FXNET LTD

Risk Management Disclosures

For the year ended 31 December 2017

This document is prepared in accordance with Part Eight of European Regulation (EU) 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirement

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1. INTRODUCTION

1.1 The Company

FxNet Ltd (the "Company") is Investment Firm incorporated in the Republic of Cyprus with Company Incorporation No. HE300624. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission (the 'CySEC' or the "Regulator") since November, 1st 2012, under License number 182/12 and operates under the Markets in Financial Instruments Directive (MiFID II).

The Firm is an online financial services broker and acts as the agent to its customers in Contracts for Difference ("CFDs") on currency pairs, futures on indices, commodities and energy, as well as spot indices, shares and metals.

The Company provides investment and ancillary services to its Clients; details of these services can be found in 1.3 below.

1.2 Legal Requirements

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the European Regulation 575/2013 "on the prudential supervision requirements for credit institutions and investment firms and the amendment of the Regulation (EU) No. 648/2012" ("the Regulation") and Directives D144-2014-14 and DI 144-2014-15 ("Directives") issued by the Cyprus Securities and Exchange Commission ('CySEC').

The current regulatory framework consists of three Pillars principle:

Pillar I	This sets out the minimum capital requirements firms are required to meet in relation to credit, market and operational risk
Pillar II	This covers the Supervisory Review and Evaluation Process ("SREP") which assesses the internal capital adequacy process ("ICAAP") and provides for the Investment Firms to evaluate and assess whether they should hold additional capital against risks not covered by Pillar I
Pillar III	This seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management practices.

According to Part Eight of the Regulation, Investment Firms at least on an annual basis shall publish the Pillar III Disclosures and in conjunction with the date of publication of the financial statements (i.e. year ended 31 December 2017). Where the Company has considered a disclosure to be immaterial or omitted information by reason of confidentiality or proprietary it has been stated as such within this document then such disclosure or information was not included in this report. It goes without saying that where disclosure and/or information was not applicable based on the Company's business and activities it has also been excluded from this report.

1.3 Principal Activities

In Accordance to the provisions of the Investment Services and Activities and Regulated Markets Law of 2007 (hereinafter the "Law"), the Company is licensed to conduct the following services:

Investment Services	Ancillary Services
Reception and Transmission of orders in relation to one or more Financial Instruments.	Safekeeping and administration of Financial Instruments for the account of Clients, including custodianship and related services such as cash/collateral management.
Execution of orders on behalf of Clients.	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 of general recommendation relating to transactions in Financial Instruments.

1.4 Scope of Disclosures

The disclosures in this document relate solely to information of the Company, since as at 31 December 2017, the Company did not have any subsidiaries.

The external auditors of the Company provide limited level of assurance on the fair presentation of the disclosures annually as required by Paragraph 32(1) of Part II of DI2014-144-14 for the Prudential Supervision of Investment Firms.

2. DEFINITIONS

For the purposes of this Manual, unless the context shall prescribe otherwise:

Basic Indicator Approach	means the 'basic indicator approach' as defined by applicable legislation.
Board of Directors	means the executive and non-executive directors of the Firm.
Client	means the 'Client' as defined in the 'Client Agreement' available online at http://www.fxnet.com, http://www.rynki.com, http://www.nessfx.com .
FxNet Employee	means an individual who has entered into a contract with FxNet as a permanent employee (full-time and/or part-time basis). For the purposes of this Report, reference to an FxNet Employee shall also include an independent contractor, secondee or external consultant.
Mark to Market	means valuation at market rates, as of the balance sheet date, of securities and derivatives held for trading purposes
Material Non-Public Information	means information that is not in the public domain and if disclosed such information could have an impact on the price of the security involved. If Material Non-public Information is disclosed to a reasonable investor this could determine his buying or selling behaviour.
Need-to-know' basis	means the basis on which confidential information is disclosed by an FxNet Employee to a recipient who requires such information in order to complete their duties and responsibilities. Justification of disclosing confidential information does not exist simply because the information is helpful to the recipient.
Non-Public Information	means information that is not in the public domain and is only deemed to be public once such information is announced or disseminated to investors in general.
Standardised Approach	means the 'standardised approach' as defined by applicable legislation

3. RISK MANAGEMENT POLICY

3.1 Risk Governance Framework

The Company is committed to having corporate governance, risk management and a control framework appropriate to the size of its business. To achieve this, a comprehensive risk management framework for the identification, assessment, monitoring and control of risks has been implemented.

3.2 Board of Directors

The Company's Board of Directors ('BoD') has the ultimate responsibility for the risk appetite of the Firm and the monitoring of risks on a regular basis.

The Company's Board of Directors and Senior Management have the overall responsibility for the establishment and oversight of the risk management framework. Furthermore, the Company has established a Risk Management Function, which operates independently and is assigned the monitoring of the following:

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

The Board is also responsible among others for establishing and amending, where necessary, the internal control procedures. It will also ensure that the Company has the sufficient human and technical resources required for the performance of its duties.

As per article 12 (1) of Law 144(I)/2007 ("the Law") the members of the Board of Directors shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The Board of Directors bear the responsibility among others to oversee and monitor the objectives and general policies of the Company. With respect to the management of risk, it has overall responsibility for the establishment and oversight of the Company's risk management framework.

The internal control system and supervision of the overall risk system of the units assigned with the responsibility of risk management is overseen by the following committees / units:

Board Committees
Risk Management
Investment
Remuneration & Nomination

Functions
Risk Management
Internal Audit
Compliance
Anti-Money Laundering Compliance

The Firm's BoD is satisfied that these arrangements are appropriate given the risk profile of the Firm.

3.3 Risk Management Function

The Risk Management Function is led by the Risk Manager, an officer appointed by the Board to ensure that all different types of risks assumed by the Company are in compliance with the applicable regulatory framework and the obligations of the Company under that framework, and that all the necessary procedures relating to risk management are in place. The Risk Manager is responsible for:

General

- Complying and implementing the relevant provisions of the applicable legislation relating to risk management issues;
- Analysing the market and its trends (from a risk management perspective), as applicable;
- Evaluating how the introduction of any potential new services or activities by the Company could affect the risk management of the Company and providing these evaluations to the Senior Management or the Board, as requested;
- Examining the capital adequacy and the exposures of the Company;
- Recommending, providing and supervising policy description concerning information systems (including backup systems that can restore the smooth operation in case of failure); and
- Suggesting to the Senior Management to stop trading, if market conditions and credit risk make it necessary.

Information and Reporting

- Requiring sufficient information from all the relevant departments of the Company, as applicable;
- Examining the financial results of the Company;
- Drafting written reports to the Senior Management making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually; and
- Monitoring the amount and type of information provided to Clients regarding the nature and risks of financial instruments according to the Client classification.

3.4 Risk Management Committee

As an additional control, the Company has formed a Risk Management Committee with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company in general. It is responsible for the adequate and efficient performance of the duties of the Risk Management Function. The Risk Management Committee presents its findings to the Board indicating the adequacy of risk management arrangements, the compliance of relevant people to them and the measures taken to address any deficiencies. The Board shall decide upon the risk management policies of the Company, giving regard to the recommendations of the Risk Management Committee.

The responsibilities of the Risk Management Committee are as follows

- Overseeing the Risk Management framework of the Company and specifically the effectiveness of risk management, governance and compliance activity within the Company;

- Supporting the Board in its consideration of the business activities that expose the business to material risks with explicit and dedicated focus on current and forward-looking aspects of risk exposure;
- Reviewing, on behalf of the Board, and, if appropriate, challenging the process undertaken by the business in setting this Risk Appetite;
- Providing oversight of the process to set and subsequently adhere to the approved Risk Appetite on a regular basis and at least annually and making recommendations to the Board;
- Ensuring that senior management has in place procedures and mechanisms to identify and control all fundamental prudential, operational, financial, reputation, legal and regulatory risks within the Company;
- The Risk Management Committee meets at least quarterly except where the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee as well as by the Risk Manager.

3.5 Internal Audit Function

The internal audit function performs regular reviews to ensure that the Company maintains an independent Risk Management Function and that appropriate policies and procedures relating to risk management are in place. The internal audit function makes recommendations to the Senior Management and the Board regarding the internal controls and the management of the various risks based on the work carried out.

3.6 Compliance Officer

The Compliance Officer is responsible to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations. The Compliance Officer is also responsible to establish adequate measures and procedures designed to minimize the aforementioned risk and to enable the competent authorities to exercise their powers effectively. As part of this, the Compliance Officer identifies the level of compliance risk the Company faces, taking into account the investment services, activities and ancillary services provided, as well as the types of financial instruments traded and distributed. The Compliance Officer reports to the Senior Management of the Company.

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information. The responsibilities of the Compliance Officer include:

- Monitoring the adequacy and effectiveness of the measures and procedures of the Company and assisting the relevant persons to be in compliance with the applicable legislation;
- Drafting and updating company documentation (including the IOM) so that they reflect all obligations of the Company under the applicable legislation, and communicating these to the staff notifying them of any changes in their responsibilities;
- Ensuring that the Executive Directors or other hierarchically higher officers do not exercise inappropriate influence over the way in which a relevant person carries out the provision of investment and ancillary services;
- Ensuring that the performance of multiple functions by the Company's relevant persons does not and is not likely to prevent those persons from discharging any particular function soundly, honestly, and professionally;

- Training and educating the staff of the Company in respect with the compliance function according to the applicable legislation and ensuring that they are able to identify cases of potential conflicts of interest;
- Monitoring information disclosed to Clients and Potential Clients including disclosures about potential conflicts of interest, confirmations of trade executions and periodic reports;
- Drafting written reports to the Senior Management and the Board making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually;
- Drafting written reports for the Management Body and the Regulatory Authority, at least annually;
- Deciding whether to allow or not a transaction by notifying Clients, after being informed by members of the staff of a potential conflict of interest situation and keeping records regarding conflict of interest situations, where relevant; and

3.7 Money Laundering Compliance Officer

The Board also retains a person to the position of the Company's Money Laundering Compliance Officer (hereinafter the "MLCO") to whom the Company's employees should report any knowledge or suspicion of transactions involving money laundering and terrorist financing. The MLCO shall belong to the management of the Company so as to command the necessary authority. The MLCO leads the Company's Money Laundering Compliance procedures and processes and reports to the Senior Management of the Company.

The MLCO conducts an annual inspection of the Company's activities and a review of the periodic examinations of client engagements. Additionally, the MLCO retains a written record of the results of the annual review and inspection which serves to assess the level at which the Company meets the regulatory obligations. This is achieved by taking reasonable care in establishing and maintaining effective systems and controls for compliance with applicable requirements and standards under the regulatory system and to counter the risk of being used to promote financial crime.

4. RISK INVENTORY

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Company is exposed to the following risks from its operations:

4.1 Credit Risk

Credit Risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalents and trade and other receivables. The exposure to credit risk as at 31 December 2017 was €1,248,000.

The Company follows mitigation strategies by diversifying its credit risk exposure to more than one highly rated credit institution, hence achieving better management of both its own funds and of the Customers' funds in credit distress situations. The risk of default of these credit institutions was quite low, based on the relevant calculations in the Company's capital requirements. Furthermore, these bank accounts were the only material credit risk exposure that the Company has had during this limited period under review.

Further to the above the Company has policies to diversify risks and to limit the amount of credit exposure to any particular counterparty in compliance with the requirements of the relevant Law and Directives in relation to Prudent Supervision.

The table below shows the exposure to credit risk as at 31 December 2017

	Risk Weighted Exposures 31/12/2017
	EUR'000
Public Sector Entities	-
Institutions	287
Corporates	404
Other	554
Total	1,244

The Company follows the Standardised Approach for the calculation of capital requirements for credit risk.

For the credit ratings of institutions, the Company uses the credit assessments of Moody's and Standard & Poor's External Credit Assessment Institutions - ECAI).

4.2 Operation Risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk.

The following list presents some event categories with examples, included in operational risk:

- Fraud – misappropriation of assets, tax evasion, embezzlement.
- External Fraud – theft of information, hacking damage, third party theft and forgery.
- Marketing and Advertising Risk - The risk that the Company will not correctly promote its services in a sense that fails to meet required standards of conduct under law, regulations or internal policy.
- Regulatory Reporting Risk- The risk that the Company fails to meet its responsibilities to report certain information/reports to CySEC, or other parties under law.
- Internal Procedures and Controls Risk - The risk that activities conducted by the employees are not appropriate and in accordance with the Company's operations manual and/or are not appropriately supervised on a day to day basis.
- Client Communication Risk - The risk that the Company will fail to observe communication protocols required under the law or regulations when dealing with clients. This may include
- Failure to send a communication when required;
- Sending an inappropriate or illegible communication;
- Failure to provide satisfactory responses to clients' complaints; or
- Failure to include or meet minimum requirements in a communication.
- Chinese Walls Risk - The risk that material non-public information, which is obtained by a specific department during the normal course of its activity, will be made available or accessible to another department, client or other external person, who should not otherwise have access to that information.
- Employment Practices and Workplace Safety – The risk of having losses arising from acts inconsistent with employment, health or safety laws or agreements, from payment of personal injury claims, or from diversity / discrimination events (e.g. compensation).
- Conflicts of Interest Risk - The Company has a duty to ensure that conflicts of interest arising from business activities are identified and resolved in a consistent and appropriate manner. This includes conflicts of interest arising from:
- Individuals acting on behalf of a client where that individual's own interest conflicts with the client's
- External engagements
- Complaints
- Individuals acting in situations where a conflict of interests (or a significant risk) could arise between clients
- Misleading statements
- Gifts and entertainment
- Abuse of position
- Damage to Physical Assets Business Disruption & Systems Failures Risk - The risk of losses arising from loss or damage to physical assets from natural disaster or other events. It is also the risk of losses arising from disruptions of business or system failures.

Risk Mitigation

Fraud Risk

In order to manage its Fraud Risk, the Company:

- Applies good governance policies.
- Ensures ethical behaviour within the Company, according to the Code of Ethics and other related policies.
- Oversees the qualifications, independence and performance of its internal and external auditors.
- The auditors present to the Board of Directors the Company's financial results prior to their publication.

- Ensures the accuracy of the financial statements and any announcements in relation to the financial performance of the Company.
- Monitors and assess the adequacy and effectiveness of the Company's internal systems and controls, based on data and information produced by the internal and/or external auditors and/or other competent authorities.
- Establishes procedures for the receipt, retention and resolution of complaints received in relation to accounting and/or auditing issues and ensure the confidential submission of such complaints, through the route outlined in the Whistleblowing Policy.
- Establishes procedures for the identification of related party transactions and ensures the review, approval or ratification of such transactions through the route outlined in the Employees Transactions Policy.

Marketing and Advertising Risk

- A specialised department is dedicated for promoting Company's services. All marketing materials are prepared in cooperation with professionals specialised in the financial service field.
- The Compliance Officer ensures the accuracy of any statements made during the marketing and advertising processes and ensures that the information addressed to the client is fair, clear and not misleading.

Regulatory Reporting Risk

- The Compliance Officer ensures that proper information/reports are sent on time to CySEC.

Internal Procedures and Controls Risk

- Company's operations manual is provided to all employees.
- Training programs are provided to Company's staff.
- Management should formally communicate duties and responsibilities to employees.
- Continual assessment is performed by department heads of the competency of their staff.
- Internal audit visits are implemented to ensure that employees comply with the Company's internal procedures.

Chinese Walls Risk

- Physical barriers are established for controlling the flow of information between departments.
- Employee trading is reviewed through effective maintenance of some combination of "watch", "restricted", and "rumour" lists.
- Personal employee trading is carefully monitored.
- The Compliance Officer reviews client accounts regularly and any heavy patterns of trading in particular securities by any employee or firm member is investigated.

Employment Practices and Workplace Safety

- The Company ensures that premises and fixtures and fitting are maintained on a regular basis.
- The Company has an insurance in place, covering employee's liability and covering costs of a potential injury of personnel.
- A formal process has been implemented through which potential complaints can be filed, investigated and reviewed.
- Staff appraisals are conducted on an annual basis by the Human Resources department and topics such as compensation or other benefits or complaints are discussed.

Conflicts of Interest Risk:

- The Company has implemented procedures to be followed in each of the above cases (re. Conflict of Interest Risk) and has implemented an elaborated a conflict of interest policy. The Company also has a conflict of interest policy, which is provided to clients before any investment service is provided to them and receive their consent that they have read understood and agreed with it.

The Company applies the Basic Indicator Approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk.

The Company during the period under review did not face any Operational Risk exposure.

4.3 Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in market prices and in particular, due to changes in interest rates, foreign exchange rates and equity and commodity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.
The following list presents some event categories with examples, included in Market risk:

Foreign Exchange Risk	Foreign Exchange Risk that arises from exposure to exchange currency, its market volatility and any subsequent fluctuations. Due to the business nature and agency model of the Company (i.e. STP Model), the significance of FX risk is reduced. For the period under review the Company's exposure to Foreign Exchange Risk was nil. The Company effectively manages FX Risk by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.
Interest Rate Risk	Interest rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in the market interest rates. Although the Company is exposed to interest rate risk in relation to its bank deposits, the Company's income and operating cash flows are substantially independent from changes in market interest rates due to the fact that the Company, other than cash at bank which attracts interest at normal commercial rates, it has no other significant interest bearing financial assets or liabilities. The Risk Manager monitors these risks with the assistance of the accounting function and based on the fluctuations of the relevant rates, the necessary hedging activities will be undertaken, if applicable.

Market Risk Analysis

The Company was subject to Market Risk during the year under review with regards to Foreign Exchange Risk Solely. The Company act as a broker (agent) and not as a market maker, thus the Company does not have any market risk deriving from client trading activities. The Company has market risk mostly due to its cash and cash equivalent, trade and other receivables balances in foreign currencies.

The Company in accordance to its licence does not need to calculate capital requirement of market risk

4.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. In periods of abnormal fluctuations in market conditions or financial crisis, liquidity risk can expose the Company to reduced ability to access the capital markets.

The Company's approach to managing liquidity is to ensure, as far as possible, was the establishment of procedures to enable the Company to monitor on a daily basis its cash flows on an ongoing and forward-looking basis and to manage them properly through its Accounting Department.

4.5 Money Laundering and Terrorist Financing Risk

Money Laundering (AML) and Terrorist Financing (TF) Risk is the risk that the Company may be used as a vehicle to launder money and/or finance terrorism.

The Company has set-up its policies, procedures and controls in order to mitigate this risk and comply with legislation. These processes include, but not limited to, the following:

- Risk-based approach when identifying and managing the AML and TF risk faced by the Company.
- Client Know-Your-Client (KYC) procedures when accepting new clients.
- Requiring the quality and extent of identification data for each type of Client to be of a certain standard (E.g. documents from an independent and reliable source, third person information, and documentary evidence).
- Where appropriate, obtain additional data and information from Clients, with complete understanding of their activities and source of wealth.
- When applicable, ongoing monitoring of high risk Client's transactions.
- Ensuring that the Company's personnel receive the appropriate training and assistance.

The AML/TF risk is considered to be high and is monitored by the AML Compliance Officer and the Board on a continuous basis.

The said risk is considered to be high, due to the fact that the Company deals with non-face-to face clients. During the period under review, the Company has reviewed its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporate, as applicable, Directive DI144-2007-08 and Law 188(I)/2007.

The Company has also reviewed its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporate, as applicable, any new information issued/available in this respect.

4.6 Regulatory Risk

The risk that the Company fails to meet its responsibilities to report certain information/reports to any local or regulatory body or other parties, including but not limited to the Commission. This risk is considered high due to constant updates in the regulatory environment in the European Union, in addition to other countries.

The Company in mitigating this risk ensures that relevant persons (i.e. Compliance Officer, Risk Manager, Internal Auditor etc.) will send proper information and/or reports to the Commission or any other local authority in a timely manner. In addition, the Company employs local personnel and/or consultants in the foreign markets that are significant in an effort to receive constant updates of the regulatory environment.

4.7 Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of or non-conformance with legislation and regulation within the business environment the Company. This risk exposes the Company to potential financial loss, fines and penalties.

Compliance risk can lead to diminished reputation, reduced Company value and potential loss of license.

The Compliance risk is considered to be high and is monitored by the Compliance Officer and the Board on a continuous basis. Furthermore, the Company's Compliance Officer has already initiated a program to supervise and examine in detail the level of compliance of certain areas of the Company with the relevant legislation, propose remedy measures/actions, and provide the relevant training to the Company's personnel, as and when required.

4.8 Risk Management Policy

The Company's Risk Management Policy aims to describe the approach taken by the Company towards the risks confronted by the Company and the principles guiding its approach. The analysis refers to the risks faced by the Company and the strategies implemented for mitigating and/or eliminating these. The Company's management approach towards the risks and the policy subsequently adopted is illustrated throughout the Risk Management Policy.

5. FINANCIAL INFORMATION

5.1 Own Funds

The following information provides a reconciliation between the balance sheet presented in Financial Statements and the balance sheet prepared for prudential purposes.

	31 December 2017	31 December 2016
	EUR'000	EUR'000
Total Equity as per Financial Statements		
Share Capital	1.202	1.202
Share Premium	476	476
Retained Earnings	(437)	(600)
Deductions	(197)	(68)
Total Common Equity Tier 1	1.044	1.010
Additional Tier 1 Capital	-	-
Total Tier 1 Capital	1.044	1.010
Tier 2	-	-
Total Own Funds	1.044	1.010

5.2 Balance Sheet

	31 December 2017 EUR'000	31 December 2016 EUR'000
Assets	1.458	1.222
Liabilities	(217)	(144)
Total Equity	1.241	1.078

5.3 Share Capital

Authorised Capital
The authorised share capital of the Company was €1.201.811 divided into 1.201.811 ordinary shares of nominal value €1 per share.

Issued Capital
The authorised share capital of the Company was €1.201.811 divided into 1.201.811 ordinary shares of nominal value €1 per share.

5.4 Capital Adequacy Ratio

	Risk Weighted Exposures 31/12/2017	Risk Weighted Exposures 31/12/2016
	EUR'000	EUR'000
Credit Risk	1,245	1,040
Foreign Exchange Risk	-	89
Operational Risk	-	-
Additional Risk Exposure amount due to Fixed Overheads	2.435	-
Total	3.681	1,129
Capital Adequacy Ratio	28.36%	87%
Minimum Capital Adequacy Ratio Requirement	8%	8%

5.5 Capital Ratios and Capital Levels

Item	2017	2016
CET1 Capital ratio	28.36%	88%
Surplus(+)/Deficit(-) of CET1 capital	919	958
T1 Capital ratio	28.36%	88%
Surplus(+)/Deficit(-) of T1 capital	919	941
Total capital ratio	28.36%	88%
Surplus(+)/Deficit(-) of total capital	919	918

Therefore, and taking into account the above, it is evident that the Company has maintained own funds more than the minimum requirement as required by law. In accordance with its licence the Company is obliged to maintain a minimum amount of own fund €125.000

6. OTHER GOVERNANCE

6.1 Remuneration Policy

Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors, Heads of the departments, and the outsourced activities of the Company (hereafter "employees"); the said practices are established to ensure that the rewards for the 'executive management' provide an incentive to achieve the key business aims.

The Company's Remuneration Policy is appropriate to the Company's size, internal organization and the nature, scope and complexity of the Company's activities and in accordance with the provisions of Directive DI144-2014-14. The Company, in addition takes into account the conduct of business and conflicts of interest risks that may arise. Effective conflicts of interest management duties (which should include the avoidance of conflicts of interests created by this Policy) and conduct of business risk management obligations, in order to ensure that clients' interests are not impaired by the policy and its practices in the short, medium and long term.

The Company bounds not to create incentives that may lead the employees to favour their own interest, or the Company's interests to the potential detriment of clients.

The total remuneration of staff consists of only fixed components. In addition to fixed remuneration the Company might at its discretion pay annual bonuses. The bonus of the Employees is therefore based on the annual appraisals performed by the CEO and and/or Board of Directors, and based on the outcome of such appraisals.

6.2 Diversity Policy

The Company is committed in promoting a diverse and wide-ranging workplace at all levels of the organization whether this represents background experience, skills, gender etc. It embraces this diversity in the organization, since it recognizes the benefits of it and on the same time allows it to develop in both its business strategy and developing talent at every level in the organization.

6.3 Reporting and Information Flow

In order for the Company to have in place procedures which will allow it to monitor its exposure in risky areas, it undertakes certain reporting requirements towards the top management where the decision making is being carried out.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management, Internal Audit and Financial Control functions) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body. In addition, the Risk Management and Audit Committees are communicating their suggestions and findings to the Board, as and if necessary.

Report Name	Report Description	Owner	Recipient	Frequency
Compliance Report	Annual Compliance review	Compliance Officer	BoD, CySEC	Annual
Internal Audit Report	Annual Internal Audit review	Internal Auditor	BoD, CySEC	Annual
Risk Management Report	Annual Risk Management report	Risk Manager	BoD, CySEC	Annual
Pillar III Report	Disclosures regarding the risk management, capital structure, capital adequacy and risk exposures of the Firm	Risk Manager	BoD, CySEC, Public	Annual
Financial Statements	Audited financial statements of the Firm	Head of Finance	BoD, CySEC, Registrar of Companies	Annual
Capital Adequacy Report	Capital requirement calculation	Head of Finance	Senior Management, CySEC	Quarterly

7. COMMUNICATION / ENQUIRIES

For any enquiries regarding this report and the contents of this report, please feel free to contact the Company at the contact details below:

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