



**000MNK**  
**RISK CONSULTING**

Risk Consulting  
& Financial Services  
Advisory

## We do what we do best...

We are a team of professionals delivering the specialized and objective advice you need to clearly understand your exposure to risks, business options and opportunities. Our market focus is Banks, Investment Firms, FX Brokers, Funds and other Regulated Entities in the financial sector.

## Our Advantage

Heavy-weight professionals with 20+ years of experience in the international financial sector providing:

- Unmatched technical expertise
- Innovative solutions
- Manageable project scope with scaled expense and phased implementation
- Customized tools and benchmarks
- Actionable results and insights



## Financial Services Advisory

**Services to Investment Firms, Retail FX Brokerages, Asset Management Houses, Investment Funds, Payment Services Institutions, Electronic Money Institutions:**

### 1) Licensing Services

- Undertake your license application process for EU and non-EU jurisdictions:
  - **Investment Firms (Cyprus IFs, EU IFs, Third Country IFs);**
  - **Self-Managed Investment Funds (AIFs, AIFLNPs);**
  - **Fund Managers (AIFMs, UCITS);**
  - **Payment Services Institutions (PSIs);**
  - **Administrative Services Providers (ASPs);**
  - **Electronic Money Institutions (EMIs);**
- Formation: advise on the appropriate structure for the Investment Firm or Fund or other Regulated Entity;
- Advise you of the local regulations and requirements;
- Advise you of the most tax-efficient and cost-effective jurisdiction that matches your target market needs, your business plans and office requirements;
- Prepare Internal Operations Manual (IOM), supporting policies and procedures on all areas required (i.e. anti-money laundering, risk management, compliance, governance) in adherence to the prevailing laws and regulations;
- Assist in the preparation of business plans and organisational set-ups to support your license application;
- Administer the procedures of your license application for obtaining the relevant license (including the due diligence of Shareholders, Beneficiaries and Directors);
- Communicate with regulatory authorities and act as your promoters during the license application phase;
- Extend your license (i.e. apply for a branch or a representative office, or a tied agent or for new licenses in EU and non-EU countries);
- Re-domiciliation of offshore Investment Funds to Cyprus.

### 2) Post-Licensing Support Services

- Assist Cyprus Investment Firms (CIFs), Alternative Investment Funds (AIFs) and other regulated financial entities operating under a harmonised EU regulatory framework to obtain an authorization for “passporting” their license to other EU and non-EU jurisdictions (preparing Cross-Border applications, liaising with regulatory authorities and obtaining Legal Opinions from host country legal firms);
- Establish Representative Offices / Branches / Tied-Agents;
- Change of shareholders;
- Change of directors;
- Recommend adjustments and changes to your Organisational Structure;
- Support on day-to-day operational issues;
- Locate qualified management and personnel.



### 3) Internal Audit Services

We provide risk-based Internal Audit Services to EU and non-EU, regulated or non-regulated entities (including Investment Firms, Investment Funds, Fund Managers, Payment Services Institutions, Administrative Services Providers, Electronic Money Institutions) that wish to outsource their Internal Audit Function, or to have an external independent Internal Auditor review of their controls, policies and procedures in place.

We may also undertake the preparation of your entity's Annual Internal Auditor Report.

### 4) Compliance Officer and Consulting Services

We provide Regulatory Compliance Officer Services to EU and non-EU, regulated or non-regulated entities (including Investment Firms, Investment Funds, Fund Managers, Payment Services Institutions, Administrative Services Providers, Electronic Money Institutions) that wish to outsource their Compliance Officer Function, or to have an external independent Compliance Officer review of their policies and procedures in place. Among the Compliance Officer's duties, is ensuring compliance with:

- EU Markets in Financial Instruments Directive 2004/39/EC ("MiFID I")
- EU Markets in Financial Instruments Directive 2014/65/EU ("MiFID II")
- EU Markets Infrastructure Regulation No 648/2012 ("EMIR")
- EU Markets in Financial Instruments Regulation No 600/2014 ("MiFIR")
- Common Reporting Standard ("CRS")
- Foreign Account Tax Compliance Act ("FATCA")
- Alternative Investments Fund Managers Directive ("AIFMD")
- Laws and Directives regarding the prevention of Money Laundering ("ML") and Terrorist Financing ("TF").

We may also undertake the preparation of your entity's Annual Compliance Officer Report and provide ad-hoc or ongoing support to your Compliance Officer (including briefing of the latest CySEC Circulars, Directives, Laws). We can also assist you in developing a compliance monitoring framework ensuring your ongoing compliance with changing regulations and directives.



## 5) Regulatory Risk Management Services

We provide Risk Management Services to regulated EU and non-EU Investment Firms, Investment Funds, Fund Managers, Payment Services Institutions, Administrative Services Providers, Electronic Money Institutions, Banks, that wish to outsource the regulatory obligations of their Risk Management Function, or to have an external independent Risk Manager Advisor providing the relevant service requested by the client.

We may also undertake the preparation of your entity's Annual Risk Manager Report.

In addition to the Capital Adequacy and Large Exposures quarterly reports (Common Reporting Templates-COREPS) preparation for CySEC, we may also assist you with:

- Risk Taking Policy Statements: preparation and/or review;
- Trading Book Policy statements: preparation and/or review;
- Advisory on optimising your Capital Adequacy;
- Maintaining compliance with regulatory limits;
- Advisory on better managing Large Exposures with respect to regulatory limits (e.g. through the use of financial collateral);
- Advisory on managing prudential and actual liquidity;
- Ensuring compliance with the relevant and current regulatory requirements, including: Basel III / EU Capital Requirements Directive ("CRD") IV / EU Capital Requirements Regulation ("CRR").

With regards to EU CRD IV / EU CRR, our Capital Adequacy services to you include:

- Calculation of Eligible Own Funds;
- Calculation of Risk-Weighted Assets (RWA);
- Calculation of Capital Adequacy Ratios (CAR);
- Completion of Common Reporting (COREP) templates and submission of returns to CySEC per calendar quarter;
- Calculation of Large Exposures, completion of regulatory templates and submission of returns to CySEC per calendar quarter;
- Completion of Geographical Exposures report template;
- Completion of Leverage report template.

## 6) Anti-Money Laundering ("AML") Compliance Consulting Services

We provide Anti-Money Laundering Compliance Officer Advisory Services to EU and non-EU, regulated or non-regulated entities (including Investment Firms, Investment Funds, Fund Managers, Payment Services Institutions, Administrative Services Providers, Electronic Money Institutions).

We may also undertake the preparation of your entity's Annual Anti-Money Laundering Compliance Officer's Report as well as the Monthly Prevention Statements.

## Risk Management Services

### Services to Banks, Investment Firms and the wider financial sector:

- Credit Risk Management (Analytics and Credit Risk Measurement, Credit Risk Governance, Risk Appetite/Risk Tolerance & Limit Setting, Credit Risk Reporting, Policies and Procedures)
- Market & Liquidity Risk Management
- Operational Risk Management
- Regulatory Benchmarking and Remediation
- Enterprise-wide Risk Management
- Risk Measurement
- Capital Adequacy
- Stress Testing

### Credit Risk Management - Areas of Expertise

- Estimation of Fixed Income Portfolio credit risk:
  - PD (Probability of Default) estimation
  - LGD (Loss Given Default) estimation
  - Simulation of credit default annual loss distribution and use of several credit risk measures (Value-at-Risk (VaR), Expected Shortfall)
- Preparation or Review of Internal Capital Adequacy Assessment Process (ICAAP) and Pillar 2 capital add-on requirements
- Stress testing of key credit risks (collateral value deterioration, future flow of defaults, concentration risk)
  - Quantification of concentration credit risk – industry sectors, large borrower groups (Granularity Approach, Herfindahl)
  - Immovable property indexation
  - Quantifying the loss impact (Expected Loss -EL, Unexpected Loss-UL) of flow of new defaults or issuer credit rating downgrades
- Implementing risk based credit pricing model (accounting for credit risk expected and unexpected losses as well as cost of funding and asset-liability maturity mismatching)
- Retail credit product application scoring and behavioral scoring
- Corporate credit rating (methodology development, credit quality transition matrices etc.)
- Save credit risk capital requirements by the Optimization of Credit Risk Pillar 1 capital adequacy calculation process (from data capturing re-engineering to classifications to RWA calculation and Eligible Own Funds).



## Market Risk Management - Areas of Expertise

- 'Banking book' Interest rate risk monitoring:
  - Relaxing the parallel yield shift and twisted yield curve scenarios
- Banking book FX risk monitoring
- Market risk Correlations capturing and quantification
- Profit and Loss Distribution simulation and Value-at-Risk (VaR) measurement (Monte Carlo Simulation, Variance-Covariance model, Historical Simulation):
  - Marginal VaR and Portfolio rebalancing
- Standardized Approach Market Risk Capital Requirement under CRR
- Stress testing market risk factors (foreign exchange, interest rates, stocks, and commodity prices)
- Prudential Liquidity Monitoring – Liquidity Coverage Ratio, Net Stable Funding Ratio, prudential stock liquidity and mismatch ratios:
  - Lendable Prudential liquidity monitoring
  - Actual liquidity monitoring
- Liquidity Stress Testing
- Funding Liquidity monitoring

## Operational Risk Management - Areas of Expertise

- Specifying the data needs for operational risk management and capturing these information (historical operational risk incidents, external losses, Risk Control Self-Assessment (RCSA) data, scenario data, Key Risk Indicator (KRI) data)
- RCSA design, implementation and roll out in your organisation
- Operational risk scoring and prioritization for action planning
- Propose practical risk mitigation actions and remedial measures to BoD
- Follow up on the progress made in implementing the remedial measures decided by the BoD and assess the effectiveness of such controls
- Put together a Business Continuity Plan and the Disaster Recovery Site provisions
- Event frequency and loss severity forward looking assessments by operational risk type
- Extreme (low-frequency high-impact) operational risks loss severity analysis
- Operational risk correlations
- Simulation of annual loss distribution using either historical incident data or RCSA data
- Economic capital models (Monte Carlo Simulation VaR)
- Stress testing operational risks
- Operational risk Pillar 2 capital adequacy optimization (rationalizing insurance programs and save capital)
- Implementing a KRI program: setting risk tolerance levels and escalation procedures if such levels are being exceeded.



# Professional Training & Executive Education

We provide hands-on training customized to institutional needs and regulatory expectations on a variety of topics.

### **For Investment Firms, Investment Funds and Banks:**

- MiFID II and MiFIR and EMIR: how to comply, Gap-Analysis
- Basel III and EU Capital Requirements Regulation (CRR): key changes from Basel II and what to look out for
- Optimising the Pillar 1 credit and counterparty risk capital requirements calculation: How can you save on capital
- Internal Capital Adequacy Assessment Process (ICAAP): How to implement
- Sound Risk Management Principles put into Practice
- Stress Testing for Credit and Counterparty risk, Market and Liquidity risk, Operational and Compliance risk: How to implement a regulatory compliant framework tailored to your organisation and keep Pillar 2 capital to the minimum necessary level
- Advanced and Basic CySEC certificates
- How to implement a regulatory compliant AML program and risk based AML assessment
- Advanced and Basic CySec certificates
- Continuous Professional Development (CPD) for CySEC Certificate Holders
- Operational Risk Management and Measurement put into practice and integrated to business decision making: incident management, risk control self-assessment, key risk indicators, scenario analysis
- IFRS 9 and Expected Credit Loss Model: Forward looking impairment
- European Banking Authority: Non-Performing Exposures and Forbearance
- Advanced Financial Risk Modelling (volatility modelling, extreme market risk measurement, credit risk modelling, Treasury risk management, AML/operational risk modelling)





## Why Cyprus?

Cyprus is fast gaining a competitive position within the global financial services industry. Cyprus Investment Firms, Alternative Investment Funds, Payment Services Institutions and Electronic Money Institutions are considered valuable vehicles to international investors. Some key facts:

- Favourable Tax environment
- Among the lowest corporate tax rates in the EU (12.5%)
- Double tax treaties with 50+ countries (Russia Federation inclusive)
- Exemption from SDC tax on dividends, rental income and interest income for non-Cyprus tax residents and Cyprus tax residents who obtain the non-domicile status
- 50% tax exemption for all newcomer employees with an annual salary of at least €100.000
- VAT rate for acquisition of residential property can be as low as 5% (for first residence)
- Favourable VAT rates for private yachts and aircrafts: as low as 3,26%
- No transfer fees for property transfers if the transaction is subject to VAT, and if not (land and used property) a 50% reduction of transfer fees for all transfers
- Option for overseas pensions to be taxed at 5%
- Reliable professional services
- Modern and transparent legal system based on Common Law
- High quality accounting & audit services conducted by UK qualified accountants
- Credible EU jurisdiction that enjoys a well-respected credit and financial services regulatory framework harmonized with all EU Directives
- Cost Efficient & Effective business solutions
  - Flexibility
  - Customised solutions tailored to client needs and requirements
  - Very competitive rates
- Your Gateway to Europe enabling financial and investment service providers a single “passport” for offering their services across the EU and beyond
- Banking system supervised by the European Central Bank



### Republic of Cyprus

**Cyprus Location:** Island in the Mediterranean Sea

**Languages:** Greek, English

**Currency:** Euro

**Time Zone:** GMT + 2 hours

**Legal System:** Primarily based on English law





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