the current Company's policy to not provide possibilities for variable remuneration of employees. The amount of remuneration is fixed in the employment agreement of each employee. There is no link between the sales results of the employee and his or her remuneration.

Taking into consideration the Company's scope of business, most of the departments of the Company are currently represented only by one employee; thus the Head of each Department is not assessed individually but rather as the manager of business section. There are no appraisals arrangements used by the Company that may be considered detrimental to the performance of the employee in the interests of the clients and the company, favoring his or her own concerns.

The fixed remuneration (salary) is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. The Company ensures that employees receive competitive fixed remuneration.

Issues related to the rewards of employees are dealt with on an individual basis by the Board of Directors and/or by the Supervisory Board, consisting of two Directors (where applicable). Each Director of the Company has necessary qualifications, expertise and authority as requested by the Commission and as stated in the internal documents of the Company, including the Internal Operation Manual.

Other benefits, such as medical insurance, are parts of the fixed remuneration and awarded on the basis of individual employment contract and local market practice.

The remuneration of the Directors of the Company is directly overseen by the Board of Directors.

The remuneration of the Directors is to ensure the Company's ability to attract and retain the most qualified members of the Board of Directors and a good basis for succession planning. In connection with the annual assessment of the remuneration of the Directors, developments in market practice are assessed as well.

The remuneration of the Executive and Non-Executive Members of the Board of Directors consists of a fixed remuneration.

In 2016 the Company did not pay any variable remuneration.

The Company's annual remuneration to management and staff as at 31 December 2016 is as follows:

Table 9: Remuneration to management and staff in 2016

	As at 31 December 2016			
	No. of staff	Remuneration ('000 EUR)		
		Fixed	Variable	Non cash
Board of Directors				
<i>Executive</i>	2	54	-	-
<i>Non-Executive</i>	2	10	-	-
Other staff				
<i>Staff responsible for independent control functions and other staff</i>	3	149	-	-
Total	7	213	-	-

Table 10: Quantitative information on remuneration, broken down by business area:

	As at 31 December 2016		
	Annual Remuneration ('000 EUR)		
	Fixed	Variable	Non cash
Business area:			
<i>Portfolio Management Department</i>	60.0	-	-
Total	60.0	-	-

Leverage

The leverage ratio is calculated as a Company's capital measure divided by total exposure measure and expressed as percentage. The capital measure is the Tier 1 Capital. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure. At 31 December 2016 the Company's Leverage ratio was 89.0 %.