P.V. PANAYIOTOU & CO
Chartered Certified Accountants

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Independent Auditors' Report to the Cyprus Securities and Exchange Commission in respect of Tradernet Limited for the year ended 31 December 2014 pursuant to paragraph 32(1) of Part II of the Directive DI144-2014-14 of 2014 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms

1. We report in relation to the fair presentation of the disclosures of Tradernet Limited (the "Company") for the year ended 31 December 2014, required by Part Eight of European Regulation (EU) 575/2013 (the "Disclosures") pursuant to paragraph 32(1) of Part II of the Directive DI144-2014-14 of 2014 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms (the "Directive"). The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialled for identification purposes.

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the Directive. Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Directive.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the Directive. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of paragraph 32(1) of Part II of the Directive, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2014 are not fairly presented, in all material respects, in accordance with the requirements of the Directive.

6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures required pursuant to paragraph 32(1) of Part II of the Directive and does not extend to any financial statements or other financial information of the Company.

P.V. Panayiotou

P.V. PANAYIOTOU & CO

Panicos Panayiotou
Certified Public Accountant and Registered Auditor
For and on behalf of
P.V. Panayiotou & Co
Certified Public Accountants and Registered Auditors

Lemesos, 29 May 2015

TRADERNET

TRADERNET LIMITED

Pillar III disclosure for the financial year ended 31 December 2014

Date: **27 May 2015**

TRADERNET

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Scope

Under the Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 relating to minimum capital requirements, (known as "Pillar III" requirements in the new Basel III Accord and its European transposition by the Capital Requirements Regulation ("CRR") is required to disclose the information on Tradernet Limited ("the Company") compliance with the public disclosures.

Pillar III disclosure requirements complement the minimum capital requirements ("Pillar 1") and the supervisory review process ("Pillar 2") and aim to encourage market discipline by allowing market participants to assess key pieces of information on the risk exposures and the risk assessment processes of the Company. The following disclosures are based on the audited Financial Statements of the Company as at 31 December 2014.

The Company discloses information in relation to its capital requirements on an individual (solo) basis. As of 31 December 2014 the Company did not have any subsidiaries and thus the disclosures in this document relate solely to information of the Company.

The directors of the Company have decided based on the size and complexity of the business of the Company to produce Pillar III disclosures on an annual basis. Furthermore the Directors have decided to publish the disclosures on the Company's website within five months of each financial year end.

Company's Background

Tradernet Limited is regulated as an investment firm by the Cyprus Securities & Exchange Commission (License Number: 219/13) for the provision of investment services with respect to financial instruments. The Company was incorporated in Cyprus on 30 May 2012 as a limited liability company. On 30 October 2013 the Company obtained a license from the Cyprus Securities and Exchange Commission ("CySEC") to operate as a Cypriot Investment Firm ("CIF"). The license was activated on 30 October 2014.

Under its CIF license the Company is entitled to provide the following investment and ancillary services:

Investment services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients

Ancillary Services:

- Safekeeping and administration of financial instruments, including custodianship and related services such as cash/collateral management
- Granting cre dits or loans to 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

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- Investment services and activities as well as ancillary services of the type included under Parts I and II of the Investment Services and Activities and Regulated Markets Law of 2007 (L144(I)/2007), related to the underlying of the derivatives included under paragraphs 5, 6, 7 and 10 of Part III where these are connected to the provision of investment or ancillary services

		Investments services and activities								Ancillary Services						
		I(1)	I(2)	I(3)	I(4)	I(5)	I(6)	I(7)	I(8)	II(1)	II(2)	II(3)	II(4)	II(5)	II(6)	II(7)
Financial Instruments	III(1)	√	√	-	-	-	-	-	-	√	√			-		
	III(2)	√	√	-	-	-	-	-	-	√	√			-		
	III(3)	√	√	-	-	-	-	-	-	√	√			-		
	III(4)	√	√	-	-	-	-	-	-	√	√			-		
	III(5)	√	√	-	-	-	-	-	-	√	√	-	√	-	-	√
	III(6)	√	√	-	-	-	-	-	-	√	√			-		√
	III(7)	√	√	-	-	-	-	-	-	√	√			-		√
	III(8)	√	√	-	-	-	-	-	-	√	√			-		
	III(9)	√	√	-	-	-	-	-	-	√	√			-		
	III(10)	√	√	-	-	-	-	-	-	√	√			-		√

Risk Management

Overview

Risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the Company's business objectives.

Risk Management is the process of systematically identifying, quantifying and managing all risks that can affect achievement of the Company's strategic and financial goals. Risk Management is a systematic process for the identification and evaluation of pure loss exposures faced by an organization and for the selection and administration of the most appropriate technique for treating such exposures.

The guiding philosophy of risk management in the Company is for the management to adopt a prudent and conservative approach to the taking and management of risk. The maintenance of reputation is a fundamental driver of risk appetite and of risk management. The protection of reputation guides the type of clients and businesses with which the Company will involve itself.

Risk Management constitutes an integral part of the Company's internal controls and corporate governance. The Board of Directors, which consists of both Executive, non-executive and independent members, as well as the Risk Management Committee, have the overall responsibility for the establishment and oversight of the Company's risk management framework, including aligning business strategy with risk appetite, and ensuring that all key risks are controlled and managed via robust risk management framework.

The Company allocates resources towards the management of its risks with purpose of increasing the efficiency of its operations and its capital utilization, reducing financial losses, maximizing income, maintaining stability and enhancing growth.

The Company recognizes that Risk management is a continuous and developing process which runs throughout the Company's strategy and the implementation of that strategy. It addresses methodically all the risks surrounding the Company's activities past present and in particular, future.

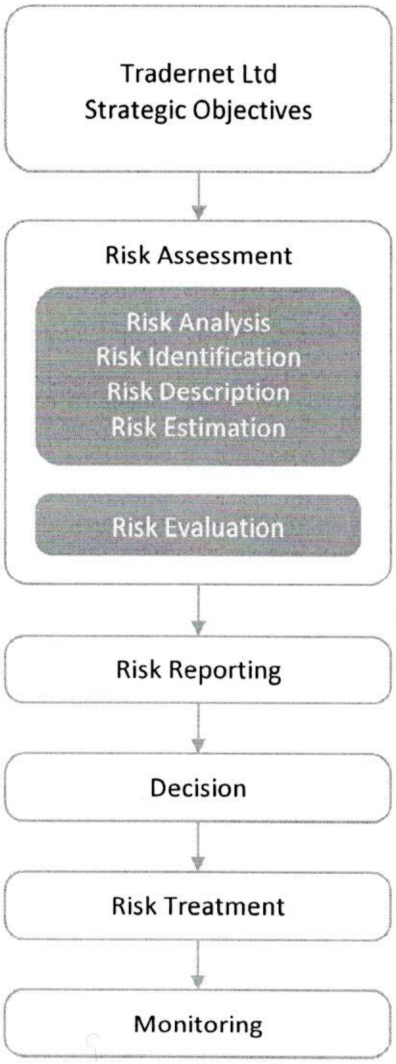
Risk management is integrated into the culture of the Company with effective policy and a program led by the most senior management. It translates the strategy into tactical and operational objectives, assigning responsibility throughout the Company with each manager and employee responsible for the management of risk as part of their job description. It supports accountability, performance measurement and reward, thus promoting operational efficiency at all levels.

The role of the Company's Risk Management can be summarised as follows - Risk Management is to ensure that:

- The individuals who take or manage risks clearly understand it;
- Appropriate systems are in place to identify the material risks facing the Company;
- The Company's Risk exposure is within limits established by Board of Directors;
- The potential financial impact of identified risks is ascertained;
- Appropriate controls and strategies are adopted to manage exposure to those risks;
- Appropriate responsibilities are delegated to control identified risks effectively;
- Risk taking decisions are in line with the business strategy and objectives set by Board of Directors;
- Risk taking decisions are explicit and clear;
- Any material changes to the Company's risk profile are disclosed in accordance with the Company's continuous disclosure policy.

Risk Management Process

The Company's risk management process is as follows:



Roles and Responsibilities

The Board of Directors as well as the Risk Management Committee have the overall responsibility for the establishment and oversight of the Company's risk management framework, but the Internal Audit, Risk Manager, Compliance and Anti-money Laundering Officer have the responsibility to control and supervise Company's risk management system.

<u>Board of Directors and Risk Management Committee</u>

The Board of Directors (the "BoD") and the Risk Management Committee (the "RMC") have the overall responsibility for the establishment and oversight of the Company's risk management framework.

The BoD has the responsibility to adopt and maintain risk management policies, which identify the risks relating to the Company's activities, processes and systems and sets the level of risk tolerated by the Company.

Also the BoD, through the Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

The BoD has the responsibility for the development of an internal risk management framework and its integration with the Company's decision making process, covering the whole spectrum of the Company's activities and units. In particular, it has the responsibility to ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or departments of the Company. This policy shall ensure that all parties involved in the provision of investment services are aware of: (a) the particular features of each investment service, financial instrument, and risk inherent in the provision of the services and (b) the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company.

Risk Management Department

The Company's Risk Management Department (the "RMD") is responsible to ensure proper application of risk management procedures for the identification, assessment and management of all financial and non-financial risks of the Company. It has the responsibility to perform frequent assessment of all kinds of the Company's risks and submit relevant reports to Company's departments, senior management and the BoD.

Risk Management conducts routine assessment of all kind of Company's risks and submits reports to senior management and the BoD as well as to Business Units. Different levels within the Company need different information from the risk management department.

The BoD should:

- Know about the most significant risks facing the Company
- Know the possible effects on shareholder value of deviations to expected performance ranges
- Ensure appropriate levels of awareness throughout the Company
- Know how the Company will manage a crisis
- Know the importance of stakeholder confidence in the Company
- Know how to manage communications with the investment community where applicable
- Be assured that the risk management process is working effectively
- Publish a clear risk management policy covering the risk management philosophy and responsibilities

Business Units/Departments should:

- Be aware of risks which fall into their area of responsibility, the possible impacts these may have on other areas and consequences other areas may have on them
- Have performance indicators, which allow them to monitor the key business and financial activities, progress towards objectives and identify developments, which require intervention (e.g. forecasts and budgets)

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- Have systems, which communicate variances in budgets and forecasts at appropriate frequency to allow action to be taken
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures

Individual employees should:

- Understand their accountability for individual risks
- Understand how they can enable continuous improvement of risk management response
- Understand that risk management and risk awareness are a key part of the Company's culture
- Report systematically and promptly to senior management any perceived new risks or failures of existing control measures

Internal Auditor

The Internal Auditor evaluates the adequacy and effectiveness of the Company's internal control systems, policies and procedures with respect to risk management and issue recommendations to senior management and the BoD.

Compliance – AML – External Audit

The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of its business. Apart from the above described functions - the BoD, the RMC, the RMD and Internal Audit function - other functions involved in Company's risk management framework are the Compliance function, the Anti-Money Laundering Compliance Function and the External Audit function.

Risk Types

Approach Adopted for Capital Requirements Calculation

The CRD IV Directive takes into account the diversity of investment firms and provides different approaches to the calculation of minimum capital requirements. The different approaches provide a flexible structure in which investment firms, subject to supervision, adopt approaches that most suitably fit their level of sophistication and risk profile.

According to the CRD IV requirements, the Company's BoD has decided that the most appropriate approach for calculating Company's capital requirements are standardised approach for Credit and Market Risk and applying the CySEC reporting requirements - own funds calculation based on Fixed Overheads.

Regulatory Ratios

During the year ended 31 December 2014, the Company complied with all of the externally imposed capital requirements to which they were subject. On 1 January 2014, the Basel 3 regulation entered into force in the EU. The following table provides a breakdown of capital requirements, together with regulatory ratios, at 31 December 2014 (in compliance with Basel 3):

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€ 000's	31 December 2014 Basel III
Tier 1 Capital / CET 1	521
Tier 2 Capital	0
Total Regulatory Capital	**521**
Credit Risk	607
Market Risk	285
Fixed Overheads (additional risk)	666
Total Risk Weighted Assets	1,558
Tier 1 Capital / CET 1	33.46%
Total Capital Ratio	33.46%

Under European Banking Authority ("EBA") transitional rules for 2014, the Tier 1 ratio with the Capital Conservation Buffer ("CCB") must exceed 5.5% and the Global ratio including CCB must exceed 8%. On a fully loaded Basel III basis, the Tier 1 ratio with CCB must exceed 8.5% and the Global ratio including CCB must exceed 10.5%. During 2014, the Capital Adequacy ratio never fell below the required limit.

The table below reconciles the composition of regulatory capital for the Company as at 31 December 2014 to the audited financial statements

€ 000's	31 December 2014
Shareholders' equity including year-end loss	**521**
Shareholder's equity	1,000
Accumulated losses	(479)
Deductions	**-**
Goodwill and other intangible assets	-
Deferred tax assets on losses carried forward	-
Proposed dividend	-
Core Tier 1 capital	**521**
Tier 2 capital	**-**
Total capital base	**521**

Risk Weighted Assets and Capital Requirements

The CySEC sets out the minimum capital requirement for Cypriot regulated financial institutions under CRR rules. CRR sets out the minimum regulatory capital to meet credit and market risk. At 31 December 2014, the Company total capital requirements by risk type were as follows:

Pillar 1 Requirement - € 000's	Risk Weighted Assets	Capital Requirement
Total Pillar 1 Requirement	**892**	**71**
Credit Risk	607	49
Market Risk	285	23
Fixed Overheads Requirement - € 000's	**1,558**	**125**

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Credit and Counterparty Risk

Credit risk is the risk of loss resulting from exposure to customer or counterparty default. The Company has adopted the Standardised Approach for calculating Pillar 1 capital requirements for credit risk.

Credit risk is monitored by the Risk Manager, the RMC, and senior management on an ongoing basis.

The following processes, measures and techniques have been established and implemented by the Company:

- Maintain a diversified client portfolio thus avoiding high concentration and exposure to a small number of clients
- Deposit Company's own funds and clients' funds only in highly rated banking institutions
- Deposit Company's own funds and clients' funds in more than one jurisdiction for diversification and further mitigation
- Conduct regular credit review, assessment of counterparties (credit institutions and financial institutions)
- Unless credit is provided, the Company has established a policy to ensure that clients cannot begin to trade unless money has been deposited into clients' accounts

The Company exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution or financial institution, where own and client's funds are placed, and the arrangements for the holding of those funds.

The Company takes into account the expertise and market reputation of such institutions with a view to ensuring the protection of own and clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect clients' rights. A review process will be performed in order to identify the following information:

a) expertise;
b) market reputation;
c) authorizations/licenses;
d) supervisory authority;
e) credit ratings;
f) ability to maintain segregation of assets between Clients and the Company.

Capital Requirements for Credit Risk by Exposure Class

For calculating its regulatory capital requirements for credit risk the Company adopts the standartised approach and has elected to use Moody's Rating as a preferred External Credit Assessment Institution ("ECAI") for all classes of exposures. The Company has used the Credit Quality Step matching principles established by the Directive.

No credit mitigation technics were used by the Company as at 31 December 2014.

The table below provides information on the Company's credit risk exposure, risk weighted asset ("RWA") and capital requirements as at 31 December 2014 broken down by exposure class:

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Asset Class - € 000's	Exposure	Risk Weighted Assets	Capital Requirement
Corporates	283	283	23
Institutions	169	240	19
Public Sector Entities	43	43	4
Other items	41	41	3
Retail	-	-	-
Equity exposures	-	-	-
Covered Bonds	-	-	-
High risk categories	-	-	-
Total	**536**	**607**	**49**

Geographic Distributions of Exposures

The Company is mainly exposed to Cyprus, Russia and Latvia. Exposures by geographical location are as follows:

Geography - € 000's	Cyprus	Russia	Latvia
Corporates	-	283	-
Institutions	155	-	14
Public Sector Entities	43	-	-
Other items	41	-	-
Retail	-	-	-
Equity exposures	-	-	-
Covered Bonds	-	-	-
High risk categories	-	-	-
Total	**239**	**283**	**14**

Residual Maturity by Exposure Class

The table below sets out an analysis of credit risk by maturity as at 31 December 2014. Residual maturity of exposures is based on contractual maturity dates.

Maturity band - € 000's	<3 month	>3 month	Total
Corporates	283	-	283
Institutions	169	-	169
Public Sector Entities	-	43	43
Other items	-	41	41
Retail	-	-	-
Equity exposures	-	-	-
Covered Bonds	-	-	-
High risk categories	-	-	-
Total	**452**	**84**	**536**

Exposure by Credit Quality

The Company uses external credit assessments provided by Moody's ratings agency for all exposure classes. These are used, where available, to assign exposures a credit quality step and calculate credit risk capital requirements under the standardised approach. Credit quality steps are provided by the regulator

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and are used to weight asset classes based on the external rating. The following tables provide, by asset class, an analysis of exposures by credit quality steps as at 31 December 2014:

Credit Quality - € 000's	CQ Step 1	CQ Step 2	CQ Step 3	CQ Step 4	CQ Step 5	CQ Step 6	Unrated	Total
Corporates	-	-	-	-	-	-	283	283
Institutions	-	-	-	-	14	155	-	169
Public Sector Entities	-	-	-	-	-	-	43	43
Other items	-	-	-	-	-	-	41	41
Retail	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-	-
Covered Bonds	-	-	-	-	-	-	-	-
High risk categories	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**14**	**155**	**324**	**536**

Credit quality steps correspond to the following external ratings:

Counterparty quality step	Moody's	S&P
1	Aaa to Aa3	AAA to AA-
2	A1 to A3	A+ to A-
3	Baa1 to Baa3	BBB+ to BBB-
4	Ba1 to Ba3	BB+ to BB-
5	B1 to B3	B+ to B-
6	≤Caa1	≤CCC+

Exposure Value by Risk Weight

The following table presents the exposure of the Company per risk weight. We note that the Company does not keep any collateral in relation to its credit risk exposures.

Exposure Value - € 000's	20%	50%	75%	100%	150%
Corporates	-	-	-	283	-
Institutions	-	14	-	-	155
Public Sector Entities	-	-	-	43	-
Other items	-	-	-	41	-
Retail	-	-	-	-	-
Equity exposures	-	-	-	-	-
Covered Bonds	-	-	-	-	-
High risk categories	-	-	-	-	-
Total	-	14	-	367	155

Definitions

Impaired exposure: A financial asset or a group of financial assets is impaired, and impairment losses are recognized, only if there is an objective evidence of impairment as the result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets, that can be reliably estimated.

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The determination of impaired exposures requires significant judgment. In making this judgement, the Company evaluates among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for an investee, including factors such as industry and sector performance , changes in market, economic or legal environment, changes in technology and operational and financing cash flow.

Past due exposures: A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Market Risk

Market risk is the risk of loss caused by adverse market conditions, such as movements in the prices of traded financial instruments. Adverse movements in the level of interest rates, in the rate of exchange between currencies and the current prices of securities, commodities and other financial instruments may affect Company's profitability. Market risk comprises of foreign exchange risk, interest rate risk, equity price and other price risk.

Market risk focuses on the way, in which changes in traded values in major markets such as bonds, equities, foreign exchange, or commodities, affect Company's revenues.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fluctuations of market interest affect the prices of securities. We can say that interest rate risk is the probability of an adverse impact on profitability or asset value as the result of interest rate changes.

Usually the price of shares increase if the interest rate falls and vice-versa. Factors that influence the level of market interest rates include:

- Expected levels of inflation.
- General economic conditions.
- Monetary policy and the stance of the central bank.
- Foreign exchange market activity.
- Levels of sovereign debt outstanding.
- Financial and political stability.

The adverse economic impact may be due to an increase in interest rates if the company wishes to borrow money. On the other hand, if the company has surplus cash that it intends to place on deposit, an adverse economic impact would be represented by a fall in interest rates.

When identifying interest rate risk, an institution has to look at both the mismatches between assets and liabilities. If every loan made was offset by a borrowing which referenced the same interest rate basis, there would be no risk. By contrast, a fundamental type of risk generated when an asset has interest calculated on a variable basis, while an associated liability has interest calculated on a fixed basis (or vice versa).

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Foreign Exchange Risk

Foreign exchange risk is the risk of loss (or gain) from unforeseen changes in exchange rates (the prices at which currencies trade for each other). Foreign exchange risk arises when financial instruments are recognized in a currency that is not the Company's basic currency.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The Company is exposed to price risk in regards to its own portfolio invested in equity shares, which have been classified as available for sale. The management of the Company and the RMC continuously monitor market prices and act accordingly in order to maintain price risk at acceptable levels.

Market Risk Mitigation

- The Company implements policies and processes for the measurement and management of all material sources and effects of market risks

- The management get timely data and information on the Foreign exchange risks of the Company and take appropriate action required

- The Company employs a Risk Manager who is responsible for the monitoring of the Company's risk exposure and any deviation identified is brought to the attention of the RMC for immediate action

- The Company has established the RMC that reports directly to the BoD

- The trading activity is recorded so, as to allow the Risk Manager to review and monitor the Company's exposure

- Aggregate net exposures are monitored as they develop from the opening and/or closing positions by clients. If risk exceeds desired levels, appropriate actions are taken to hedge risk until intended levels are achieved

- The Company maintains trading accounts with other regulated firms for engaging in proprietary positions in financial instruments for its own account as a hedging measure and in order to minimize market risk

The Company uses the standardised approach for managing market risk.

Based on the Company's size, internal organization and the nature, scale and complexity of activities, the RMC identified that the Company is currently exposed to foreign exchange risk only.

Market Risk - € 000's	Risk Weighted Assets	Capital Requirements
FX risk	285	23
Interest Rate risk	-	-
Equity risk	-	-
Other	-	-
Total	**285**	**23**

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Operational Risk

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

Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system, technology failures, breaches in internal control, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputation problems. Operational risk exists in all products and business activities.

Operational risk event types that have the potential to result in substantial losses includes among others, internal fraud, external fraud, employment practices and workplace safety, clients, products and business practices, business disruption and system failures, damage to physical assets, marketing and advertising and finally execution, delivery and process management.

The Company has put in place an appropriate set of systems and procedures for identifying, measuring, monitoring and controlling its operational risk.

The Company has established systems and procedures to identify the operational risk inherent in all types of transactions, products, activities, processes and systems. It can also ensure that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment procedures.

The Company has ensured that its operational risk identification process is robust and is capable of considering potential risks.

Business continuity, fraud (internal and external), dealing errors, administrative errors, IT failures and regulatory action can be identified as the key elements of operational risk to which the Company is exposed. Not all of these risks can be effectively eliminated, however these risks are adequately controlled by key personnel and a rigorous control framework.

Operational Risk Management Principles

The Company adopts 6 fundamental principles to address its approach to operational risk management:

- Ultimate accountability for operational risk management rests with the board, and the level of risk that the Company accepts, together with the basis for managing those risks, is driven from the top down by those charged with overall responsibility for running the business
- The board and executive management should ensure that there is an effective, integrated operational risk management framework. This should incorporate a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management/monitoring and appropriate tools that support the identification, assessment, control and reporting of key risks
- Board and executive management should recognise, understand and have defined all categories of operational risk applicable to the Company. Furthermore, they should ensure that their operational risk management framework adequately covers all of these categories of operational risk, including those that do not readily lend themselves to measurement

- Operational risk policies and procedures that clearly define the way in which all aspects of operational risk are managed should be documented and communicated. These operational risk management policies and procedures should be aligned to the overall business strategy and should support the continuous improvement of risk management
- All business and support functions should be an integral part of the overall operational risk management framework in order to enable the institution to manage effectively the key operational risks facing the institution
- Line management should establish processes for the identification, assessment, mitigation, monitoring and reporting of operational risks that are appropriate to the needs of the Company, easy to implement, operate consistently over time and support an organizational view of operational risks and material failures

Operational Risk Mitigation

The Company has established various techniques for the mitigation of operational risk. These techniques include the following:

- Maintaining a four eye structure and implementing board oversight. The Board of Directors reviews significant strategic decisions made by management and monitors their activities
- The Compliance Officer must ensure the accuracy of any statements made during the marketing and advertising processes and ensure that the information addressed to the client is fair, clear and not misleading. Relevant risk warnings are included on any marketing campaign. Marketing materials should be carefully reviewed by the Compliance Officer prior of their dissemination to the public
- The Compliance Officer ensures that proper information/reports are sent on time to CySEC
- Management formally communicates duties and responsibilities to employees through regular meetings, seminars and trainings
- The Company outsources the internal audit function to an experience firm. Internal audit visits are implemented to ensure that employees comply with the Company's internal procedures
- Several policies and procedures have been established and followed in an attempt to identify and minimise any fraudulent activities
- The Company has developed a business contingency plan (disaster recovery plan) with recovery procedures and actions to be followed in the case of damage to any vital part of the Company's structure. This includes Business contingency center in case of any nature's catastrophic incidents. It should be communicated to all personnel
- The Company obtains legal advice from its legal advisors for all its official documents and before it enters into new markets
- Company's financial accounts are audited by an experience and reliable audit firm so, as to eliminate the risk of the Company statement manipulation or tax evasion
- Segregation in respect of those responsibilities and functions whose exercise by one and the same individual might result in inadequate control, in the concealment of any errors or malpractices or in any abuse of powers or abusive practices apt to expose the Company or its customers to unreasonable and unacceptable risks
- The Company ensures that premises and fixtures and fitting are maintained on a regular basis
- The Company has in place an employer's and public liability insurance, covering costs of a potential injury of personnel or a third party visitor to its premises

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- The Company follows an open policy where the employees can freely communicate with the management any concerns or improvements in regards to employment practices and workplace safety
- Staff appraisals are conducted on an annuals basis by the Human Resources department and topics such as compensation or other benefits or complaints are discussed
- The Company performs appropriateness and suitability test
- The Company has proper KYC/CDD procedures in place
- The Company provides regular AML training to relevant staff
- The Company regularly reviews and updates (if needed) its AML manual
- The Company monitors Client's transaction to identify activities, which are inconsistent with Client's financial profile
- The Company maintains trading back-up servers to ensure continuity of business in case of any failure

Capital Requirements for Operational Risk

The Company does not apply Operational Risk Indicator approaches to calculate the amount of capital required under the minimum regulatory capital requirements. Instead of this, under 95 (1) of Regulation (EU) No575/2013 the Company is using Fixed Overheads Calculation Method.

Fixed Overheads

Fixed Overhead is a set of costs that do not vary as the result of changes in activity. They are needed in order to operate the business. Fixed overheads do not change greatly, they are easy to predict.

CIFs should be aware of the total amount of fixed overhead costs that a business incurs, so that management can plan to generate a sufficient amount of contribution margin from services to, at least, balance the amount of fixed overhead. Otherwise it is impossible to generate a profit.

Investment firms are required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year, or projected fixed overheads in case of an investment firm not having completed business for one year. The approach for calculating fixed overheads is a subtractive approach, whereby variable cost items are deducted from the total expenses as calculated according to the applicable accounting framework.

Under Article 95(1) of Regulation (EU) No575/2013, CIFs which are not authorised to provide

- Dealing on own account
- Underwriting of financial instruments and/or placing of financial instruments on firm commitment basis

apply the following formula: higher of total risk exposure amount (excluding operational risk) and Fixed Overheads of the preceding year multiplied by 12.5 and 25% applied.

The calculation is based on the EBA's Final Draft Regulatory Technical Standards on own funds requirements for investment firms based on Fixed Overheads under the Article 97(4) of Regulation (EU) No575/2013.

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Fixed Overheads - € 000's	
Total expenses (after distribution of profits)	498.50
Fully discretionary staff bonuses	-
Fees, brokerage and other charges paid	-
Other	-
Fixed Overheads	**498.50**
Fixed Overheads Requirement (25% * Fixed Overheads)	**124.63**
Fixed Overheads risk exposure amount	**1,557.81**
Total risk exposure amount (excluding Fixed Overheads risk)	**892**

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting payment obligations and potential payment obligations as and when they fall due without incurring unacceptable losses. Liquidity risk also arises from the inability to find buyers on the terms desired. Infrequently traded securities/assets bear higher liquidity risk. The imbalance between the number of buyers and sellers or because the securities/assets are not traded very often cause this liquidity risk. The liquidity risk is usually reflected in a wide bid-ask spread or large price movements. Furthermore, liquidity risk arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Liquidity Risk Mitigation

An effective measurement system is essential for adequate management of liquidity risk. Consequently, the Company has instituted systems that enable it to capture liquidity risk ahead of time so that appropriate remedial measures could be prompted to avoid any significant losses. Some commonly used liquidity measurement techniques used by the Company is the regular Cash Flow projections and calculation of Liquidity Ratios and Limits. Furthermore:

- The Company prepares monthly budgets to ensure that it meets its obligations on time
- The liquidity position is monitored on a regular basis, with regular management information provided to senior management and the BoD
- The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of its financial obligations as and when they fall due
- The Company, if possible, maintains bank balances, which are adequate to cover its liquidity needs

Other Risks

Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding Company's business practices, whether accurate or not, will cause a loss of confidence in the integrity of the Company. Reputation risk is the current and prospective impact on earnings and capital arising from negative public opinion. This affects Company's ability to establish new relationships or services or continue servicing existing relationships. This risk may expose the Company to litigation, financial loss, or a decline in its customer base.

Reputational risk poses a major threat to the Company, since the nature of its business requires maintaining the confidence of investors and the general marketplace. The Company and Investment firms

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in general are especially vulnerable to reputational risk because they can so easily become a vehicle for or a victim of illegal activities perpetrated by their customers.

The Company considers Reputational risk as the most critical risk, as reputation is becoming a key source of competitive advantage as products and services become less differentiated.

Loss of reputation is systemic in nature. Once germinated, it is difficult to manage and eradicate and other elements of business begin to suffer. Reestablishing reputation takes a long time. Loss of reputation arises as a reaction to the failure of detailed processes and procedures in risk management, business continuity, consolidation and compliance.

The Company protects itself against reputational risk by means of continuous vigilance through an effective KYC programme and by establishing policies and procedures for handling customer's complaints.

Legal and Compliance Risk

Legal and Compliance Risk is the risk of financial loss arising from violations of, or non-compliance with laws, regulations, internal policies and procedures or ethical standard.

In case of non-compliance with existing legislation, there is a risk that the regulatory authority will impose a sanction, either upon the Company or one of its officers, for failing to comply with the regulatory standards applicable in the financial services sector. A variety of different forms of sanction can be applied, including:

- The imposition of conditions upon a license
- Fines
- Withdrawal of a license

Also the Company faces the risk of possible enforcement action against it, by the competent authority, if determine that the Company had:

- Failed to take reasonable care to establish and maintain effective systems and controls to offset the risk that criminals might use the Company to launder money
- Failed to check that employees understood the anti-money laundering training they were receiving
- Failed to ensure that staff understood their AML responsibilities for the recognition and reporting of suspicions

Furthermore legal risk is the possibility that lawsuits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of the Company. The Company may become subject to lawsuits resulting from the failure to observe mandatory KYC/AML standards or from the failure to practice adequate due diligence. Consequently, the Company can for example, suffer fines, criminal liabilities and special penalties imposed by supervisors.

The Company has minimised the possibility of Legal and Compliance risks by establishing and implementing internal policies and procedures for proper implementation of existing legislation, which are monitored and reviewed by the Compliance Officer and the internal auditor who propose remedy

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measures/actions in case of identification of non-compliances and provide relevant advice and training to the company's employees.

Also, no transactions are initiated unless all the required documents have been signed. The agreements and all future amendments are scrutinised and approved by the Company's legal advisors. The clauses of the agreements are clearly explained to the customers before entering in relationship. A disclaimer statement and the source of information are included on reports and documents. All the Company staff must strictly follow the internal procedures.

Remuneration Policy Disclosures

Overview

In accordance with the requirements of the regulator, the Company has adopted a formal disclosure policy to publicly disclose the information regarding the remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the Company. According to the Company's Remuneration Policy, HR maintains a list with information on employees, which includes senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Company's risk profile.

The members of staff to be included in the Company's employee list is determined at by the senior management with reference to managerial responsibility and impact on Company's overall risk profile. At the discretion of the CEO other individuals may be included in the list if it is felt hat their role or their activities have a material impact on the Company's risk profile. A bi-annual review of Company's risk profile and individuals impacting on these risks is conducted in order to allow the CEO to review and agree the final list of employees for each year.

Remuneration Policy

The Company's Remuneration Policy, which is updated at least on an annual basis, supports the business objectives and corporate values of the Company to promote prudent risk management and to avoid excessive risk taking by attracting, retaining and motivating the key talent needed to achieve these outcomes.

The Company's remuneration arrangements represent a combination of salary, bonuses and long term incentive schemes that are designed to align the interest of the Company and its employees with those of its clients and other stakeholders to ensure the Company's continued long term performance and profitability. Non-salary remuneration plans are completely variable, based on the Company's performance and individual performance.

The Company does not currently use a pre-set formulaic matrix to determine either basic remuneration or variable remuneration. The determination of remuneration is a fully discretionary process informed by various performance metrics including individual performance measured against standard Company's competencies and qualitative annual goal attainment, industry remuneration levels and affordability. The Company ensures that the variable remuneration bonus pool is a conservative percentage of Company's net income. This means that staff remuneration is dependent upon Company's profitability and it allows its capital prudently.

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Staff is one of the key assets of the organisation and it is its policy to attract and retain the best people. In light of the above, when fixing the remuneration policies and packages for current and future periods the Company will have the following in mind:

- the need to attract, retain and motivate staff of the quality required
- what comparable companies are doing, taking into account relative performance

By paying due regard to the above 2 mentioned factors, the Company believes it can attract and retain the best quality staff, thereby ensuring that its long term interests are best addressed.

Aggregate Quantative Information

The Company has started to employ the people during 2014, thus the quantative data is not extrapolated for 12 months.

The table below presents the total amount of remuneration during the financial year, split into fixed and variable.

Remuneration - € 000's	
Total fixed remuneration senior management staff	52
Total fixed remuneration non-executive directors	11
Total variable remuneration senior management staff	-
Total variable remuneration non-executive directors	-
Total remuneration	**63**
Total number of Senior Management	**6**

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