Just2Trade

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AUDITED PILLAR III DISCLOSURES

FOR THE YEAR ENDED 31ST DECEMBER 2016

Published 31/05/2017

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DECLARATION REGARDING THE ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS

The Board of Directors of **JUST2TRADE ONLINE LTD** (the "Company" or the "Firm") approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

RISK STATEMENT

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management framework is the sum of systems, policies, processes and people within the Company that identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

CORPORATE INFORMATION

The Company was incorporated on 13/03/2015 and registered with the Companies Registrar of the Republic of Cyprus under number HE 341520 as a private limited liability by shares company. The Company has been authorized by the Cyprus Securities and Exchange Commission (the "CySEC") under license number 281/15 to operate as a Cyprus Investment Firm ("CIF") and provide investment and ancillary services to its clients.

The Company is licensed to provide to its Clients the investment services of:

- Reception and transmission of orders in relation to one or more financial instruments

- Execution of orders on behalf of clients

- Portfolio Management

In addition to the main investment services listed above, the Company provides the below ancillary services to its Clients:

- Safekeeping and administration of financial instruments for the account of customers, including custodianship and related services such as cash/collateral management.

- Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.

- Foreign exchange services where these are connected to the provision of investment services.

- Investment research and financial analysis or other forms

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PILLAR III REGULATORY FRAMEWORK OVERVIEW

In 2013, Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on the 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 (hereinafter referred to as 'European Directive') and 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 (hereinafter referred to as 'Regulation (EU) No.575/2013') were issued.
As a consequence the CySEC revoked Directives DI144-2007-05 and DI144-2007-06 and transposed the European directive as follows:

- Law No.144(I)/2007, as in force, was amended in order to accommodate a number of articles of the European directive. The relevant amendments were published in the official Gazette on 19 December 2014

- A new Directive with number DI144-2014-14 for the prudential supervision of investment firms was drafted in order to incorporate all remaining relevant articles of European Directive. Directive DI144-2014-14 was published in the Official Gazette on 19 December 2014.

Regulation (EU) No.575/2013 is binding in its entirely and directly applicable in all Member States. However, a number of discretions are included in Regulation (EU) No. 575/2013 and for this purpose, CySEC drafted a new Directive with number DI144-2014-15 on the discretions of the Regulation, which states how CySEC has exercised these discretions.

These regulations comprising new CRD IV package are intended to implement the Basel III agreement in the EU. This includes enhanced requirements for the quality and quantity of capital, a basis for new liquidity and leverage requirements, new rules for counterparty risk and new macroprudential standards including a countercyclical capital buffer and capital buffers for systemically important institutions. CRD IV also makes changes to rules on corporate governance, including remuneration, and introduces standardised EU regulatory reporting

The Pillar 3 report is prepared in accordance with the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV). The CRR and CRD IV establish the prudential requirements for capital, liquidity and leverage that entities need to abide by. CRD IV governs access to internal governance arrangements including remuneration, board composition and transparency. CRR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019.

The current regulatory framework comprises of **three** pillars:

- **Pillar I** covers the calculation of risk weighted assets for credit risk, counterparty risk, market risk and operational risk.

- **Pillar II** covers the Supervisory Review and Evaluation Process (SREP), which assesses the internal capital adequacy processes and whether additional capital is

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required over and above the Pillar I and provides for the monitoring and self-assessment of the capital adequacy and internal processes.

• **Pillar III** covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

The Pillar III Disclosures for the year ended 31st December 2016 (the "Report") of the Company sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the CRR specify the Pillar III framework requirements.

The CRD allows the institution to choose between different approaches to risk management and how capital requirements are calculated: simple, standardized approaches and more complex approaches on the basis of internal estimates.

The principle applicable to all approaches is: the lower the risk, the lower the capital requirement. Special consideration is given to credit risk mitigation.

For calculation of capital requirements for credit risk an institution shall apply either the Standardized Approach or, if permitted by the competent authorities in accordance with relevant provisions of Regulation (EU) No.575/2013, the Internal Ratings Based Approach to calculate their risk-weighted exposure amounts.

Three methods are available for calculating the capital requirement for operational risk, marked by increasing complexity and sensitivity:

1. the Basic Indicator Approach;
2. the Standardized Approach, and
3. the Advanced Measurement Approaches.

The Basic Indicator Approach and the Standardized Approach both rely on one and eight indicators, respectively. These indicators are three-year averages of observations of net interest income and net non-interest income. On that basis, a capital requirement is calculated using fixed percentages. The Advanced Measurement Approaches rely on internal models. Financial institutions must meet conditions to qualify for use of one of the above approaches. Institutions may use any approach provided that all legislative requirements are satisfied and a combination of approaches provided that they obtain permission from the competent authorities.

The Report is published annually and in conjunction with the Company's Annual Financial Report.

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CURRENT DEVELOPMENTS

On 1 January 2016, the Macroprudential Oversight of Institutions Law of 2015 came into force. The Central Bank of Cyprus (CBC) is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV for all Cyprus Investment Firms which are authorized to provide the investment services according to paragraphs 3 and 6 of section I of Annex Three of the Investment Services and Activities and Regulated Markets Law, as amended. The Company is not authorized to provide the investment services according to paragraphs 3 and 6 of section I of Annex Three of the Investment Services and Activities and Regulated Markets Law, as amended and as such is not subject to the Macroprudential Oversight of Institutions Law of 2015.

On 14 December 2016 the European Banking Authority (EBA) published guidelines on the disclosure requirements under Part Eight of Regulation (EU) No 575/2013. The Report includes, to a large extent, new tables prepared in line with the Guidelines which have been early adopted for the purposes of this Report.

The CySEC published Circular C162, dated 10 October 2016, regarding Capital adequacy requirements - Change in the treatment of the Investors Compensation Fund Contribution. This circular informs all the CIFs that the treatment of the ICF contribution, for capital adequacy purposes, is changing. From now on, CIFs must deduct the ICF contribution presented in their records from Common Equity Tier 1 Capital and must no longer risk weight the relevant amount, when total risk exposure amount is calculated. The ICF contribution must be presented in Form 144-14-06.1, Sheet CA1, Row 524, ID 1.1.1.27 (Additional deductions of CET1 Capital due to Article 3 CRR). In case the own funds and/or capital adequacy ratio of a CIF fall below the minimum allowable limits as a consequence of the above change, the CIF must take all necessary measures so as to comply with CRD requirements, immediately and not later than December 31, 2016.

COMPLIANCE

This report has been prepared in accordance with the requirements of Regulation (EU) No.575/2013, Directive DI144-2014-14 for the prudential supervision of investment firms and Directive DI144-2014-15 on the discretions arising from Regulation (EU) No.575/2013 issued by the Cyprus Securities and Exchange Commission.

Just2Trade Online Ltd (previously named as Click2trade Investment Group Limited) complies with the obligations laid down in Article 13 of Regulation (EU) No.575/2013. The Company's Pillar III disclosures below have been prepared using 31 December 2016 data in accordance with Regulation (EU) No.575/2013.Article 433, Title I, Part Eight of Regulation (EU) No.575/2013 requires the Company to publish the Company the present Disclosures at least annually; however the Company must assess the need to do it more frequently in light of the relevant characteristics of its business.

Regulation (EU) No.575/2013 also sets a deadline for publishing the Disclosure. Pursuant to Article 433, Title I, Part Eight of Regulation (EU) No.575/2013 annual disclosures shall be published in conjunction with the date of publication of the financial statements, i.e. before 30 April of the year following the reporting year in accordance with Section 114 of Investment Services and Activities and Regulated Markets Law 144(I)/2007 of the Cyprus Securities and Exchange Commission. There is also a requirement to publish the disclosures either as a part of the financial statements, or on the website.

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We shall comply with this requirement as follows: we assessed the need to publish the disclosures more frequently than annually and decided that, in light of present business operations, current economic environment and taking into account its annual development plans, there is no reason to publish the information more often than annually. This decision shall be reviewed regularly and in case there shall be a development which would be considered material and requiring disclosure, the Company will take necessary steps accordingly.

We shall make the disclosure public by publishing in on our web-site https://just2trade.online/about/disclosures/. In addition, **these Disclosures have been verified by external auditors.**

RISK MANAGEMENT OBJECTIVES AND POLICIES

There is a requirement imposed by the MiFID, Law 144(I)-2007 and secondary legislation which requires the Company to establish and maintain an effective and continuous risk management function.

Risk Management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and/or impact of unfortunate events. Risks can come from uncertainty in financial markets, project failures, legal liabilities, credit risk, accidents, natural causes and disasters as well as deliberate attacks from an adversary.

The risk management process is scalable to ensure that the level, type, and visibility of risk management are commensurate with both the risk and the importance of the Company's major activities.

A. **Risk Identification** – Risks were identified.

B. **Categorize Risks** – The Risk Assessment groups the risks into categories. The Company will create additional categories, as required.

C. **Risk Impact Assessment** - For each department, the risks are identified, assessed the risk event in terms of likelihood of occurrence and its effect on Company objectives if the risk event occurs. This information is used to prioritize the risk using established threshold criteria.

D. **Prioritize Risks** - Risks that meet the threshold criteria will be recorded in the Risk Response Plan.

E. **Risk Response Planning** – this includes:

- For each risk, to determine the options and actions to reduce the likelihood or consequences of impact to the Company's objectives.

- Determine the response based on a cost/benefit analysis (cost vs. expected effectiveness).

- Describe the actions to be taken to mitigate the risk.

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- Describe the actions to be taken when the risk event occurs (contingency plan).
- Assign responsibilities for each agreed upon response.
- Assigned a "due date" where risk responses are time sensitive.

F. **Risk Response Tracking –** this includes to:

- Document the dates and the procedures taken to mitigate the risk.
- Document the actions taken when the risk event occurred (contingency plan).
- Document any subsequent actions taken.

G. **Monitor Risk –** this includes to**:**

- Establish systematic reviews and schedule them in the Company schedule.
- These reviews are to ensure:
- All of the requirements of the Risk Management Plan are being implemented
- Assess currently defined risks
- Evaluate effectiveness of actions taken
- Status of actions to be taken
- Validate previous risk assessment (likelihood and impact)
- Validate previous assumptions
- State new assumptions
- Identify new risks
- Risk Response Tracking
- Communications

H. **Control Risk –** this includes to:

- Validate mitigation strategies and alternatives
- Take corrective action when actual events occur
- Assess impact on the Company of actions taken (money, time, and resources)
- Identify new risks resulting from risk mitigation actions
- Ensure change control addresses risks associated with the proposed change
- Communications

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The Risk Management function is undertaken by the Risk Manager, who reports directly to the Board of Directors and closely cooperates with the Managing Directors in the course of monitoring the effectiveness of procedures. Annual reporting and the ICAAP are the part of the process.

DISCLOSURES REGARDING THE COMPANY'S RISK COMMITTEE

One of the Board of Directors' main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the Board of Directors.

The persons proposed for the appointment should have specialized skills and/or knowledge to enhance the collective knowledge of the Board of Directors and must be able to commit the necessary time and effort to fulfil their responsibilities.

Factors considered in the review of potential candidates include:

– Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject

– Knowledge of and experience with financial institutions ("fit-and-proper")

– Integrity, honesty and the ability to generate public confidence

– Knowledge of financial matters including understanding financial statements and financial ratios

– Demonstrated sound business judgment

– Risk management experience

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated recruitment policy in relation to the Board of Directors.

CAPITAL REQUIREMENTS

According to the Law 144(I)/2007 the Company must have own funds, which are at all times more than or equal to the sum of its capital requirements. For these purposes robust and adequate procedures must be maintained on ongoing basis by the Company to ensure that sufficient internal capital is sustained to cover the nature and level of the risks to which it might be exposed. Different methods are implemented for calculation of capital requirements in respect of various types of risks that can affect normal operations of the Company and consequent assessment of own capital.

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The Company is not authorised to perform dealing on own account and underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis, therefore, the total risk exposure amount is calculated as the higher of the following:

1) The sum of credit risk and foreign-exchange risk multiplied by 12,5.

2) 25% of fixed overheads of the preceding year multiplied by 12,5.

The capital requirements for credit risk are calculated using the Standardised Approach as provided in Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013. The threshold for credit risk is fixed at 8% of the aggregate risk-weighted amounts for all exposure classes.

The capital requirements as regards to the foreign-exchange risk are calculated according to the provisions of Article 351, Chapter 3, Title IV, Part Three of Regulation (EU) No.575/2013. The own fund requirement is equivalent to 8% of the net foreign exchange position if the sum of the Company's overall net foreign exchange position exceeds 2% of its total own funds.

The audited accounting information for the year ended 31st December 2016 was used to perform the calculations of the capital adequacy ratio as at year-end.

TABLE 1: CAPITAL ADEQUACY RATIOS 31st DECEMBER 2016

Ratio	Actual ratio	Minimum ratio
CET 1 Capital Ratio	31,99%	4,50%
Tier 1 Capital Ratio	31,99%	6%
TOTAL Capital Ratio	31,99%	8%

The capital position is monitored on a regular basis by the Management of the Company in order to comply with regulatory obligations and act accordingly in case of emergencies, should the capital adequacy ratio fall below the prescribed minimums.

OWN FUNDS

The own funds which are to constitute the buffer for unforeseen losses in a financial institution consist of a number of different items.

Own funds include the sum of Tier 1 capital and Tier 2 capital. Tier 1 capital consists of the sum of the Common Equity Tier 1 capital and additional Tier 1 capital.

The Common Equity Tier 1 Capital (CET 1) primarily comprises shareholders' equity, less deductions for intangible assets including goodwill, formation and software expenses, balances with the Investment Compensation Fund and material losses of the current financial year as provided in Chapter 2, Title I, Part Two of Regulation (EU) No.575/2013.

As at 31st December 2016 the Company's eligible own funds are comprised of original own funds capital which include paid up share capital and reserves less any allowable deductions,

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particularly intangible assets and any balances with Investment Compensation Fund, as provided in Regulations (EU) No575/2013.

TABLE 2: ELIGIBLE OWN FUNDS AS AT 31/12/2016

Description	€ '000
Original Own Funds (Tier 1 Capital)	
Paid up capital	**2 550**
Retained earnings	**196**
Deductions	**(118)**
Common Equity Tier 1 Capital	**2 628**
Additional Tier 1 Capital	-
Total Tier 1 Capital	**2 628**
Tier 2 Capital	**-**
TOTAL ELIGIBLE OWN FUNDS	**2 628**

As at 31st December 2016 the share capital of the Company comprised of 2.550.000 ordinary shares with a nominal value of €1 each for the total amount of EUR 2.550.000. On the 14th April 2016 and 1st July 2016 the authorised share capital of the Company was increased to 550,000 and 2,500,000 shares respectively of €1 each. On 14th April 2016 and 1st July 2016 the Company issued 350,000 and 2,000,000 shares respectively of €1 each.

EXPOSURE TO CREDIT RISK AND DILUTION RISK

DEFINITION OF PAST DUE EXPOSURE

Assets are being categorized as a past due exposure when a counterparty fails to meet its obligations when due.

The Cyprus Securities and Exchange Commission sets 180 days past due for exposure to corporate to counterparties situated in the EEA countries, the competent authorities of which have set higher number of days past due. This provision applies up the end of the calendar year 2016.

DEFINITION OF IMPAIRED EXPOSURES

A financial asset or group of assets is impaired and recognized in the financial reports of the Company only if there is objective evidence exist to such an impairment as a result of events occurred after the initial recognition of the asset.

The Company is required at every year-end to access whether evidence exists to indicate the impairment of assets. If the assessment shows that impairment may have taken place, the Company must carry on a detailed impairment calculation to determinate whether impairment must be accounted for.

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APPROACHES AND METHODS ADOPTED FOR DETERMINING VALUE ADJUSTMENTS AND PROVISIONS

The Company assesses at each date of the financial year end, whether there is a an evidence to that the impairment may take place by assessment of the events which occurred after the initial recognition of the assets and that event has an impact on the estimated future cash flows of the financial assets or group of assets, and such loss can be reliably estimated. Losses are recognized in the Company's Financial Statements.

If, in the following reporting period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the Income Statement to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

When the asset cannot be recovered, it is written-off in the Income Statement. Subsequent recoveries of amounts previously recognized as uncollectible, decrease the charge for impairment of financial assets in the Income Statement. At present the Company does not have any general or specific provision for the impairment of the financial assets based on its risk-oriented assessment of the current internal and external factors.

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk.

The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution. The Company applies the Standardised Approach for calculation of capital requirements for credit risk as provided in Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013.

The tables below show the analysis of total exposure as at 31st December 2016 with regard to the classes of exposure specified in Article 112, Chapter 2, Section 1, Title II, Part Three of Regulation (EU) No.575/2013 and risk-weighted exposures, analysis of total exposure by different types of exposure, geographic distribution of exposures and distribution by residual maturity. The total credit risk exposure amounts to EUR 921.753 (for assets with a total value of EUR 2.793.480)

TABLE 3: CREDIT RISK AS AT 31/12/2016

TYPE OF EXPOSURE	AMOUNT € '000	CAPITAL REQUIREMENT € '000
Institutions	2 142	34
Corporates	49	4
Retail	360	16
Other Items	242	19
TOTAL	**2 793**	**73**

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TABLE 4: TOTAL AMOUNT OF EXPOSURES AS AT 31/12/2016

Type	Institutions € '000	Corporates € '000	Retail € '000	Other Items € '000	Total € '000
Cash and cash equivalents	138	10	-	-	148
Trade receivables	2 004	39	360	-	2 403
Other receivables	-	-	-	38	38
Deposits and prepayments	-	-	-	195	195
Property, plant and equipment	-	-	-	9	9
Total	**2 142**	**49**	**360**	**242**	**2 793**

TABLE 5: GEOGRAPHIC DISTRIBUTION OF EXPOSURES AS AT 31/12/2016

Country	Institutions € '000	Corporates € '000	Retail € '000	Other Items € '000	Total € '000
Belarus	-	-	1	-	1
China	-	-	1	29	30
Cyprus	364	10	-	69	443
Ireland	-	-	-	113	113
Latvia	137	-	-	-	137
Republic of Seychelles	-	10	-	-	10
Russian Federation		29	358	-	387
Ukraine	-	-	-	26	26
United Kingdom	-	-	-	5	5
USA	1 641	-	-	-	1 641
Total	**2 142**	**49**	**360**	**242**	**2 793**

TABLE 6: DISTRIBUTION OF EXPOSURES BY RESIDUAL MATURITY AS AT 31/12/2016

Type	Institutions € '000	Corporates € '000	Retail € '000	Other Items € '000	Total € '000
<3 months	501	32	360	174	1 067
>3 months	1 641	17		59	1 717
Indefinite maturity	-	-	-	9	9
Total	**2 142**	**49**	**360**	**242**	**2 793**

IMPAIRED EXPOSURES, PAST DUE EXPOSURES AND PROVISION

For the year ended 31st December 2016, the Company did not have any past due exposures.

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EXTERNAL RATINGS

For the purposes of credit risk calculation under the Standardised Approach an external credit assessment may be used to determine the risk weight of an exposure as provided in Section 3, Chapter 2, Title II, Part Three of Regulation (EU) No.575/2013 only if the External Credit Assessment Institution which provides it has been recognised as eligible for those purposes by the Cyprus Securities and Exchange Commission.

For recognised rating agencies the regulatory authority also indicates how the ratings should be linked to risk weights (known as mapping).

The table below provides an overview of frequently used risk weights based on ratings from rating agencies (in %).

TABLE 7: THE STANDARDISED APPROACH- LONG TERM MAPPING

<table>
<tr><th rowspan="3">Credit Quality Step</th><th rowspan="3">Fitch's assessments</th><th rowspan="3">Moody's assessments</th><th rowspan="3">S & P assessments</th><th rowspan="3">Corporate</th><th colspan="3">Institutions (includes banks)</th><th rowspan="3">Sovereign</th></tr>
<tr><th rowspan="2">Sovereign method</th><th colspan="2">Credit Assessment method</th></tr>
<tr><th>Maturity ≥3 months</th><th>Maturity 3 months or less</th></tr>
<tr><td>1</td><td>AAA to AA-</td><td>Aaa to Aa3</td><td>AAA to AA-</td><td>20%</td><td>20%</td><td>20%</td><td>20%</td><td>0%</td></tr>
<tr><td>2</td><td>A+ to A-</td><td>A1 to A3</td><td>A+ to A-</td><td>50%</td><td>50%</td><td>50%</td><td>20%</td><td>20%</td></tr>
<tr><td>3</td><td>BBB+ to BBB-</td><td>Baa1 to Baa3</td><td>BBB+ to BBB-</td><td>100%</td><td>100%</td><td>50%</td><td>20%</td><td>50%</td></tr>
<tr><td>4</td><td>BB+ to BB-</td><td>Ba1 to Ba3</td><td>BB+ to BB-</td><td>100%</td><td>100%</td><td>100%</td><td>50%</td><td>100%</td></tr>
<tr><td>5</td><td>B+ to B-</td><td>B1 to B3</td><td>B+ to B-</td><td>150%</td><td>100%</td><td>100%</td><td>50%</td><td>100%</td></tr>
<tr><td>6</td><td>CCC+ and below</td><td>Caa1 and below</td><td>CCC+ and below</td><td>150%</td><td>150%</td><td>150%</td><td>150%</td><td>150%</td></tr>
</table>

Institutions may use credit assessments to determine the risk weight of an exposure only where the credit assessment has been issued or has been endorsed by an ECAI in accordance with Regulation (EC) No 1060/2009. The conditions and procedure for recognition of a rating agency have been worked out in greater detail by the Committee of European Banking Supervisors (CEBS) in a document entitled Guidelines on the Recognition of ECAIs.

However, a bank or investment firm may be unable or unwilling to use an external rating for certain claims. This may be the case, for example, if no rating is available from a recognized rating agency or the use of external ratings is not considered cost effective.

For such cases the Standardized Approach provides fixed risk weights for all categories of claim (including off-balance sheet items), ranging from 0% for items with a very low credit risk to 150% for high-risk items.

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DISCLOSURE ON OPERATIONAL RISK INFORMATION

Operational risks (including accounting and environmental risks) correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimise the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).

- To improve the effective management of the Company and strengthen its brand and external reputation.

  The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework.

- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring.

  The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture.

- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities.

- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.

- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.

- Established a "four-eye" structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the

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existence of a Senior Management. The board further reviews any decisions made by the Management while monitoring their activities;

- Detection methods are in place in order to detect fraudulent activities;

- Comprehensive business contingency and disaster recovery plan.

  The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection

- Key Risk Indicators

- Business Continuity Management

- Training and awareness

For the calculation of operational risk in relation to the capital adequacy returns, the Company now uses the fixed overhead requirement, which is only taken into account if the summation of credit and market risk falls below a calculated limit. Based on the relevant calculations the Company's additional capital requirement in respect to fixed overheads, as at 31 December 2016, was EUR 6.580.574. (Prior year: N/A. This is the first year of operations)

MARKET RISK: POSITION RISK, COUNTER-PARTY RISK, SETTLEMENT RISK, COMMODITY RISK, FOREIGH EXCHANGE RISK

The Company does not perform trading on own account, therefore position risk and settlement risk as provided in Article 326, Section 1, Chapter 2, Title IV, Part Three and Article 378, Title V, Part Three of Regulation (EU) No.575/2013 respectively are not relevant. The Company has no investments in listed securities.

Since during the year ended 31st December 2016 the Company did not perform any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions, the counterparty credit risks is not applicable for the purposes of capital adequacy calculation.

The Company was exposed to foreign-exchange risk due to the fact that it holds cash reserved in material amounts in currencies other than its reporting currency, namely Russian Rubbles and United States Dollars.

The Company monitors its business activities and Banking Book on regular basis to determine if the Foreign Exchange risk will be exceeding the present level and require any action from the side of the Management.

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TABLE 8: FOREIGN EXCHANGE RISK AS AT 31/12/2016

CURRENCY POSITIONS	LONG	SHORT
	€ '000	**€ '000**
USD in EUR	2 230	1 706
RUR in EUR	242	52
CNY in EUR	-	55
CAD in EUR	7	7
CHF in EUR	21	21
TOTAL POSITIONS IN NON-REPORTING CURRENCLIES	**2 500**	**1 841**

RISK CAPITAL CHARGE: 8.00%

CAPITAL REQUIREMENTS in € '000: 53

Commodities risk in respect of the own fund requirement should be calculated using the maturity ladder approach according to Article 359, Chapter 4, Title IV, Part Three of Regulation (EU) No.575/2013, where commodities are separated and separate maturity ladder applies. The Company does not trade for own account and does not have any positions subjected to the above mentioned risk. Therefore commodities risk is not relevant for identification of capital adequacy.

FIXED OVERHEADS

The Company shall hold eligible capital of at least one quarter of the fixed overheads of the preceding year.

The fixed overheads of the preceding year shall be calculated by subtracting the following items from the total expenses after distribution of profits to shareholders in their most recent audited annual financial statements, or, where audited statements are not available, in annual financial statements validated by national supervisors:

(a) Fully discretionary staff bonuses;

(b) employees', directors' and partners' shares in profits, to the extent that they are fully discretionary;

(c) other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary;

(d) shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent upon the actual receipt of the commission and fees receivable;

(e) fees, brokerage and other charges paid to clearing houses, exchanges and intermediate brokers for the purposes of executing, registering or clearing transactions;

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(f) fees to tied agents as defined by point 25 of Article 4 of Directive 2004/39/EC, where applicable;

(g) interest paid to customers on client money;

(h) non-recurring expenses from non-ordinary activities.

Since the Company's most recent financial statements do not reflect a twelve month period, the extrapolated result of nine months have been used.

TABLE 9: FIXED OVERHEADS FOR THE YEAR ENDED 31/12/2016

	€ '000
Cost of sales	603
Selling and distribution expenses	1 081
Administration expenses	1 091
Other expenses	-
Total Expenses	**2 776**
External Broker Services	-147
Fixed Overheads	**2 629**

REMUNERATION POLICY

Following the introduction of amendments as regards to establishment and implementation of remuneration policies made by the Cyprus Securities and Exchange Commission the current remuneration policy of the Company was developed with provision for the nature, scale and complexity of the internal organization structure and the range of its investment services and activities.

The elaboration of remuneration policy was aimed to achieve the harmonization of the current remuneration practices with strategic goals, objectives, values and long-term prospects of the Company, to ensure that risk taking decisions exceeding the Company's level of tolerated risk are discouraged and enhanced measures are maintained to avoid conflict of interests.

The Company's remuneration policy concerns all staff categories, particularly senior management, employees whose activities are associated with risk taking, employees with management functions and any employees receiving total remuneration that takes them into the same remuneration brackets as senior management and risk takers whose professional activities have a significant influence on the risk profile of the Company.

The Company provides only fixed remuneration for all categories of employees as specified in the policy. The fixed remuneration is not dependent on the performance and provided in an individual contract with every employee. The size of remuneration shall be determined by the current labour market. The Company ensures that the total remuneration of employees remains at competitive levels. A variable component of the remuneration is not provided to employees. There are no bonus schemes established within the remuneration policy of the Company. Furthermore, no benefits for the employees or management concerning retirement are provided by the Company.

According to the provisions of the remuneration policy the employees with control functions are independent from the business units they supervise, and are rewarded based on achievements of goals related to their functions, independent of the performance of the business areas they control. The remuneration of the senior officers in the risk management and compliance functions is directly controlled by the Board of Directors.

The detailed analysis of the aggregated information on remuneration broken down by business area and employees categories as provided in Article 450, Title II, Part Eight of Regulation (EU) No.575/2013 is presented below respectively. The breakdown was prepared based on details provided in the audited Financial Statements for the year ended 31st December 2016.

TABLE 10: REMUNERATION BY BUSINESS AREA FOR THE YEAR 2016

BUSINESS AREA	€ '000
Directors' Remuneration	54
Senior Management	134
Brokerage Department	25
Asset Management Department	38
Other	187
TOTAL REMUNERATION	**438**

TABLE 11: REMUNERATION BY CATEGORY FOR THE YEAR 2016

CATEGORY	€ '000
Directors' remuneration	54
Remuneration of employees with management functions	134
Remuneration of employees whose activities are associated with risk taking	92

The remuneration policy of the Company was adopted by the Board of Directors on the 1st of September 2016 and is binding on all individuals who work under employment contracts. The current remuneration policy and its application are subject to review by the Board on a regular basis, at least once per year, and in case of necessity more frequently to pass required amendments.

LEVERAGE

Leverage means the relative size of an institution's assets, off-balance sheet obligations and contingent obligations to pay or to deliver or to provide collateral, including obligations from received funding, made commitments, derivatives or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of an institution, compared to that institution's own funds.

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A leverage ratio was introduced as a supplementary measure to the risk-based capital requirements of the Basel III framework through bank-level reporting to national supervisors of the leverage ratio and its components from 1st January 2013. Further implementation of the leverage ratio requirements involve public disclosure starting from the 1st January 2015.

The leverage ratio as at 31 December 2016 was calculated in accordance with provisions of Article 429, Part Seven, Title III, Part Five of Regulation (EU) No.575/2013.

TABLE 12: LEVERAGE RATIO

DESCRIPTION	**€ '000**	**€ '000**
On-balance sheet items	2 911	
Intangible assets	-49	
Contribution to Investment Compensation Fund	-68	
Total on-balance sheet exposures		**2 793**
Tier 1 (fully phased-in)		**2 628**
Tier 1 (transitional)		**2 628**
Leverage Ratio (using a fully phased-in definition of Tier 1)		**94.09%**
Leverage Ratio (using a transitional definition of Tier 1)		**94.09%**

The breakdown of the total exposure measure and reconciliation of the total exposure measure with the relevant information disclosed in the audited Financial Statements for the year ended 31st December 2016 as provided in Article 451(1), Title II, Part Eight of Regulation (EU) No.575/2013 is presented below respectively:

TABLE 13: ANALYSIS OF TOTAL EXPOSURE AS AT 31 DECEMBER 2016

TYPE OF EXPOSURE	**€ '000**	**€ '000**
Institutions		2 142
Corporate		49
Financial	10	
Non-financial	39	
Retail exposures		360
Other exposures		242
Total Exposure Measured		**2 793**

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TABLE 14: LEVERAGE TOTAL EXPOSURE MEASURE

ITEM	€ '000
Total assets as per audited Financial Statements	2 911
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
Adjustments for derivative financial instruments	-
Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
Other adjustments	-118
Leverage Total Exposure Measure	**2 793**

The amount of other adjustments is due to the balance of intangible assets and balance with Investment Compensation Fund in the amounts of EUR 49 319 and EUR 68 344 respectively excluded from the calculation of the total exposure measure pursuant to Article 429(4), Part Seven, Title III, Part Five of Regulation (EU) No.575/2013. The Company is monitoring the level and changes in the leverage ratio as well as leverage risk as part of the internal capital adequacy assessment process (ICAAP).

DIRECTORSHIPS HELD BY THE MANAGEMENT OF THE COMPANY

EU Regulation No. 575/2013 requires that the Company disclose the number of directorships held by members of the management body. The term "management body" is defined in Directive 2013/36/EU and included an institution's body or bodies, which are appointed in accordance with national law, which are empowered to set the institution's strategy, objectives and overall direction, and which oversee and monitor management decision-making, and include the persons who effectively direct the business of the institution; As at 31st December 2016, the number of Directorships held by the management body of the Company appear in Table 15 below:

TABLE 15: NUMBER OF DIRECTORSHIPS HELD BY THE MANAGEMENT OF THE COMPANY

Name	Management Position in the Company	Other Directorships
Kumar Dipak Singh	Executive Director	**4**
Georgios Argytakis	Executive Director	**0**
Sotiroulla Hadjikyriakou	Non-Executive Independent Director	**1**
Constantinos Zakheos	Non-Executive Independent Director	**4**
Sotirios Pittas	Non-Executive Director	**48**

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RECRUITMENT POLICY FOR THE MEMBERS OF THE BOARD OF DIRECTORS

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated recruitment policy in relation to the recruitment of members of the Board, their experience and expertise.

DESCRIPTION OF THE INFORMATION FLOW TO THE BOARD OF DIRECTORS

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Report Name	Report Description	Owner	Recipient	Frequency	Due Date
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	30.04.2017
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	30.04.2017
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	30.04.2017
Pillar III Disclosures (Market Discipline and Disclosure)	The Company is required to disclose information regarding its risk management, capital structure, capital adequacy and risk exposures	Risk Manager	BoD, CySEC, Public	Annual	30.04.2017
Financial Reporting	It is a formal record of the financial activities of the CIF External	Auditor	BoD, CySEC	Annual	30.04.2017
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote the stability and efficiency of financial systems all over the world	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	11.05.2016 11.08.2016 11.11.2016 11.02.2017

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POLICY ON THE DIVERSITY OF THE BOARD OF DIRECTORS

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skills, experience, background, race and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

In line with the recent changes in the regulatory reporting framework, the Company is in the process of establishing a dedicated diversity policy in relation to the Management body.

RESULTS FROM THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (“ICAAP”)

The Internal Capital Adequacy Assessment Process (“ICAAP”) requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICAAP as required under Pillar II of Basel III and its local implementation in Cyprus, through risk management and governance framework, methodologies, processes and infrastructure.