Safecap Investments Limited

Pillar III – Disclosures 2015

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1 Introduction, scope and purpose of this Document

Safecap Investments Limited ("Safecap" or the "Company") holds a license from the Cyprus Securities and Exchange Commission ("CySEC" or the "Commission"), number CIF 092/08 dated 28 July 2008, which permits the Company to operate as a Cyprus Investment Firm and to provide investment and ancillary services with regards to specific financial instruments as these are defined in the Company's operating license.

The principal activity of the Company during the year ended 31 December 2015 was the trade of Contracts for Differences (CFDs) on: Foreign Exchange, Commodities, Equities and Indices as well as trade in binary options. During the year the company was operating online, primarily through the websites www.markets.com and www.topoption.com, albeit, from February 2016 the operation of the latter domain by the Company was terminated. The Company practices the website www.safecapltd.com for informative purposes.

Safecap's immediate operating holding company is Markets Ltd, which in turn is owned by Playtech Plc (the "Group" or "Playtech"). Playtech is the world's largest online gaming software supplier, offering cutting-edge, value added solutions to the industry's leading gaming operators, traded on the London Stock Exchange Main Market (FTSE 250).

The Pillar III disclosures report (the "Report" or the "Document") has been prepared in accordance with the requirements of Directive DI144-2014-14 for the prudential supervision of Investment Firms ("Directive DI144-2014-14") and Directive DI144-2014-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013 ("Directive DI144-2014-15") (together "the Directives"), issued by CySEC and entered into force on 19 December 2014.

The Directives transpose and implement into local legislation the European Union's Capital Requirements Directive 2013/36/EU and the European Union's Capital Requirements Regulation No 575/2013, collectively known as "CRD IV".

These Pillar III disclosures are made on a solo basis and are published annually. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2015 which contain supplementary information relating to the requirements of the Directives.

Unless stated otherwise, all amounts are in thousands of United States Dollars ("US$" or "USD").

1.1 Regulatory context

The CRD IV package is the implementation of "Basel III" in Europe. Basel III is a comprehensive set of reform measures in banking prudential regulation developed by the Basel Committee on Banking Supervision. It aims to strengthen the regulation, supervision and risk management of the banking sector. The Basel III agreement was endorsed by the G20 in November 2010 and was adopted by the European Union in 2013.

The Basel III framework is based on three mutually re-enforcing "Pillars":

- Pillar I defines the minimum regulatory capital requirements, based on principles, rules and methods specifying and measuring credit, market and operational risk. These requirements are covered by regulatory own funds, according to the rules and specifications of Pillar I.

- Under Pillar II, firms evaluate whether they are holding sufficient capital to cover specific risks that are not fully captured under Pillar I. The main principle of Pillar II is that firms should have an internal process in place for assessing their overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital levels. The details of this assessment and its findings are contained in the Safecap Internal Capital Adequacy Assessment Process Report ("ICAAP Report"), elements of which are disclosed within this Report as prescribed under Pillar III. Pillar II also introduces the Supervisory Review & Evaluation Process ("SREP"), whereby the regulator assesses the internal capital adequacy of regulated institutions.

- Pillar III deals with market discipline by developing a set of disclosure requirements, which allow market participants to assess key pieces of information on the scope of application, capital, risk exposures, risk assessment processes and hence the capital adequacy of institutions.

1.2 Disclosure Policy

The following sets out the Company's Disclosure Policy as applied to Basel III Pillar III Disclosures, including the information to be disclosed, frequency, media, location and verification.

Information to be disclosed

The Company's policy is to meet all required Pillar III disclosure requirements as detailed in the Directives and CRD IV.

Frequency

The Company's policy is to publish the disclosures required on an annual basis.

Medium and location of publication

The Company's Pillar III disclosures are published on Safecap's website through the 'Regulatory Information' section. For indicative purposes please refer to the following link: https://www.safecapltd.com/.

Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board of Directors ("Board") for approval.

The Company's Pillar III disclosures have been reviewed and have been approved by the Board. In addition, the Remuneration disclosures as detailed in this document have been reviewed by the Chief Financial Officer.

The Company has commissioned its External Auditors KPMG to verify its Pillar III Disclosures. The Company is required by the Directives to provide a copy of the External Auditor's verification report to CySEC within five months of each financial year-end.

Non-material, proprietary or confidential information

This document has been prepared to satisfy the Pillar III disclosure requirements set out in the Directives and CRD IV. The Company does not seek any exemption from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

2 Governance, Risk Management Objectives and Policies

2.1 The Board of Directors

The Company's Board of Directors (the "Board") is required to assess and review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Investment Services and Activities and Regulated Markets Law (the "Law") as well as the Directives and the CRD IV and to take appropriate measures to address any deficiencies.

In particular, when managing and/or assessing risks, the responsibilities of the Board of Directors and Senior Management may be summarized as follows:

- Reviewing the policies of the Company and ensuring that these are in accordance with the applicable legislation in force;
- Setting the strategy of the Company which will be based on annual budgets, planning the approach and ensuring the continuing operations of the Company;

- Meeting on a frequent basis to ensure that operational and strategic issues are discussed and issuing guidance to the executive officers and Senior Management;
- Ensuring that internal audit, compliance and risk management issues and functions are reviewed at least annually and providing guidelines to the relevant heads of the departments on future actions and policies to be followed;
- Addressing any issues raised by the regulators and defining the action to be taken in case corrective measures are required.

The Board of Directors of the Company, as at 31 December 2015, comprised of 2 executive members and two independent non-executive members. During the period January to April 2016, the Company proceeded to the further enhancement of its Board, with the appointment of a Non - Executive Chairman, two non-Executive Directors and two independent non – executive Directors. The appointment of the one Non-Executive Director is pending final regulatory approval.

2.2 Recruitment Policy for the selection of members of the management body

Recruitment of the Board members combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework in compliance with Article 12 (1) of the Law which requires that members of the Board shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties, whilst the overall composition of the Board is required to reflect an adequately broad range of experiences Board members are required to commit sufficient time to perform their functions in the Company.

Board suggestions for recruitment is subject to the approval of the Board of Directors in consultation with the Company's shareholder, whilst adherence to the requirements of Article 12 (5) of the Law pertaining to the number of directorships which maybe held is also a pre-requisite Regulatory approval is coordinated through the Compliance Officer. Review is performed to establish the specific experience and skills needed to ensure the optimum blend of individual and aggregate capability having regard to the Company's long term strategic plan.

2.3 Diversity Policy for the selection of members of the management body

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organization. The Risk Manager and Risk Committee are responsible for ensuring there is an appropriate balance of skills and experience across the Board.

It is noted that Article 18 A (2) (b) (b) of the Law requires the setting of a target for the representation of the underrepresented gender in the board of directors and the preparation of a policy on how to increase the number of the underrepresented gender in the board of directors in order to meet that target. The target, policy and their implementation shall be made public. It is noted that at the date of this Report, the Company's Board has yet to set the above required policy and target.

2.4 Number of Directorships held by Board Members

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

Name	Position	Number of Executive Directorships, including position in Safecap	Number of Non-Executive Directorships, including position in Safecap
Socrates Solomides	Independent Non - Executive Director	0	5
Athos Demetriou	Independent Non - Executive Director	1	5
Eyal Wagner	Executive Director	1	0
Sharon Hadad	Executive Director	1	0

Where applicable, the Commission has been notified for board members that hold directorships past the limits set by the CySEC.

2.5 Risk Management Policy

Risk is inherent to the Company's business and activities. The Company's ability to identify, monitor and manage each type of risk to which the Company is exposed is an important factor in its financial stability and performance and to the achievement of its strategic objectives.

The Risk Management Policy is disclosed in Company's Internal Procedures Manual (hereafter "IPM"). The IPM aims to set out those policies and procedures and to ensure compliance with legislative requirements and the departmental and general procedures.

The Risk Management Policy forms part of the Company's internal control and corporate governance arrangements. It explains the Company's underlying procedures with respect to risk management and documents the roles and responsibilities of the Risk Management Committee, the Risk Manager and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process followed by the Risk Management Committee in order to evaluate the effectiveness of the Company's internal control procedures.

Processes and mechanisms are in place to manage the risks, with special consideration to risks arising from operations of the Dealing Room and Own Account Trading departments in the process of receipt and transmission of client orders, execution of clients' orders and trading on the Company's behalf.

2.6 Risk Management Committee

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of such risk management policies and procedures 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 Risk Management Committee has a fundamental role to play in the management of risk. Its role is to:

- Set the tone and influence the culture of risk management within the Company. This includes the determination of whether the Company is 'risk taking' or 'risk averse' as a whole, or on any relevant individual issue and of what types of risk is acceptable and which are not. In addition the Committee sets the standards and expectations of staff with respect to conduct and probity;
- Determining the appropriate risk appetite or level of exposure for the Company;
- Approving major decisions affecting the Company's risk profile or exposure;
- Monitoring the management of fundamental risks to reduce the likelihood of unwelcome surprises. Reviewing the Company's approach to risk management on a monthly basis, and approve changes or improvements to key elements of its processes and procedures;
- Identifying key risk indicators and closely monitoring these on a regular basis.

Furthermore, the Risk Management Committee is responsible for reviewing the effectiveness of internal control of the Company, based on information provided by the Risk Manager on a quarterly basis. Its approach is as follows:

a) For each fundamental risk identified, the Committee will review the previous quarter and examine the Company's track record on risk management and internal control. In addition, it would consider the internal and external risk profile of the coming quarter and identify if current internal control arrangements are likely to be effective.

b) In making its decision the Committee will consider the following aspects:

i. Control environment:

- The Company's objectives and its financial and non-financial targets;

- Organizational structure, culture, approach and resources with respect to the management of risk;
- Delegation of authority;
- Reporting.

ii. On-going identification and evaluation of fundamental risks:
- Timely identification and assessment of fundamental risks;
- Prioritization of risks and allocation of resources to address areas of high exposure.

iii. Information and communication:
- Quality and timeliness of information on fundamental risks;
- Time it takes for control breakdowns to be recognized or new risks to be identified.

iv. Monitoring and corrective action:
- Ability of the Company to learn from its problems;
- Commitment and speed with which corrective actions are implemented.

During 2015 the Risk Committee of the Company has met three times.

2.7 Risk Management Function

The Company operates a dedicated Risk Management function under which the Risk Manager is responsible, for implementing the Risk Management Policy of the Company set by the Board of Directors and the Risk Management Committee and ensuring that this is properly followed under the supervision and control of the Risk Management Committee.

The Risk Management function is tasked with the following duties and responsibilities:

- Implementing policies on risk management and internal control;
- Identifying and evaluating the fundamental risks faced by the Company for consideration by the Risk Management Committee;
- Providing adequate information in a timely manner to the Risk Management Committee on the status of risks and controls;
- Providing reports to the Risk Management Committee and the CEO, with details of the Company's total exposure across all instruments. These reports include information about clients' positions and the positions opened by the Company as part of its hedging activity;
- Undertaking reviews on the effectiveness of the system of internal control and provide a report to the Risk Management Committee;
- Performing monitoring of trades that increase the risk for the Company and review risky trades and decide which trades and to which extent the risk associated with such trades will be mitigated and deciding which trades and to which extent the risk associated with such trades will be mitigated by

diverting such trades for risk mitigation purposes in accordance with the Company's Risk Mitigation Policy.

2.8 Compliance and Money Laundering Compliance Officers

The Company's Compliance function covers (a) Financial Crime / AML (b) Monitoring and Surveillance (c) Governance, Code of Conduct and Regulatory Compliance (d) Regulatory Counselling. The Compliance function designs a risk based annual compliance plan having regard to the areas of material business activity or material business and regulatory risk, with the overall aim of ensuring consistent regulatory compliance at all times.

2.9 Internal Audit

The Internal Audit Function duty is the provision, by exploiting its independence and autonomy, of a constant review and evaluation of the operations and activities of the Company in all respects, and to offer recommendations and advice to ensure that the Company operates at the highest standards and in accordance with best practice and the applicable legal and regulatory framework.. The Internal Auditor is an independent function with direct reporting to the Board of Directors. The key responsibilities of the Internal Audit function include:

- Providing an objective and independent appraisal of all the Company's activities, financial, operational and others;
- Giving assurance to the Board on all control arrangements, including management and corporate governance;
- Assisting the Board by evaluating and reporting to them the effectiveness of the controls for which they are responsible and issuing of recommendations and suggestions;
- Keeping records and books in regard with internal audit work performed;
- Establishing, implementing and maintaining of an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- Submitting the annual report to Board of Directors over the activities performed by the Internal Auditors.

2.10 Risk Management Strategies and capital management

The Company deploys several risk management strategies in order to control its risks which includes maximum overall exposure levels and value at risk indicators.

A designated team of professionals monitors the clients' positions and the Company's exposures on an ongoing basis. Also, the Company prepares various reports that enable the analysis of risks and support on each action.

The primary objective of the Company with respect to its capital management is to ensure that the Company complies with the capital requirements set by CySEC.

In line with the above, CySEC requires every Cyprus Investment Firm to maintain a minimum capital adequacy ratio of 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Effective 1 January 2016, a capital conservation buffer of 0.625% has also been introduced across the entire industry by the Commission and the local Macro prudential Authority (i.e. the Central Bank of Cyprus). Additional industry wide capital buffers may be introduced by the Commission and the Central Bank of Cyprus during 2016 as well.

During 2015, the Company maintained its capital adequacy ratio as well as own funds above the minimum required limits at all times in compliance with the applicable regulatory framework.

2.11 Internal Capital Adequacy Assessment Process Report

The objective of the Internal Capital Adequacy Assessment Process ("ICAAP") Report is to document the assessment and quantification of Safecap's required capital, how Safecap mitigates and controls risks and how much current and future capital is required.

The Internal Capital Adequacy Assessment Process ("ICAAP") Report is intended to capture the Company's capital management process and methodologies as stipulated in accordance with the Commission's Guidelines GD-IF-02 issued on 12 July 2012 for the Internal Capital Adequacy Assessment Process. These Guidelines address the distinctive components and framework for the implementation of the ICAAP, which is a key component of Risk Management, providing the guidelines on how the provisions in terms of the ICAAP should be interpreted and applied in practice. The Guidelines further prescribe how a Cyprus Investment Firm should develop an integrated and firm-wide risk culture, based on a full understanding of the risks it faces and how they are managed, taking into account its risk tolerance/appetite.

The ICAAP Report is the document submitted to the Commission, explaining how Safecap has implemented and embedded the ICAAP within its business, describing its risk profile and the extent of risk appetite that Safecap is prepared to accept as well as the capital that it considers as adequate to be held against all the risks that it is exposed to.

The ICAAP Report submission to the CySEC serves as the basis for reviewing the ICAAP under the Supervisory Review and Evaluation Process (the “SREP”). According to Paragraph 24 of Directive DI144-2014-14, the Commission, under the SREP, shall review the arrangements, strategies, processes and mechanisms implemented by the Company to comply with the Directives and CRD IV.

The Company has updated its ICAAP report accordingly for the financial year 2015.

2.12 Information flow on risk management to the Board of Directors

The information flow on risk management matters to the Board is achieved through the following means:

1. Through the annual report of the Risk Manager or other reports and/or communication of risks to the Management and the Board by the Risk Manager in case of emergency and/or once risk emerges;
2. Through decisions of the Risk Management Committee which are communicated to the Board;
3. Through presentation of the Annual Financial Statements by the external auditors and the CFO;
4. Through the Annual Compliance, Anti Money Laundering and Internal Audit reports and other reports and/or communication performed throughout the year once the risks and/or deficiencies are identified;
5. Through updates to the Management and the Board by the Heads of the Departments.

2.13 Declaration of Management Body

The Board is responsible for reviewing the effectiveness of the Company’s risk management arrangements and systems of financial and internal control. These controls are designed to manage rather than eliminate the risks of not achieving business objectives, and, to the extent possible prevent fraud, material misstatements and loss.

The Board, taking into consideration the Company’s profile and strategy, considers that it has in place adequate controls, and an appropriate selection of mechanisms, skilled to avoid or minimize loss.

2.14 Board Risk Statement

The risk strategy of the Company is to ensure substantial growth in combination with a moderate risk profile through the establishment of an effective risk management framework.

The Board assesses the risk the Company is willing to take through a number of key measures which define the level of risk acceptable across three main categories taken into consideration the Company’s size, services offered, complexity and operations:

1. Financial: credit, market, interest rate risk and funding liquidity risks;
2. Reputational: money laundering and terrorist financing risk, compliance risk, regulatory risk, and reputational risk;
3. Operational: the risk associated with the failure of key processes or systems and the risk of not having the right quality and quantity of people to operate those processes and systems including operational risk, information and technology risk.

The aforementioned measures support the overarching objective to avoid and/or manage the Company's exposure within certain limits. In addition, the measures aim to assist in the monitoring of the Company's capital adequacy ratio in accordance to the Directives and CRD IV. These measures are integrated and taken into consideration into decision making; monitoring and reporting processes, with warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

3 Own funds

The own funds of the Company as at 31 December 2015 comprised solely of Common Equity Tier 1 Capital (CET1). The composition of the Company's capital base is shown in the table below.

Table 1: Composition of the capital base

Capital Base	2015
	$'000
Common Equity Tier 1 Capital	
Share capital	2.092
Share premium	17.175
Retained Earnings	12.680
Common Equity Tier 1	**31.947**
Common Equity Tier 1 Deductions	
Intangible Assets	(48)
Total Common Equity Tier 1 Capital (CET1)	**31.899**
Additional Tier 1 Capital (AT1)	**-**
Total Tier 1 Capital (T1=CET1+ATI)	**-**
Tier 2 Capital (T2)	**-**
Total Own Funds (TC=T1+T2)	**31.899**

Share capital

The authorized capital of the Company at 31/12/2015 was 1.400.000 shares of a nominal value of € 1 each, of which 1.389.358 were issued and fully paid at the nominal and a share premium of $1,5 per share. During the year ended 31 December 2015 there were no changes in the share capital of the Company.

Investments in subsidiaries

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified. Until December 2015, the Company has four inactive subsidiaries of a non-significant investment. Investments in subsidiaries are not deducted from CET1 since the total exposure is less than 10% of the Company's CET1

The details of the investments are as follows:

Name	2015 Holding %	2015 USD
Safecap (Germany) GMBH	100	1
Safecap (Dubai) Ltd	100	1
Safecap (Poland) Ltd	100	1
Safecap Romania Limited	100	1

Capital adequacy

The capital adequacy ratio of the Company as at the end of the financial year 2015 was 12,70% which is above the minimum capital requirement set by the Commission of 8%.

Large exposures

The Company's exposures to shareholders and connected parties, as at the reference date, exceeded the maximum permitted large exposure limits of CySEC's Directive 144-2014-14. The Company took immediate actions to rectify the issue within the first quarter of 2016.

4 Minimum Required Capital

The Company follows the Standardized Approach for the measurement of its Pillar I capital requirements for Credit and Market Risk, and the Basic Indicator Approach for Operational Risk. The capital requirement calculated for each category of risk as at 31 December 2015 is shown in the table below.

Table 2: Capital requirement by risk category

Risk Type	Capital Requirement $'000	RWA $'000
Credit	3.586	44.823
Market	13.449	168.111
of which Equity market risk	*6.132*	*76.647*
of which Commodity market risk	*3.540*	*44.254*
of which Interest rate market risk	-	-
of which FX market risk	*3.777*	*47.210*
Large exposures in the Trading Book	-	-
Operational	2.499	31.236
Credit Valuation Adjustment Risk	580	7.245
Total Capital Requirement	**20.114**	**251.415**

4.1 Credit Risk Management

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 policies to limit the amount of credit exposure to any financial institution.

The carrying amount of financial assets represents the maximum credit exposure.

The Company has credit exposure to the banks with which it deposits funds and the market counterparties with which it trades on own account. The Company deposits its funds in reputable financial institutions in order to minimize its credit risk.

The Company's credit risk exposure to clients is mitigated since all accounts have an automatic margin call, which relates to a guaranteed stop, such that the client's maximum loss is covered by the deposit. The Company has risk management and monitoring processes for clients' accounts and this is achieved via margin calling and close-out process whereby a client's trading positions are trimmed to prevent the account going into deficit.

For calculating its credit risk capital requirement, the Company uses the standardized approach. The following table represents the Company's risk weighted assets ("RWA") and minimum capital requirement as at 31 December 2015, broken down by exposure class.

Table 3: RWA and capital requirement by exposure class

Asset Classes	Risk-weighted amounts $'000	Minimum capital requirement $'000
Public sector entities	201	16
Institutions	10.970	878
Corporates	19.871	1.589
Retail	12.774	1.022
Items associated with particular high risk	0	0
Other Items	1.007	81
Total	**44.823**	**3.586**

The following table provides information on the average exposures of the Company's asset classes as at 31/12/2015 as well as on the total amount of exposures after accounting offsets, if any.

Table 4: Average exposures and total amount of exposures after accounting offsets

Asset Classes	Original exposure amount, net of specific provisions $'000	Average exposure $'000
Public sector entities	201	196
Institutions	62.403	50.012
Corporates	16.860	8.595
Retail	22.263	24.251
Items associated with particular high risk	-	90
Other Items	2.238	1.682
Total	**103.965**	**84.826**

The following table provides information on the residual maturity of the Company's credit risk exposures.

Table 5: Residual Maturity of credit risk exposures, broken down by exposure class

Asset Classes	up to 3 months $'000	> 3 months $'000	Total $'000
Public sector entities	-	201	201
Institutions	61.959	444	62.403
Corporates	16.829	31	16.860
Retail	22.263	0	22.263
Items associated with particular high risk	-	0	0
Other Items	1.538	700	2.238
Total	**102.589**	**1.376**	**103.965**

The table below illustrates the geographic distribution of the Company's exposure.

Table 6: Geographic Distribution of exposures

Asset Classes	BVI $'000	Cyprus $'000	Greece $'000	Switzerland $'000	United Kingdom $'000	Belize $'000	Other $'000	Total $'000
Public sector entities	-	201	-	-	-	-	-	201
Institutions	-	17.402	18.340	13.887	6.992	-	5.782	62.403
Corporates	7.493	33	-	-	-	6.373	2.961	16.860
Retail	-	17	2	231	2.020	-	19.993	22.263
Other Items	-	2.233	-	-	-	-	5	2.238
Total	**7.493**	**19.886**	**18.342**	**14.118**	**9.012**	**6.373**	**28.741**	**103.965**

The following table presents the distribution of the Company's exposures by industry segment.

Table 7: Distribution of exposures by industry

Asset Classes	Financial services $'000	Retail $'000	Other $'000	Total €'000
Public sector entities	201	-	-	**201**
Institutions	62.403	-	-	**62.403**
Corporates	16.847	-	13	**16.860**
of which SME	-	-	-	**-**
Retail	-	22.263	-	**22.263**
of which SME	-	-	-	**-**
Other Items	2.208	-	30	**2.238**
Total	**81.659**	**22.263**	**43**	**103.965**

Use of External Credit Assessments Institutions' Credit Assessments for the determination of Risk Weights

For the purposes of applying the Standardised Approach, the nominated External Credit Assessment Institutions ("ECAI"), which are recognised by CySEC, are Fitch Ratings, Standard and Poor's Rating Services, and Moody's Investor Service.

The Company has decided to use the ratings of all three ECAI in the following manner:

a) If only one credit assessment is available from a nominated ECAI for a rated item, that credit assessment is used to determine the risk weight for that item;

b) If two credit assessments are available from nominated ECAIs and the two correspond to different weights for a rated item, the higher risk weight is assigned;

c) If more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights are referred to. If the two lowest risk weights are different, the higher risk weight is assigned. If the two lowest risk weights are the same, that risk weight is assigned.

The Company has used the credit step mapping table below to map the credit assessment to credit quality steps.

Credit Quality Step ("CQS")	Fitch	Moody's	S&Ps
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Exposure before and after credit risk mitigation

The exposure before and after credit risk mitigation (CRM) associated with each credit quality step as at the year-end was as follows:

Table 8: Breakdown of credit risk exposures by Credit Quality Step ("CQS")

Credit Quality Step	Exposure values before credit risk mitigation $'000	Exposure values after credit risk mitigation $'000
CQS 1	40.493	35.850
CQS 2	798	627
CQS 3	6.667	5.217
CQS 4	1.335	1.173
CQS 5	21.474	17.650
CQS 6	25.041	22.221
unrated/N/A	8.156	8.018
Total	**103.964**	**90.756**

Table 9: Funded Credit Protection by Asset Class

Asset Classes	Total Funded Credit Protection Amount recognized $'000
Public sector entities	-
Institutions	7.804
Corporates	175
Retail	5.230
Items associated with particular high risk	-
Other Items	-
Total	**13.209**

As at the year end, the Company used the trading margin of its clients to reduce the counterparty credit risk arising from its open trades. The Company recognizes the funded credit protection (i.e. margin) as its credit protection for credit risk mitigation purposes.

The Company used the Comprehensive Method for Credit Risk Mitigation purposes.

Counterparty Credit Risk

The Company applies the Mark-to-Market Method to calculate its counterparty credit risk exposure with clients and hedging/liquidity providers.

The minimum capital requirement calculated for the open derivative positions of the Company as at 31/12/2015 is presented in the following table:

Table 10: Counterparty Credit risk

Type of Exposure	Positive Fair Value $‘000	Negative Fair Value $‘000	Nominal Value $‘000	Exposure Amount before CRM $‘000	Exposure Amount After CRM $‘000	Risk Weighted Assets $‘000	Capital Requirem. $‘000
FX CFD	10.449	2.104	901.080	19.460	13.326	8.591	687
Gold CFD	1.291	181	45.315	1.744	1.427	793	63
Commodity CFD	12.487	2.529	188.404	30.213	28.070	13.396	1.072
Equity CFD	6.065	524	182.263	17.001	12.386	6.321	506
Total	**30.292**	**5.338**	**1.317.062**	**68.418**	**55.209**	**29.101**	**2.328**

Wrong-way risk exposures

Wrong way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty i.e. changes in market rates (interest rates, FX or other rates which are the main underlying factors of the Company’s derivatives transactions) have an adverse impact on the probability of default of a counterparty.

This risk is not currently measured as it is not anticipated to be significant given the existence of cash collateral/margin for almost all derivative transactions, which significantly reduce counterparty credit risk.

Credit risk adjustments

The Company applies the past due and impaired exposures definition as per IFRS and CRR/CRDIV.

There were no past due exposures as at the reference date.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

As at 31 December 2015 the Company has recognised an impairment loss on trade receivables of $129 thousand.

Other Investments - Exposures in equities not included in the trading book

On 30 March 2015 the Company proceeded with the disposal of its 9% equity participation in STA Global Investments for $135 thousand. As a result, at 31 December 2015, the Company did not have any other investments.

Credit Valuation Adjustment (“CVA”) Risk

Basel III introduces an additional capital charge (“CVA”) on counterparty credit exposures relating to over-the-counter (“OTC”) derivative instruments other than those credit derivatives recognised to reduce risk-weighted exposure amounts for credit risk.

Securities Financing Transactions shall also be included in the CVA risk, if the Competent Authority determines that the institution’s CVA risk exposures arising from those transactions are material.

CVA risk is the risk of loss caused by changes in the credit spread of counterparty due to changes in its credit quality. CVA is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty which reflects the current market value of the credit risk of the counterparty to the institution

Basel III allows two main methods for the calculation of CVA risk; the Advanced Method and the Standardised Method.
The calculation of the CVA charge depends on the method used to determine the capital charge for Counterparty Credit Risk. Thus, the Company has opted to use the Standardised Approach.

Under the Standardised Method, the CVA capital requirement, for each counterparty, is calculated following the steps below:

- Calculate the discounted exposure at default and effective maturity of the transactions across the netting sets with the counterparty;
- Assign the appropriate weight to each counterparty depending on its credit rating;
- Calculate the capital requirement for CVA risk.

The minimum capital requirement calculated as at the reference date for CVA risk was $580 thousands.

4.2 Market Risk Management

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income or the value of its holdings of financial instruments.

The Company's exposure to market risk is mainly determined by the clients' open positions. The Company's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The exposure at each reporting date is therefore not considered representative of the market risk exposure faced by the Company over the year.

The most significant exposure of the Company is on the foreign exchange rate risk thus, a high risk group of clients has been established in order for their open positions in composite currencies to be closely monitored and for the Company to be able to determine the hedging strategy to be followed, if this is deemed necessary.

As at the reporting date, the currencies to which the Company has the highest exposure due to clients' trading activity is mainly on GBP, JPY, CNH, CAD and AUD.

The Company's products can be divided into two: those which relate to a liquid financial market in which it is normally easy for the Company to hedge and those for which there is not an easily accessible and cost-effective hedging mechanism.

The Company does not take proprietary positions based on an expectation of market movements. Proprietary positions, if any, are taken only for hedging purposes, in order for the Company to minimize the risk into which it is exposed as a result of its clients' open positions. The Company has a formal risk policy according to which it monitors on a continuous basis its exposure to market risk in order for the hedging strategy to be decided.

4.3 Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks outlined above. The directors are responsible for managing operational risk and have identified the following risks which are considered significant to the Company.

Technology

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component. Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilized. To remain competitive, the Company continues to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Regulation

The company is regulated by the Cyprus Securities and Exchange Commission and is also registered with a number of Regulatory authorities within the EU, such as the FCA. The Company's CFD and foreign exchange businesses are regulated in a number of jurisdictions. The regulatory environment is regularly changing and imposes significant demands on the resources of the Company. As the Company's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The increasing complexity of the Company's operations require training and recruitment be tailored to meet these regulatory demands and the costs of compliance are expected to increase.

4.4 Liquidity Risk Management

Liquidity risk is the risk that 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.

Positions can be closed at any time by clients and can also be closed by the Company, in accordance with the Company's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Company. When client positions are closed, corresponding positions relating to the hedged position are closed with brokers. Accordingly, the Company releases cash margin, which is repaid by brokers to the Company on demand.

The Company holds in separate accounts all the funds of its clients. Therefore the company considers liquidity risk to be significantly low.

5 Leverage ratio

The Basel III/CRD IV framework introduced a simple, transparent, non-risk based ratio to act as a credible supplementary measure to the risk-based capital requirements. This ratio is commonly known as "Leverage ratio".

Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio. It is noted that the final calibration, and any further adjustments to the definition, will be completed by 2017, with a view to migrating to a Pillar I minimum capital requirement on 1 January 2018. The Company calculates its leverage ratio on a quarterly basis.

The minimum requirement for the purposes of leverage ratio is currently assessed to 3%. The Company's leverage ratio as at the reference date is 30,68%.

The table below, provides a reconciliation of accounting assets and leverage ratio exposures.

Table 12: Reconciliation of accounting assets and leverage ratio exposures

	Applicable Amounts $'000
Total assets as per published financial statements	34.553
Adjustments for derivative financial instruments	38.126
Other adjustments	31.286
Total leverage ratio exposure	**103.964**

The table below provides a breakdown of the exposure measure by exposure type.

Table 13: Breakdown of the exposure measure by exposure type

	CRR leverage ratio exposures $'000
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	35.594
(Asset amounts deducted in determining Tier 1 capital)	(48)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	35.546
Derivative exposures	
Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	30.292
Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	38.126
Total derivative exposures	68.418
Securities financing transaction exposures	
Total securities financing transaction exposures	-
Other off-balance sheet exposures	
Other off-balance sheet exposures	-

Capital and total exposures	
Tier 1 capital	**31.899**
Total leverage ratio exposures	**103.964**
Leverage ratio	
Leverage ratio (%)	**30,68%**

The Table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class.

Table 14: Breakdown of total on balance sheet exposures

	CRR leverage ratio exposures $'000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**35.546**
Trading book exposures	-
Banking book exposures, of which:	35.546
Covered bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns	201
Institutions	23.997
Secures by mortgages of immovable properties	-
Retail exposures	-
Corporate	9.110
Exposures in default	-
Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)	2.238

Description of the processes used to manage the risk of excessive leverage

In order to manage the risk of excessive leverage, the Company monitors its leverage ratio at least on a quarterly basis and ensures that is always well above the current threshold of 3%.

Factors that had an impact on the leverage Ratio during the period

The leverage ratio of the Company over the financial year 2015 ranged between 30,71% to 39,86% with an average rate of 36,29%. Compared to the year end of 2014, the leverage ratio dropped from 41,31% to 30,71%. The reason of this fluctuation is mainly due to recognition of the profit for the period in CET1 capital (an amount of $4,8mln) with a parallel increase in open derivative position exposure amounts.

6 Remuneration Policy

When establishing and applying the total remuneration policies, the Company must comply with this section in a way and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of its activities. The Company must:

- Maintain a record of its staff in accordance with the general record-keeping requirements; and
- Take reasonable steps to ensure that its staff understands the implications of their status including the potential for remuneration which does not comply with certain requirements of the Directive to be rendered void and recoverable by the Company.

Further to the above, the following categories of staff, unless it is demonstrated that they have no material impact on the Company's risk profile, must be included as the remuneration eligible staff ("RES"):

- Executive Directors of the Company;
- Senior Management responsible for the day-to-day management;
- Personnel who directly report to the Board of Directors and/or Senior Management of the Company. Such as, the personnel responsible for heading significant business lines and departments;
- Staff responsible for independent control functions, such as senior staff responsible for heading the compliance, risk management, human resources, internal audit and similar functions. These staff members will have remuneration requirements that are specific to their category of staff;
- Other risk takers, such as staff members, whose professional activities can exert influence on the Company's risk profile, including persons capable of entering into contracts/positions and taking decisions that affect the risk positions of the Company;
- Additionally, if they have a material impact on the Company's risk profile, other employees/persons, whose total remuneration takes them into the same remuneration bracket as senior managers and risk takers must be included as the RES, such as high-earning staff members who are not already in the above categories and who have a material impact on the risk profile of the Company;
- 'Remuneration bracket' refers to the range of the total remuneration of each of the staff members in the senior manager and risk taker categories from the highest paid to the lowest paid in these categories. Any staff member, whose total remuneration would fall within that range, should be assessed. It is likely that in some cases, those staff members whose remuneration is as high as or higher than senior executives and risk takers will be exerting material influence on the Company's risk profile in some way.

Remuneration Committee

The Company maintains a Remuneration Committee which exercises competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

The Remuneration Committee is responsible for the decision-making regarding remuneration, including those which have implications for the risk and risk management of the Company. When preparing its decisions, the Remuneration Committee shall take into account the long-term interests of shareholders, investors and other stakeholders in the Company.

Composition

The Remuneration Committee shall be comprised of members of the supervisory function who do not perform executive functions in order to operate independently from senior executives and at least the majority of the non-executive members to qualify as independent. The chairperson of the Remuneration Committee should be an independent, non-executive member.

At least one member of the Remuneration Committee should have sufficient expertise and professional experience concerning risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Company's risk and capital profiles.

The Chief Executive Officer should not take part in the Remuneration Committee meetings which discuss and decide on his remuneration.

The Remuneration Committee responsibilities

The main duties and powers of the Remuneration Committee are as follows:

- Be responsible for the preparation of recommendations to the Company, regarding the remuneration of the members of the senior management as well as of the highest paid staff members in the Company, including those which have implications for the risk management of the Company;
- Review the appointment of external remuneration consultants that the board of directors may occasionally decide to engage for advice or support;
- Support the board of directors in overseeing the remuneration system's design and operation on behalf of the board of directors;
- Devote specific attention to the assessment of the mechanisms adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels as well as ensuring that the overall remuneration policy is consistent with the long-term sound and prudent management of the institution;
- Ensure the adequacy of information provided to shareholders on remuneration policies and practices, in particular on proposed higher maximum level of the ratio between fixed and variable remuneration;
- Check whether the existing remuneration policy is still up to date and, if necessary, make proposals for changes;
- Examine whether incentives provided through the remuneration policies and practices take into consideration the Company's risk, capital, liquidity and the likelihood and timing of earnings;

- Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used;
- Ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognized; and
- Oversee any changes in employee benefits structures throughout the Company or the group.

Procedures, Controls and Reporting lines

The Remuneration Committee should:

- Have access to all data and information concerning the decision-making process of the board of directors, on the remuneration system's design and implementation;
- Have unfettered access to all information and data from risk management and control functions. Such access should not hinder the Company's ordinary activities;
- Ensure the proper involvement of the internal control and other competent functions (e.g. human resources). The Remuneration Committee should collaborate with other committees whose activities may have an impact on the design and proper functioning of remuneration policy and practices (e.g. risk management committees and nomination committees);
- Provide adequate information to the board of directors and where appropriate, to the shareholders' meeting about the activities performed;
- Ensure that the Company in an accurate and timely manner discloses to the public the relevant information about the remuneration policy of the Company as per the requirements of the Directive; and;
- Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

The aggregate remuneration of the Company's personnel whose actions have a material impact on the risk profile of the Company for the year ended 31 December 2015, broken down by business area, is as follows:

Table 15: Aggregate Remuneration by Business Area

Business Functions	Number of beneficiaries	Aggregate quantitative information on remuneration $'000
Investment Services	2	97
Finance	2	95

Table 16 below provides information on the remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration.

Table 16: Aggregate Remuneration by Senior Management and Other Staff

Fixed and Variable Remuneration by Senior Management and Other Staff				
	No. of staff	**Fixed $'000**	**Variable $'000**	**Total $'000**
Senior Management & Executive Directors	3	133	0	**133**
Other members of staff whose actions have a material impact on the risk profile of the Company	1	59	0	**59**
Total	**4**	**192**	**0**	**192**

There were no non-cash remuneration benefits, no outstanding deferred remuneration and no sign-on or severance payments made during 2015.

Appendices

Appendix 1: Own Funds Disclosure

Table 17: Transitional and Fully Phased-in Definition of Own Funds

At 31 December 2015	Transitional Definition $'000	Full - phased in Definition $'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	19.267	19.267
Retained earnings	12.680	12.680
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	0	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**31.947**	**31.947**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(48)	(48)
Losses for the current financial year	0	0
Regulatory adjustments relating to unrealised gains and losses	0	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(48)**	**(48)**
Common Equity Tier 1 (CET1) capital	**31.899**	**31.899**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**31.899**	**31.899**
Tier 2 (T2) capital before regulatory adjustments	**0**	**0**
Tier 2 (T2) capital: regulatory adjustments	**0**	**0**
Tier 2 (T2) capital	**0**	**0**
Total capital (TC = T1 + T2)	**31.899**	**31.899**
Total risk weighted assets	**251.415**	**251.415**
Capital ratios		
Common Equity Tier 1	12,70%	12,70%
Tier 1	12,70%	12,70%
Total capital	12,70%	12,70%

Appendix II: Balance Sheet Reconciliation

Table 18: Balance sheet reconciliation with regulatory own funds calculation

Balance sheet Description	31 December 2015 $'000
Total Equity as per Audited Accounts	
Share capital	2.092
Share premium	17.175
Retained Earnings	12.680
Total Equity as per Balance Sheet	**31.947**
Regulatory Adjustments	
Intangible Assets	(48)
Regulatory Own Funds (CET1 Capital)	**31.899**