

Independent Limited Assurance Report to the Cyprus Securities and Exchange Commission in respect of TTCM Traders Trust Capital Markets Limited for the year ended 31 December 2016 in accordance with paragraph 32(1) of Part II of the Directive D1144-2014-14 of the Cyprus Securities and Exchange Commission for the Prudential Supervision of Investment Firms, pursuant to Part Eight of regulation (EU) No 575/2013.

1. We report in relation to the fair presentation of the disclosures of TTCM Traders Trust Capital Markets Limited (the "Company") for the year ended 31 December 2016, required by paragraph 32(1) of Part II of the Directive D1144-2014-14 of the Cyprus Securities and Exchange Commission for the Prudential Supervision of Investment Firms (the "Directive"), pursuant to Part Eight of regulation (EU) No 575/2013 (the "Disclosures"). The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialed 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 evidence-gathering procedures are more limited in scope in order to express a limited level of assurance in our conclusion than would be the case in a reasonable assurance engagement. 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 pursuant to Part Eight of regulation (EU) No 575/2013, 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 limited assurance 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.



Deloitte Limited is the Cyprus member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.com/about for a detailed description of the legal structure of DTTL.

Deloitte Limited as a private company, registered in Cyprus (Reg No 162812) Offices: ¹cos, a. umassol, Larnaca

Member of Deloitte Touche Tohmatsu Limited

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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 2016 are not fairly presented, in all material respects, in accordance with the requirements of the Directive.

Other matter

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 in accordance with paragraph 32(1) of Part II of the Directive, pursuant to Part Eight of regulation (EU) No 575/2013 and does not extend to any financial statements or other financial information of the Company.

Deloitte Limited

Deloitte Limited
Certified Public Accountants and Registered Auditors (Cyprus)

Limassol, 30 May 2017

PILLAR III DISCLOSURES 2016

TTCM TRADERS TRUST CAPITAL MARKETS LTD

May 2017

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Deloitte Limited

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1. INTRODUCTION

- 1.1. This '**Pillar 3 Disclosure and Market Discipline Report for the Year ended December 31, 2016**' (hereinafter this "**Pillar 3 Disclosure and Market Discipline Report 2016**" has been prepared by "**TTCM TRADERS TRUST CAPITAL MARKETS LIMITED**" (hereinafter the '**Company**').
- 1.2. The Company was incorporated in the Republic of Cyprus on the 1st of June 2009 as a limited liability Company under the Cyprus Companies Law, Cap. 113, through the Department of Registrar of Companies and Official Receiver in Nicosia (Certificate of Incorporation No. HE 250591). The Company's registered office is at 56 Theodorou Potamianou, Aphrodite Court, 4th Floor, 4155 K. Polemidia, Limassol.
- 1.3. The company is authorised and regulated as a Cyprus Investment Firm ("**CIF**") by the Cyprus Securities and Exchange Commission ("**CySEC**") (Licence No. CIF 107/09) and operates under the Markets in Financial Instruments Directive (*EU Directive 2004/39/EC*).
- 1.4. Details of the Company's licenses and authorization to provide the above-mentioned investment and ancillary services are provided by the Cyprus Securities and Exchange Commission ("**CySEC**") on the official CySEC website at the following URL: <http://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/37580/>.
- 1.5. The Company specialises in offering Contracts for Difference ("**CFDs**") on spot foreign exchange ("**FX**"), spot Metals, Oil and Indices through the Company's trading platform(s), *i.e.*, the MetaTrader4 Platform; a detailed overview of the financial products offered by the Company is available online at the following URL's: www.traders-trust.com www.tradingforex.com www.ttcmpartners.com; www.ttcminvestment.com; www.alumnuscapital.com

2. REGULATORY FRAMEWORK

- 2.1. **Directive 2013/36/EU (CRD IV) and Regulation 575/2013 (CRR)** came into force on 1 January 2015. **Regulation 575/2013 (CRR)** establishes the prudential requirements for capital, liquidity and leverage that financial institutions need to abide by and is immediately binding on all European Union Member States. **Directive 2013/36/EU (CRD IV)** governs access to deposit-taking activities, internal governance arrangements including remuneration, Board of Directors composition and transparency. Unlike **Regulation 575/2013 (CRR)**, **Directive 2013/36/EU (CRD IV)** must be transposed into national law and national regulators, such as the Cyprus Securities and Exchange Commission ("**CySEC**"), can impose additional capital buffer requirements. **Regulation 575/2013 (CRR)** introduces significant changes in the prudential and regulatory regime applicable to financial institutions, including amended minimum capital adequacy ratios, changes to the definition of capital, the calculation of risk-weighted assets and the introduction of new measures relating to leverage, liquidity and funding. **Regulation 575/2013 (CRR)** permits a transitional period for certain of the additional capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018.

- 2.2. The current regulatory framework comprises three pillars:

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- 111 **Pillar 1** covers the calculation of risk weighted assets for credit risk, counterparty risk, market risk and operational risk.
- 111 **Pillar 2** covers the Supervisory Review Process (*SREP*), which assesses the internal capital adequacy processes and provides for the monitoring and self-assessment of a financial institution's capital adequacy and internal processes.
- 111 **Pillar 3** covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.
- 2.3. With respect to Cyprus Investment Firms, the CRD IV package, consisting of the above-mentioned, **Directive 2013/36/EU (CRD IV)** and **Regulation No. 575/2013 (CRR)**, was implemented as follows :
- 111 The ***Cyprus Investment Services and Activities and Regulated Markets Law - Law144(1)/2007*** was amended by the ***Cyprus Investment Services and Activities and Regulated Markets (Amending) Law of 2015 (L.193(1)/2015)***, in order to accommodate a number of articles of ***Directive 2013/36/EU (CRD IV)***; the ***Cyprus Investment Services and Activities and Regulated Markets (Amending) Law of 2015 (L.193(1)/2015)*** entered into effect as of December 19, 2014, the date of its publication in the Official Gazette;
- 111 The Cyprus Securities and Exchange Commission ("**CySEC**") issued new ***Directives D/144-2014-14 for the prudential supervision of Investment Firm and D/144 -201 4-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013; Directive D/2015-144-15*** was published in the Official Gazette on December 19, 2014;
- 2.4. In line with the foregoing Pillar 3 disclosure requirements, the Company is required to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. The aim of these Pillar 3 disclosures is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key information on the Company's capital adequacy and risk assessment and control processes.
- 2.5. As previously indicated, these Pillar 3 disclosures are in addition to minimum capital requirements (**Pillar 1**), which establish the minimum capital requirements in respect of credit, market and operational risk exposures, and supervisory review process capital requirements (**Pillar 2**), which require the assessment of whether the Company's **Pillar 1** Capital is adequate to meet risk exposures and the calculation of the amount of capital that should be held against those exposures.
- 2.6. The present "**Pillar 3 Disclosure and Market Discipline Report 2016**" has been prepared on the basis of the CRD IV package, consisting of the above-mentioned, **Directive 2013/36/EU (CRD IV)** and **Regulation No. 575/2013 (CRR)**, as implemented in Cyprus law with effect as of December 19, 2014.

3. INTERPRETATION OF TERMS

3.1. Unless the context otherwise requires, capitalized words and expressions shall have the meanings assigned to them in the defined terms that are set forth in bold and italics hereinafter and throughout the body of this **'Pillar 3 Disclosure and Market Discipline Report 2016'**.

a. **'Board of Directors'**, when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean the Board of Directors of the Company during the year that ended on December 31st, 2016, which was comprised of the following members:

- 111 Mr. Miltos Varellintzis, Executive Director (part of 4-eyes);
- 111 Mr. Nicola Giuseppe Berardi, Executive Director (part of 4-eyes);
- 111 Mr. Spyridon Georgiou Independent Non-Executive Director
- 111 Mr. Evagoras Paphitis Independent Non-Executive Director

b. **'Client'**, when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean the **'Client'** as defined in the **'Client Agreement - Terms and Conditions'** published on the Company's website at the following URL's: www.traders-trust.com ; www.tradingforex.com www.ttcmpartraders.com ; www.ttcminvestment.com ; www.alumnuscapital.com

c. **'Company Employee'**, when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean an individual who entered into a contract with the Company as:

- 111 a permanent employee (full-time and/or part-time);
- 111 a contractor;
- 111 a secondee; or
- 111 an external consultant.

d. **'CRD IV package'**, when used in this **'Pillar 3 Disclosure and Market Discipline Report 2015'**, unless the context otherwise requires, shall mean **Directive 2013/36/EU (CRD IV)** and **Regulation No. 575/2013 (CRR)**, as implemented in Cyprus law with effect as of December 19, 2014, by the **Cyprus Investment Services and Activities and Regulated Markets (Amending) Law of 2015 (L.193(1)/2015)**, **CySEC's Directive DI144-2015-14 for the prudential supervision of Investment Firms** and **CySEC's Directive DI144-2015-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013;**

e. **'Material Non-Public Information'**, when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean information that is not in the public domain and if disclosed such information could have an impact on the price of the financial instrument involved. If Material Non-public Information is

disclosed to a reasonable investor this could determine his buying or selling behaviour. Material Non-public Information includes but is not limited to, information regarding:

- rn changes in the control or management;
- rn mergers, acquisitions, tender offers and restructurings;
- rn Client contracts ;
- rn Partner contracts;
- rn pending litigation;
- rn change in an issuer's credit rating by a rating agency;
- rn non-performing loans;
- rn imminent bankruptcy;
- rn changes in earnings and dividends (or estimates of same);
- rn securities offerings;
- rn changes in operating or financial circumstances, for example cash-flow reductions, major write-offs, changes in accounting methods; and
- rn developments that could affect the financial markets.

f. 'Need-to-know basis', when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean the basis on which confidential information is disclosed by a Company Employee to a recipient who requires such information in order to complete their duties and responsibilities; justification of disclosing confidential information does not exist simply because the information is helpful to the recipient.

g. 'Non-Public Information', when used in this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, shall mean information that is not in the public domain and is only deemed to be public once such information is announced or disseminated to investors in general.

3.2. In this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires, references to any legislative provision shall include such provision as from time to time amended, whether before, or on (in the case only of re-enactment or consolidation without substantive amendment) after the Effective Date, and shall be deemed to include provisions of earlier legislation which have been re-enacted (with or without modification) or replaced (directly or indirectly) by such provision, and shall further include all statutory instruments or orders from time to time made pursuant thereto.

3.3. In this **'Pillar 3 Disclosure and Market Discipline Report 2016'**, unless the context otherwise requires: (a) the masculine gender shall include the feminine and neuter and the singular number shall include the plural and vice versa; (b) references to Persons shall include individuals, bodies corporate, un-incorporated associations and partnerships; (c) the headings are inserted for convenience only and shall not affect the construction and interpretation of this **'Pillar 3 Disclosure and Market Discipline Report 2016'**; (d) references to recitals, clauses

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and any subdivisions thereof, unless a contrary intention appears, shall be to the recitals, clauses and subdivisions of this '**Pillar 3 Disclosure and Market Discipline Report 2016**'.

- 3.4. Unless the context otherwise requires, any reference in this '**Pillar 3 Disclosure and Market Discipline Report 2016**' to a "*document*" shall be construed to include any '*electronic*' document.
- 3.5. Where any form of the word "*including*" appears in this '**Pillar 3 Disclosure and Market Discipline Report 2016**', it will be interpreted as if followed by the phrase "*without limitation*", unless the context requires otherwise.
- 3.6. The words "*other*", "*including*" and "*in particular*" shall not be deemed to limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider interpretation is possible.

4. ABOUT THIS 'DISCLOSURE AND MARKET DISCIPLINE REPORT 2016'

A. REQUIRED DISCLOSURES

- 4.1. According to the CRD IV package, the Company is required to disclose through this '**Risk Management Report 2016**' (the '**Report**') information required under Pillar 3, as appropriate.
- 4.2. The Report sets out the measures taken by the Company for the proper management of its regulatory capital, in view of a number of financial risks to which the Company, due to its activities, is exposed. Such risks, which may directly impact the management of the Company's regulatory capital, may include, *inter alia*: (i) capital risk, (ii) market risk (including price risk, foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), (iii) credit risk, (iv) liquidity risk, (v) operational risk and (vi) other risks (collectively, the '**Risks**').
- 4.3. Please note that the Company is not a member of a group and so is not required to prepare consolidated reporting for prudential purposes; accordingly, any disclosures described herein apply to the Company on a stand-alone basis.

8. SCOPE AND APPLICATION OF THE DISCLOSURE REQUIREMENTS

- 4.4. The Company's disclosures are made in accordance with its size, internal organisation and the nature, scope and complexity of its activities.
- 4.5. The Company is permitted to omit required disclosures if it believes that the information is immaterial such that omission would be unlikely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions about the Company.
- 4.6. In addition, the Company may omit required disclosures where it believes that the information is regarded as proprietary or confidential. In the Company's view, proprietary information is that which, if it were shared, would undermine the Company's competitive position.

Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties .

- 4.7. The Company has made no omissions of disclosures on the grounds that they are immaterial , proprietary or confidential.
- 4.8. Furthermore, the Company may omit required disclosures where it believes that the information could be regarded as prejudicial to the national transposition of **Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.**
- 4.9. The Company has made no omissions on the grounds of data protection .

C. FREQUENCY OF DISCLOSURES

- 4.10. The Company publishes this Pillar 3 Disclosure and Market Discipline Report at least on an annual basis and ensures that it remains up-to-date, at all times. The external auditors of the Company, Deloitte limited, are commissioned to review the Company's Pillar 3 Disclosure and Market Discipline Reports on an annual basis.

D. PUBLICATION OF DISCLOSURES

- 4.11. The Company will make this Pillar 3 Disclosure and Market Discipline Report available on its websites at the following URLs: www.traders-trust.com ; www.tradinginfo.com ; www.ttcpartners.com ; www.ttcpartnersinvest.com ; www.alumnuscapital.com

5. THE INVESTMENT AND ANCILLARY SERVICES PROVIDED BY THE COMPANY

- 5.1. Under its **CySEC** license nr. CIF 107 /09, the Company is allowed to provide the following investment and ancillary services:

A. INVESTMENT SERVICES:

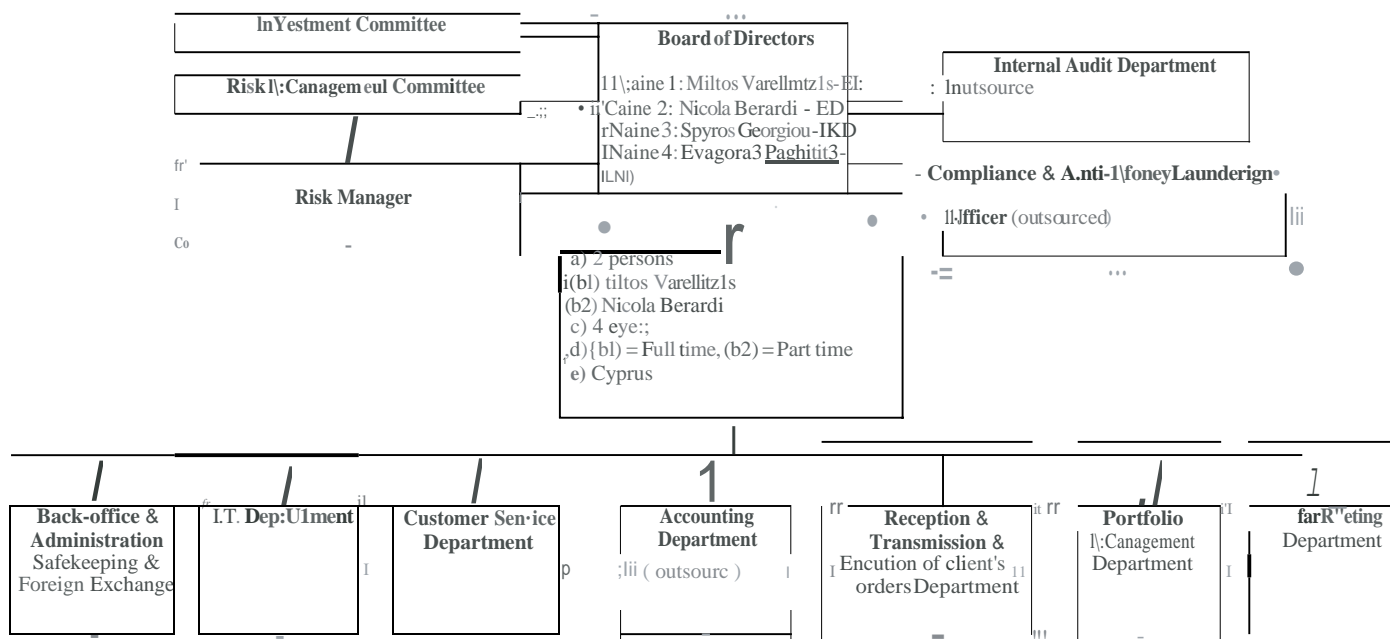
- 111 Reception and Transmission of Orders in relation to one or more financial instruments;
- 111 Execution of Orders on Behalf of Clients.
- 111 Portfolio Management.

B. ANCILLARY SERVICES

- 111 Safekeeping and administration of financial instruments, including custodianship and related services
- 111 Foreign exchange services where these are connected to the provision of investment services.
- 111 Investment research and financial analysis or other forms

6. THE COMPANY'S ORGANIZATIONAL STRUCTURE

The Company's current organizational structure is as follows:



7. RISK MANAGEMENT

A. BACKGROUND

- 7.1. Risk is a necessary part of doing business. The Company is committed to a business strategy that supports the proactive identification, assessment, measurement, management and reporting of risk, and uses risk information to enhance decision-making and develop appropriate mitigation strategies.
- 7.2. Risk does not always need to be eliminated, but it must be clearly understood to ensure that the risks taken are appropriate for the returns anticipated.
- 7.3. Risk is any internal or external factor which poses an actual or potential threat to the Company's ability to fulfil its purpose. Risk is characterized by uncertainty and is measured in terms of the impact of an event and likelihood of its occurrence.
- 7.4. The Company has a decentralised approach to risk management, and operate on a 'multiple lines of defence' basis. This ensures that day to day responsibility for risk management is at the

departmental level, where risk is seen as part of the overall business process and a robust framework of identification, evaluation, monitoring and control exists.

- 7.5. The *first line of defence* is the responsibility of the Senior Management of the Company, those who take risks in the day to day operations of the Company. This includes daily risk management at the operational level, based on the current procedures, controls, agreed risk policies and risk appetite.
- 7.6. The *second line of defence* is those who have responsibility for the oversight of risks and provide guidance on risk management. Support Departments such as Risk Management, Compliance, Legal Services, Information Technology, Information Security and Business Continuity, Human Resources.
- 7.7. The *third line of defence* is the independent review and validation to the Board of Directors and the Senior Management of the effectiveness of the operational risk management procedures. This is the responsibility of the Company's Internal Auditors (or other external bodies).
- 7.8. All three lines of defence report to the Board of Directors, so in a sense, the *fourth line of defence* is the Board of Directors.

B. INTERNAL CONTROL AND RISK MANAGEMENT

- 7.9. The Company has established a number of risk management processes in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business.
- 7.10. The Company's Board of Directors is responsible for determining the Company's risk appetite and for ensuring that the Company's risk management processes is appropriate and operating effectively. Day to day management of risk is delegated to the Executive members of the Board who effectively are the Company's Senior Management Team responsible for overseeing the Company's Risk and Compliance systems and controls.
- 7.11. As such, the Company's Senior Management Team also takes overall responsibility for the implementation and enforcement of Company's risk management processes and risk principles, and for ensuring that any risks arising in the Company's business operations are in line with the fundamental risk appetite of the Company.
- 7.12. The Company's Senior Management Team meets on a regular basis to discuss current projections for profitability, cash flow, business planning and risk management. The Company's Senior Management Team engages in the management of the Company's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles and rules (including **CySEC** principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.
- 7.13. The Company's Senior Management Team has identified that business, operational, market and credit are the main areas of risk to which the Company is exposed. Annually the Company's Senior Management team formally review their risks, controls and other risk mitigation arrangements and assess their effectiveness.

- 7.14. Management accounts demonstrate continued adequacy of the Company's regulatory capital and are reviewed on a regular basis.
- 7.15. Appropriate action is taken where risks are identified which fall outside of the Company's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Company's mitigating controls.
- 7.16. This is an on-going process for identifying, evaluating and managing the significant risks faced by the Company.
- 7.17. It should be noted, however, that the Company's system of internal controls is designed to manage rather than eliminate the risk. As such it can provide only reasonable, but no absolute assurance against material misstatement or losses.
- 7.18. The effectiveness of the Company's system of internal controls is reviewed at least annually by the Board of Directors in order to safeguard the Company's assets as well as clients' and shareholders' interests. For 2016, this review covered all material controls including financial, operational and compliance controls and risk management systems.

C. RISK APPETITE CONCEPT AND FRAMEWORK

- 7.19. The risk appetite of the Company represents the types and degree of risk that it is willing to accept for its stakeholders.
- 7.20. Fundamentally it guides the Company's risk culture and sets out quantitative and qualitative boundaries on risk-taking activities which apply Companywide.
- 7.21. The Board of Directors has the responsibility for sanctioning the risk management policies and procedures and for determining the Company's risk appetite.
- 7.22. The Board of Directors is of the view that a well-articulated risk appetite is important in giving the Company's stakeholders a clear expectation as to how the Company will operate from a risk taking perspective.
- 7.23. This expectation is defined by a number of principles and metrics which are aligned to the Board of Directors' risk philosophy and sets minimum standards for shareholder value allowing for capital resilience, debt rating, funding, asset/ liability management, liquidity, profit volatility and risks to which the Company is intolerant.
- 7.24. Risk Appetite is dynamic in nature and is reviewed on a regular basis in conjunction with the Company's strategic plans and business actions. The validation of strategic plans against the risk appetite ensures that the assessment of the adequacy of capital and contingent capital plans into the future are also aligned with the Risk Appetite. This interaction with strategy is central to a consistent approach to risk and strategic management across the Company, creating transparency over risk management and strategy decisions and, in turn, promoting a strong risk culture.
- 7.25. A Risk Appetite Framework has been established which includes the key elements of risk appetite, namely the Board of Directors approved Risk Appetite and the related Risk Policies

and Risk Tolerances, as well as the interaction of these elements with other key processes within the organisation. The framework is illustrated further below.

D. RISK APPETITE

- 7.26. The Company's Risk Appetite establishes the philosophy and the high-level boundaries for risk-taking activities across the Company. Risk Policies and Tolerances give more specific guidance/limits for particular risks, providing clarity for management in making day-to-day risk-return decisions.
- 7.27. The Company has taken the approach to be risk adverse and the Company takes reasonable steps to manage its risks. This is reflected in the Company's low appetite for taking on risk in any of its activities. Risks to income generating capability are mitigated wherever possible and measures against actual and potential operating risks are taken where its Directors judge the benefit or the potential of the mitigation to exceed the costs of the mitigating controls.
- 7.28. The same low tolerance to risk is reflected on the cost side of the business with minimal long term cost commitments. The Company has little to no tolerance for engaging in activity that adversely influences its risk profile. All risks of any significance are identified, assessed and controlled on an on-going basis.
- 7.29. Supporting this culture, the Company will:
- III operate responsibly; meet the financial service needs of its customers, provide excellent customer service and maintain impeccable professional standards and business ethics;
 - III make business decisions only after careful consideration of risk;
 - III understand the risks it takes on; increasing exposure to new strategic initiatives/products only as sufficient experience and insight is gained;
 - III exercise disciplined moderation in risk taking;
 - III underpinned with strength in capital, funding and liquidity;
 - III diligently strive to protect and enhance its reputation whilst being intolerant of regulatory and compliance breaches or risks associated with its people;
 - III maintain a control environment that, within practical constraints, minimises risks; and
 - III promote a culture aimed at the achievement of best practice in the recognition, assessment, management and pricing of risk.
- 7.30. In conjunction with its risk culture and boundaries, the Company also requires operational and compliance risks to be kept at low absolute levels. The specific appetite for each risk type is implemented and enforced by an extensive set of codified specific limits, controls, delegations and governance processes.

7.31. From a strategic perspective, extensive planning processes, conducted at least annually, are used to reassess the Company's views on strategic initiatives, assess potential changes in the business environment, identify emerging risks for the Company and provide an understanding of the trade-offs being made between risk and potential returns. The insights provided are central to the concurrent review of the Company's Risk Appetite.

E. RISK POLICIES, TOLERANCE & MANAGEMENT

7.32. Risks that are readily quantifiable, such as credit, market and liquidity risks have their risk profiles restricted by limits.

7.33. Other significant risk categories are not managed in terms of defined financial limits, but via comprehensive qualitative management standards and procedures.

7.34. Tolerances are designed to be practical, relevant and capable of being aggregated across the Company. Some tolerances are explicitly contained in Risk Policies.

7.35. The principal risk types, their relevant governing policies and how they support risk appetite, as well as management of each risk type, are outlined further below.

F. BUSINESS CONTINUITY AND DISASTER RECOVERY

7.36. Business Continuity Management ("BCM") involves the development, maintenance and testing of advance action plans to respond to threats that have the potential to impact operations. BCM ensures that business processes continue with minimal adverse impact on customers, staff, products, services and brands.

7.37. BCM constitutes an essential component of the Company's risk management process by providing a controlled response to business disruption events that could have a significant impact on the Company's critical processes and revenue streams. It includes both cost-effective responses to mitigate the impact of risk events or disasters and crisis management plans to respond to crisis events.

7.38. In order to mitigate potential risks and reduce the impact of potential issues in the event that the operability of designated IT systems and applications in the Company's data/operations centre facility need to be restored at an alternate location following an incident (or within the existing facilities of the Company, if they are useable), the Company's IT department has developed and implemented an **'IT Disaster Recovery Plan' (the "ITDRP")** that provides for the ability to recover from situations including, but not limited to: unplanned evacuations; power outages; major water leaks; fire, loss of water/sewer service; severe weather; and any facilities failures that may cause functional interruptions of the Company's computer software and hardware.

7.39. As such, the Company's ITDRP is designed to account for business interruptions of various lengths and scopes and requires that the IT Department is able to recover critical functions according to their time criticality.

7.40. As part of the ITDRP, each critical IT function has a designated leader responsible for preparing and testing its recovery script(s) and each critical IT function has established operational guidelines and procedures for disaster recovery to address identified scenarios.

- 7.41. Furthermore, the Company has developed and implemented a comprehensive 'Business Continuity Plan' (the 'SCP') that will be put in motion in case of a physical or other disaster so that (i) the operation of the Company and the provision of investment and ancillary services remain unaffected to all Clients and (ii) any of the Company's obligations to other institutions, including banking institutions and liquidity providers, are appropriately met.
- 7.42. Under the BCP, key personnel and management shall physically relocate and carry out business, as normal. The BCP centre is appropriately equipped in order for the Company to maintain its competitive advantage and systems integrity, including, but not limited to, internet connectivity from multiple service providers, in case a disaster occurs. According the BCP, the Company's IT department is equipped with a fast, secure and stable telephony and network connectivity and has extended provisions for power supply to prevent loss of services during any power outages. The BCP documentation is up-dated regularly in order to reflect the on-going improvements and changes to the Company's business processes and requirements. In addition, the BCP documentation includes the putting into operation of emergency test scenarios on a regular basis; such test scenarios make it easier for Company Employees to understand the steps to be followed once a BCP is put into motion.
- 7.43. The Management and specifically the Company's in-house IT Department are monitoring and taking all necessary steps for the smooth and uninterrupted operation of the Company's IT and communication systems and to ensure that, in case of a physical or other disaster so that (i) the operation of the Company and the provision of investment and ancillary services remain unaffected to all Clients and (ii) any of the Company's obligations to other institutions, including banking institutions and liquidity providers, are appropriately met.

8. RISK MANAGEMENT FUNCTIONS

- 8.1. The risk management functions within the Company are exercised, respectively, by the Risk Management Committee, the Board of Directors and the '*four eyes*'.

A. THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee is responsible for (i) monitoring, at all times, the risk exposure(s) of the Company, and (ii) assisting the Board of Directors in:

111 assessing and managing the Risks;

111 ensuring the adequacy and effectiveness of controls in place for managing the Risks ;

111 reviewing the applicable risk limits and recommending amendments, if required, to the Board of Directors; and

111 addressing control failures and suggesting remedial action.

The Risk Management Committee reports directly to the Board of Directors; for the year ended on the 31st of December 2016, the Risk Management Committee was comprised of:

111 Mr. Milos Varellintzis, Executive Director (part of 4-eyes);

Mr. Nicola Giuseppe Berardi, Executive Director (part of 4-eyes); _____

Mr. Albena Angelova, Head of the Reception and Transmission and Execution of Orders Department;

The Risk Management Committee:

meets as often as it determines, but not less frequently than annually;

extraordinary meetings can be called by any member of the Risk Management Committee and the Head of the Risk Management department.

Minutes of all meetings are kept in writing and on file by the Executive Directors of the Company who are responsible to inform the Board of Directors about the activities of the Risk Management Committee.

The Risk Management Committee is responsible for the following:

scrutinize and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company;

develop an internal risk management framework and arrange for its integration with the Company's decision making process, covering the whole spectrum of the Company's activities and units. In particular 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 must ensure that all parties involved in the provision of investment services are aware of the particular features of each investment service, financial instrument, and risk inherent in the provision of the services;

monitor and control the Risk Management department in the performance and effectiveness of its duties;

assess the reports submitted to it by the Head of the Risk Management department and informing the Board of the most important risks which have been assumed by the Company;

assess on an annual basis the adequacy and effectiveness of the risk management policy and the appropriateness of the risk limits which have been set, the adequacy of provisions and the overall capital adequacy of own funds in relation to the size and nature of the risks undertaken; this assessment should be based on the annual report submitted to it by the Head of the Risk Management department;

submit to the Board of proposals and recommendations for corrective action, whenever weaknesses are identified in implementing the risk management strategy;

review and approve the Risk Management Policy prepared by the Head of the Risk Management department;

supervise the risk exposure of the Company as regards the provision of the following:

Services (*i.e.* per Investment Service, Client, Financial Instruments etc.),

IZI establish guidelines regarding the amount of information provided to Clients with respect to the nature and risks of financial instruments according to the Client classification,

IZI approve the Company's Disaster Recovery Plan;

IZI monitor and identify significant abrupt changes in the Company's financial figures, procedures and personnel;

IZI monitor and identify the causes of significant deviations between projections and corporate end results;

IZI before expanding to new investment services or new financial instruments, will review relevant report(s) from the Head of the Risk Management Department and assess the risk involved in those investment services or new financial instruments.

B. THE BOARD OF DIRECTORS

The members of the Board of Directors jointly oversee the activities of the Company and have the overall responsibility for the following:

IZI the proper implementation of the relevant Laws and regulations;

IZI formulate the Company's business strategy in terms of the development of existing and new services and the Company's presence in the local and international financial markets;

IZI govern the organization by broad policies and objectives, formulated and agreed upon by the chief executive and employees;

IZI ensure that sufficient resources are available to the Company to carry out its operations;

IZI appoint the Anti-Money Laundering Compliance Officer (AMLCO) and define his/her duties and responsibilities;

IZI define, record and approve the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing;

IZI notify the Company's policy for the prevention of money laundering and terrorist financing to the AMLCO;

IZI approve the Company's risk management and procedures manual for the prevention of money laundering and terrorist financing that is prepared by the AMLCO;

IZI assure that the AMLCO and any other person who has been assigned with the duty of implementing the procedures for the prevention of money laundering and terrorist financing, have complete and timely access to all data and information concerning customers' identity, transactions' documents and other relevant files and information maintained by the Company so as to be fully facilitated in the effective execution of their duties;

- III ensure that all personnel have been informed of the appointment of the AMLCO to whom they should report their suspicious for Money Laundering and Terrorist Financing;
- III establish a clear and quick reporting chain for transmission of information to the AMLCO;
- III ensure that the AMLCO has sufficient resources, including competent staff and technological equipment, for the effective discharge of his duties;
- III assessment of the Anti-Money Laundering Compliance function;
- III assessment and approval of the annual report of the AMLCO and take any necessary action to remedy deficiencies identified in it, in a timely manner;
- III assessment of the internal Audit Department's members and for the efficiency of the mechanisms of internal controls;
- III assessment of the Compliance function;
- III evaluation and adoption of strategies to improve the operation of the internal audit mechanisms;
- III review on a frequent basis, and at least annually, written reports regarding Compliance, Risk Management and Internal Audit issues and take any necessary action to remedy deficiencies identified in it, in a timely manner;
- III approve the Company's financial statements;
- III review the suitability reports prepared by the Company's auditors;
- III approve the Company's Investment Policy.

The composition of the Board of Directors of the Company during the year 2016 is set forth in **Section 3.1.a** of this Report.

C. THE "FOUR EYES" OF THE COMPANY

The "*Four Eyes*" of the Company are responsible to apply risk management and ensure compliance with the Company's policy and internal regulations.

During the year ended on 31st of December, 2016, the '*Four Eyes*' of the company, whom are to apply risk management and ensure compliance with the Company's policy and internal regulations, were the following:

- I1I Mr. Miltos Varellintzis, Executive Director (part of 4-eyes);
- I1I Mr. Nicola Giuseppe Berar di, Executive Director (part of 4-eyes);

Among others, the '*Four Eyes*' responsibilities include the general management of the operations of the Company in an orderly and efficient manner, in accordance with the Company's Internal Procedures Manual, as well as the strategy formulation of the Company within the parameters of the relevant law and regulations.

The major duties and responsibilities of the "Four Eyes" include , *inter alia*:

111 formulation and implementation of the corporate strategy of the Company;

111 general management of the Company;

111 overall supervision that the Company's policies, arrangements and procedures put in place to comply with the obligations under the Law and the Directives are implemented and followed; reviewing of the effectiveness of the above and in case of deficiencies taking appropriate measures;

111 human resource management, including staff training and development;

111 overall supervision to ensure that the conflict of interest policies and procedures are followed by all members of staff;

111 overall supervision to ensure that Anti-Money Laundering policies and procedures are followed by all members of staff;

111 overall supervision to ensure that the Company maintains an adequate system of internal controls;

111 ensuring that the targets and strategic policy objectives of the Company are adequately determined and communicated to all members of staff ;

111 preparation and presentation to the rest of the Board of Directors, all financial and business reports;

111 liaising with the relevant authorities regarding the operations of the Company;

111 updating the staff of any changes in the legislation regulations and the Company's Internal Procedures Manual, which each staff member receives and undertakes to study together with the Company's Code of Business Conduct;

111 determination, evaluation and efficient management of the risks inherent in the provision of the investment services;

111 ensuring that adequate policies and procedures, to detect any risk of failure by the Company to comply with its obligations under the Law, as well as the associated risks, have been established , implemented and are maintained; for these purposes, the Company will take into account the nature, scale and complexity of the business of the Company, and the nature and range of investment services and activities undertaken in the course of that business.

9. CAPITAL REQUIREMENTS

9.1. The Company is exposed to capital risk; the legal and regulatory framework under which the Company operated during the year 2016 stipulates that the Company's 'own funds' must in no event fall below the level of initial capital that is set forth in **Sections 10 and 67 of the Cyprus Investment Services and Activities and Regulated Markets Law 144(1)/2007 of 26 October 2007** (as amended) (hereinafter the "**Cyprus Investment Services and Activities and Regulated Markets Law**") and the applicable Directives of the Cyprus Securities and Exchange Commission ("**CySEC**") implementing the CRD IV package into Cyprus law.

9.2. According to section 67 (2) of the **Cyprus Investment Services and Activities and Regulated Markets Law (as amended)**, the Company's 'eligible capital/eligible own funds' must in no case fall below the level of initial capital as provided in section 10 of the **Cyprus Investment Services and Activities and Regulated Markets Law** and the applicable Directives of the Cyprus Securities and Exchange Commission ("**CySEC**") implementing the CRD IV package into Cyprus law.

9.3. Pursuant to **Article 97 {1} of Regulation No. 575/2013 (CRR)**, the Company must at all times hold 'eligible capital/eligible own funds' equal to at least one quarter of the fixed overheads of the preceding year.

9.4. In accordance with to **Article 97 {1} of Regulation No. 575/2013 {CRR}**, as at the 31st of December 2016, the Company held total 'eligible capital/eligible own funds' equal to at least one quarter of the Company's fixed overheads of the preceding year.

9.5. Furthermore, according to **Article 92 of Regulation No. 575/2013 {CRR} and the Cyprus Investment Services and Activities and Regulated Markets Law** (as amended) and the applicable Directives of the Cyprus Securities and Exchange Commission ("**CySEC**") implementing the CRD IV package into Cyprus law, the Company must at all times satisfy the following 'own funds' requirements:

<i>CET1 Capital ratio</i>	4.5%
<i>T1 Capital ratio</i>	6.0%
<i>Total capital ratio</i>	8.0%

9.6. The Company aims (i) at maintaining, at all times, a higher capital adequacy ratio compared to the required minima set out above, and (ii) at maintaining its 'eligible capital/eligible own funds', at all times, above the level that is set forth in the **Cyprus Investment Services and Activities and Regulated Markets Law (as amended)** and the applicable Directives of the Cyprus Securities and Exchange Commission ("**CySEC**") implementing the CRD IV package into Cyprus law.

9.7. During the year 2016, the Company successfully submitting to CySEC, on a quarterly basis, its capital adequacy ratio.

9.8. The objectives of the Company, when managing its capital are: (i) safeguarding the Company's ability to continue as a going concern and (ii) maintaining an optimal capital structure in order to reduce the cost of capital.

- 9.9. The Company did not have losses compared to the previous years, the Board of Directors considers the Company's developments to date and its financial results and position, as presented in the financial statements, to be satisfactory and will continue making efforts to enhance the Company's operating results.
- 9.10. The industry in which the Company is operating remains very competitive and the Company will continue to face significant competition from other companies in all aspects of its business. The Company's competitors are larger in size, well established, international in scope and have significant financial resources that permit them to develop new products, modify existing products, use proprietary software and trading platforms and market their products aggressively and on a global basis. Competition is based mainly on pricing, quality of product and efficiency of customer support and execution. The increased competition will inevitably have an effect on the Company's future sales, cash flow and financial condition.
- 9.11. In order to manage its capital risk, the Company will continue actively to monitor its capital adequacy ratio, so as to ensure that (i) it maintains, at all times, a higher capital adequacy ratio compared to the required minimum, and that (ii) it maintains its eligible capital/eligible own funds, at all times, above the level that is set forth in the **Cyprus Investment Services and Activities and Regulated Markets law (as amended)** and the applicable Directives of the Cyprus Securities and Exchange Commission ("**CySEC**") implementing the CRD IV package into Cyprus law.

CREDIT EXPOSURE TO FINANCIAL INSTITUTIONS, PUBLIC SECTOR ENTITIES, INSTITUTIONS AND CORPORATES

- 9.12 Credit (or Counterparty) risk is the risk of loss, which the Company may incur if the Company's counterparty in a transaction fails to perform its contractual obligations and, therefore, defaults. Credit Risk arises when such a failure by counterparty to perform its contractual obligations could reduce the Company's amount of future cash inflows from financial assets at the reporting date.
- 9.13. The Company's credit risk mainly arises from (i) the Company's deposits with financial institutions (including banking institutions) , (ii) the Client's credit exposure arising from open trading positions and (iii) outstanding receivables.
- 9.14. **The Company uses the Standardized Approach (SA) for measuring Credit Risk.** Any credit risk, to which the Company may be exposed in the ordinary course of business, is monitored through various control mechanisms.
- 9.15. The Company has concentration of credit risk with respect to cash held by credit institutions. The Company monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution .
- 9.16. As at the 31st of December 2016, the Company's risk weighted exposure amounts for credit risks, counterparty credit risks, dilution risks and free deliveries was as set forth in the **CAPITAL ADEQUACY TABLE** below.
- 9.17. The Company's Board of Directors is of the opinion that the Company's Pillar 1 capital is adequate to address the credit risks, counterparty credit risks, dilution risks identified above,

and to cover the additional capital that would be required if additional credit risks, counterparty credit risks and/or dilution risks were to arise.

- 9.18. The Company operates as an investment firm with primary activity the provision of services relating to foreign currencies trading. To render such services to the clients the Company holds clients' cash with banks, e-wallets, brokerage companies and liquidity providers or financial institutions.
- 9.19. Client funds are held within segregated client money bank accounts. The funds in these accounts are held in trust for the Company's clients and there is no right of offset between the Company's funds and the clients' funds. The Company ensures on an ongoing basis that all available client funds are directly placed into the client money bank accounts.
- 9.20. Client funds are deposited in client money bank accounts, which are held at reputable banks. In accordance with CySEC rules, the Company exercises all due skill, care and diligence in its selection and appointment of banks with which it holds client money bank accounts. The Company conducts periodic reviews to ensure that the banks with which these accounts are held continue to meet the Company's selection criteria. The Company also endeavours to reduce exposure to the credit risk of these banks by spreading the value of client funds, where practicable, between the banks at which it holds client money bank accounts.
- 9.21. Due to its operations described herein, the Company also maintains accounts with a number of liquidity providers, which are mainly based in the European Union.
- 9.22. In order to manage its credit risk, the Company accepts as counterparty, for the purposes of depositing Client funds, only liquidity providers, which the Company internally assesses as financially stable and which are subject to regulatory supervision by central banks/financial regulators in the European and other jurisdictions where they are located.

EXPOSURE BY SIGNIFICANT GEOGRAPHICAL LOCATION

- 9.23. Due to its operations described herein and the fact that the Company maintains accounts with a number of liquidity providers, which are mainly based in the European Union, United Arab Emirates, New Zealand and Switzerland and reputable banking institutions, which are based in Cyprus and Germany; as such, the Company is exposed to a certain extent to the financial situation in Europe and worldwide.

MITIGATION OF CREDIT RISK

- 9.24. In order to manage its credit risk, the Company accepts as counterparty, for the purposes of depositing Client funds, only financial institutions and liquidity providers, which the Company internally assesses as financially stable; in order to diversify its exposure, the Company maintains accounts with a number of liquidity providers that are mainly based in the European Union and with a number of European based banking institutions, which the Company internally assesses as financially stable, and which are subject to regulatory supervision by central banks/financial regulators in the European jurisdictions where they are located.
- 9.25. Furthermore, the Company strictly adheres to its policies on holding Client funds, in that all Client funds are at all times held in segregated Client accounts, separated from Company's funds, meaning that once received, Client funds are deposited by the Company on the Clients' behalf;

all of these segregated Client accounts are held by the Company in a fiduciary capacity and Client funds deposited are not recognised in the Company's financial statements as assets or liabilities (instead Client funds are disclosed in separate note in the Company's financial statements clearly marked as fiduciary).

9.26. Furthermore, the Company:

- a. assesses the credit quality of its counterparties taking into account their financial position, past experience and other related factors (if there is no independent credit rating by a rating agency);
- b. ensures that Clients fund their accounts prior to the commencement of trading in financial instruments;
- c. provides no credit facilities to Clients; and
- d. monitors all trading accounts through an automated process that highlights trading accounts approaching or entering into a Margin Call and Stop-out.

CAPITAL LOSS AND 'NEGATIVE BALANCE PROTECTION'

9.27. CFDs, which are leveraged products, can result in the loss of all of the Client's invested capital. The Company does, however, operate on the basis of a 'negative balance protection', which means that the Client cannot lose more than his/ her initial investment and assume an open-ended liability.

9.28. If, as described in the 'Margin Call and Stop-out' section on the Company's website(s), a Client's trading account enters into a Stop-out the Company is fully responsible for covering any negative balance incurred due to the Client's trading activity and protect him/her at no cost; this may expose the Company to a certain degree of credit.

USE OF EXTERNAL CREDIT ASSESSMENT INSTITUTIONS (ECAIS) AND EXPERT CREDIT AGENCIES (ECAS)

9.29. The Company uses external ratings (where available) from eligible External Credit Assessment Institutions (ECAIs) and Expert Credit Agencies (ECAs) (*Moodys*) to supplement its internal assessment during the process of determining the credit **risk** of counterparties.

9.30. The Company uses the credit risk assessment ratings provided by such External Credit Assessment Institutions (ECAIs) and Expert Credit Agencies (ECAs) in order to determine risk weighted exposures.

'PAST DUE' AND 'IMPAIRED' RECEIVABLES

9.31. A provision for impairment of trade and other current receivables is established whenever there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

9.32. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired.

9.33. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

9.34. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade or other current receivable is uncollectible, it is written off against the allowance account for the current receivables.

9.35 CAPITAL ADEQUACY TABLE

Label	Amount in thousands
OWN FUNDS	
COMMON EQUITY TIER 1 CAPITAL	372
ADDITIONAL TIER 1 CAPITAL	0
TIER 1 CAPITAL	372
TIER 2 CAPITAL	0
TOTAL OWN FUNDS	372
TOTAL ELIGIBLE CAPITAL (Notes 1 & 2)	372
RISK WEIGHTED EXPOSURES	
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	1019
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	0
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	204
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	0
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	702
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0
TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	0
OTHER RISK EXPOSURE AMOUNTS	0
TOTAL RISK EXPOSURE AMOUNT	1,926
CET1 Capital ratio	<u>19.29%</u>
TI Capital ratio	<u>19.29%</u>
Total capital ratio	<u>19.29%</u>

The Company, being a Cyprus Investment Firm (CIF), is subject to the relevant laws and directives, which provide for the provision of Investment Services, the exercise of Investment Activities, the operation of Regulated Markets and other related matters. The above law governs the Company's obligations with regards to:

- a) what constitutes a CIF's capital base and the method of its computation,
- b) what constitutes a capital adequacy ratio, the manner of its computation as well as the minimum level of adequacy ratio which should be maintained by CIFs,
- c) the minimum capital requirements which CIFs should maintain.

Computation of Capital Base

The capital base consists of original own funds plus additional own funds less deductions:

- i) Original own funds comprise of ordinary share capital issued and fully paid, share premium, reserves with the exception of revaluation reserves, and minority interests less goodwill and other intangible assets.
- ii) Additional own funds comprise of revaluation reserves, hybrid capital instruments, fixed term cumulative preference shares, subordinated term loan capital with a minimum original term of maturity of over five years, general provisions for bad debts and minority interest arising from participations in additional own funds.
- iii) Deductions from total capital include illiquid financial assets.

Capital Adequacy Ratio

The capital adequacy ratio expresses the capital base, as this is defined above, as a proportion of the total of risk weighted assets and off balance sheet items.

9.36 Exposure Value and Minimum Capital Requirements (€'000)

Exposure Class	Total Exposure Value	Risk Weighted Exposure
Institutions	418	627
Corporates	94	94
Other	297	297
Total	809	1019

9.37. Furthermore, the Company:

assesses the credit quality of its counterparties taking into account their financial position, past experience and other related factors (if there is no independent credit rating by a rating agency);

ensures that Clients fund their accounts prior to the commencement of trading in financial instruments;

provides no credit facilities to Clients; and

monitors all trading accounts through an automated process that highlights trading accounts approaching or entering into a Margin Call and Stop-out.

10. FINANCIAL RISK MANAGEMENT

10.1. The Company may be exposed to Investment Risks resulting from variations in the return/value of financial assets in response to, or in association with, changes/fluctuations in the overall financial markets.

10.2. **The Company uses the Standardized Approach for measuring Investment Risks.** Any Investment Risks, to which the Company may be exposed in the ordinary course of business, is monitored through various control mechanisms.

10.3. The most significant Investment Risks to which the Company may be exposed include the following:

a. Market Risk: Market Risk reflects the extent to which the return / value of the financial asset varies in response to, or in association with, variations in the overall market

returns/prices. Systematic risks are uncertain events that affect the entire securities market and the entire economy.

As the Company operates on the basis of the Straight Through Processing (STP) model of execution, it is not exposed to Market Risk in regard to any trading activities performed on its trading platform(s), due to the fact that any transactions entered into by the Company's clients through its trading platform(s) are directly placed/passed on by the Company to its liquidity providers. The Company will then find the appropriate liquidity provider and ask the liquidity provider to execute the transaction. The Company earns profits through the fixed commission charged to its clients for the single trading. As such, the Company is not a counterparty to the derivatives transaction entered into by its clients. Accordingly, the Company is not exposed to Market Risk as it does not hold any marketable financial instruments.

- b. Interest Risk:** Interest Risk reflects the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

The Company's income and operating cash flows are substantially independent of changes in market interest rates, as the Company has only current interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

- c. Price Risk:** Price Risk arises from daily fluctuations in foreign currencies, commodities, precious metals and equity securities due to the open position on CFDs held by Clients trading on the Company's trading platform(s).

As the Company operates on the basis of the Straight Through Processing (STP) model of execution, it is not exposed to Market Risk in regard to any trading activities performed on its trading platform(s), due to the fact that any transactions entered into by the Company's clients through its trading platform(s) are directly placed/passed on by the Company to its liquidity providers. The Company will then find the appropriate liquidity provider and ask the liquidity provider to execute the transaction. The Company earns profits through the fixed commission charged to its clients for the single trading. As such, the Company is not a counterparty to the derivatives transaction entered into by its clients. Accordingly, the Company is not exposed to Price Risk as it does not hold any marketable financial instruments.

- d. Cash Flow and Fair Value Interest Rate Risk:** Cash Flow and Fair Value Interest Rate Risk arises from trading activities and from the interest rate changes that occur in relation to trading positions that remain open overnight. In addition, cash flow and fair value interest rate risk arises on cash and cash equivalents held at variable interest rates.

Due to the straight through processing of all transactions entered into on the Company's trading platform, which is an inherent element of the STP model of execution adopted by the Company, the Company is not exposed to Cash Flow and Fair Value Interest Rate Risk arising from trading activities and from the interest rate changes that occur in relation to trading positions that remain open overnight. In addition, the Company is monitoring, at all

times, its exposure with respect to any cash and cash equivalents the Company may be holding in the course of its operations at variable interest rates.

- e. **Foreign Exchange Risk:** Foreign Exchange Risk reflects the risk that the value of financial instruments / income will fluctuate due to changes in foreign exchange rates. Foreign Exchange Risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's measurement currency.

The Company's reporting currency is the Euro. Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's reporting currency. The main currencies, whose fluctuations may have an impact on the results of the Company, are the USD. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. Furthermore, the Company operates on the basis of the agency model of execution, which achieves the mitigation of foreign exchange risk due to the offsetting trades (automatic hedging) entered into with the Company's prime broker.

- f. **Liquidity risk:** Liquidity risk is defined as the risk when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has policies and procedures with the object of minimizing such losses.

Furthermore, as the Company operates on the basis of the STP model of execution, it is not exposed to Liquidity Risk in regard to any trading activities performed on its trading platform(s) due to the offsetting trades (automatic hedging) entered into with the Company's liquidity providers.

The Company's management and, in particular, the Company's Risk Management Committee, monitors the Company's liquidity requirements on a rolling forecast basis, which takes into account expected cash flows in order to ensure that it has sufficient cash to meet its operational needs.

Accordingly, in order to manage Liquidity Risk, the Company ensures that the Company has at all times sufficient cash on demand to meet any operational expenses that may arise. Furthermore, due to the nature of the Company's activities it is possible to liquidate assets (near-cash assets), if required.

- g. **Political Risk:** the risk of loss of assets could arise because of the political or economic conditions of the country in which the assets of the Company and/or the Company's client funds have been placed through different local banks/ financial institutions.

As the Company maintains accounts with a number of liquidity providers (including its prime broker) that are mainly based in the European Union and with banking institutions that are located in the European Union, the Company may be exposed, to a certain extent, to the Political Risk mainly in the European Union (including, in particular, Cyprus).

The Company's management monitors the political and financial situation in the European Union (including, in particular, Cyprus) on a continuous basis and is ready to take action if and when required.

Furthermore, the Company mainly uses liquidity providers that are based in the European Union, as well as reputable banking institutions based in Cyprus, which the Company internally assesses as financially stable, and which are subject to regulatory supervision by central banks/financial regulators in the European jurisdictions where they are located.

11. OPERATIONAL RISKS

OPERATIONAL RISK (OPR) AND ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS

- 11.1. The Company may be exposed to Operational Risk resulting from inadequate or failed internal processes, people and systems, from external events, from the deficiencies relating to the Company's information technology and control systems, from human error and/or from natural disasters .
- 11.2. The Company's systems are evaluated, maintained and upgraded continuously .
- 11.3. Following the introduction of the CRD IV package into Cyprus law, the Company uses the **Standardised Approach** and the **Fixed Overheads Method** for measuring its minimum capital requirements for Operational Risks, see CAPITAL ADEQUACY TABLE above.
- 11.5. The Company's Board of Directors is of the opinion that the Company's Pillar 1 capital is adequate to address the Company's operational risk (opr) and additional risk exposure amount due to fixed overheads identified above, and to cover the additional capital that would be required if additional operational risk (opr) and/or additional risk exposure due to fixed overheads were to arise.

OPERATIONAL RISKS TO WHICH THE COMPANY MAY BE EXPOSED AND MITIGATION OF SUCH OPERATIONAL RISKS

- 11.6. In practice, the most significant Operational Risks to which the Company may be exposed include the following:
 - a. **Compliance and Regulatory Reporting Risk:** Compliance and Regulatory Reporting Risk includes the risk of financial loss, including fines and other penalties, which may arise from non-compliance with applicable laws and regulations (including the directives and guidelines issued by **CySEC**) and from failure in submitting the required reports and/ or information to a competent authority .

The Company's Compliance and Regulatory Reporting Risk is limited to a significant extend due to the supervision applied by the Company's Compliance Officer and the Company's Internal Auditors. Furthermore, the Company has a Compliance Department responsible for among other things preparing and submitting, in a timely manner, the required reports and/ or information to a competent authority.

- b. **Money Laundering Risk:** Money Laundering Risk arises from the possibility that the trading accounts opened by the Company on its trading platform(s) and the related deposits of Client funds are used for the concealment of illicit and/or criminal sources of money to make it appear like legitimately earned money.

The Company has detailed procedures in place to prevent the use of the trading accounts opened by the Company on its trading platform(s) and the related deposits of Client funds for the concealment of illicit and/or criminal sources of money, so as to ensure full compliance with EU directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, the Cyprus Prevention and Suppression of Money Laundering Activities Law 2007 and the related directives and guidelines issued by CySEC.

- c. **Confidentiality Risk; Confidential Information, Information Barriers (= Chinese Walls) and Relevant Measures:** Information barriers are in place to ensure that no improper flow of information occurs within the Company. All of the Company's staff is required to follow the Company's internal procedures prohibiting the illegal access to inside information, the establishment of Chinese walls, as well as the Company's Code of Business Conduct.

Thus, among other things, the Company (i) creates physical barriers by permitting Company Employees access only to the departments they need to access for the purposes of their employment duties, (ii) ensures that the procedures in relation to the protection of confidential information and information barriers is formalised and clearly documented in the Company's Code of Conduct that is made available to all of the Company's Employees at the start of their employment with the Company,

(iii) notifies the Company's Employees that the use of Material Non-public Information and Non-public Information, for trading purposes, is strictly prohibited, (iv) ensures that Company Employees who become privy to Material Non-public Information and Non-public Information only do so on a 'Need-to-Know Basis', do not disseminate such information and immediately contact the Compliance Department in order for such information to be recorded to the Watch List or Restricted List, as required, under applicable laws and regulations.

In addition, a number of the Company's Employees have access to confidential information in relation to the Company, other Company Employees, Clients and business partners of the Company. Company Employees are prohibited from disclosing such confidential information to a third party, either during their employment or thereafter, unless authorised to do so by the Company's Code of Business Conduct, the Company's Code of Ethics, the Company's policies and procedures and/or applicable laws and regulations. If under the above stated conditions a Company Employee is permitted to disclose confidential information, such disclosure needs to occur only on a 'Need-to-know' basis. Company Employees are required expressly to inform the recipient regarding the confidential nature of the information and indicate any restrictions on further use and dissemination.

- d. **Personal Account Dealing and Relevant Measures:** According to the Company's Code of Business Conduct, Company Employees are permitted to have a brokerage

trading financial instruments, including foreign exchange, with a firm other than the Company. Such outside brokerage account must, however, be disclosed to the Company's Compliance Department as promptly as reasonably practicable.

- e. Conflicts of Interest and Relevant Measures:** In the event that the interests of the Company (or the interests of a Company Employee) compete or interfere, or appear to compete or interfere, with the interests of a Client of the Company, a conflict of interest may arise.

In order to manage such (potential) conflicts of interest, the Company, among other things, (i) analyses in-depth the types of financial instruments to be offered to its Clients, (ii) ensures, through its Investment Committee, that commission (where applicable) is permitted insofar as the Company has reasonable grounds to be satisfied that commission is received in return for the execution of trades and may be charged either in the form of a percentage of the overall value of a trade or as a fixed amount, and that any commission will reasonably assist the Company in the provision of its services to its Clients, on whose behalf the orders are being executed, and do not, and are not likely, to impair compliance with the duty of the Company to act in the best interests of its Clients, (iii) retains an up-to-date Conflict of Interest Management Policy that is provided to the Company's Clients during the account opening process and expressly states mechanisms in place to prevent potential conflict of interest. As such, the Company's 'Conflict of Interest Management Policy' forms part of the 'Client Agreement - Terms and Conditions of Business', which is a binding legal agreement between the Company and its Clients.

- f. Internet (or Cyber) Fraud Risk:** The Company relies heavily on the use of internet in order to provide investment and ancillary services to its Clients; this leaves the Company exposed to Internet (or Cyber) Fraud, which consists of a number of internet-enabled types of fraud, including but not limited to, computer intrusions and distribution of malicious codes.

In order to manage its potential exposure to Internet (or Cyber) Fraud Risk, the Company utilizes a comprehensive 'Information Security and Cyber Risk Management' programme that is designed to ensure, among other things, (i) information and system availability, (ii) user authentication and validation, and (iii) non-repudiation. Accordingly, the Company has outsourced the operation of its data centres to certified third parties, which are equipped with systems that are resilient in nature and high-availability by design, across all components, including, without limitation, network equipment (for example, routers, load balancers and switches), security equipment (for example, firewalls, intrusion prevention systems, web security gateways, mail security gateways and encryption devices), and high-availability storage.

The Company has developed and implemented a user identification and authentication system for the protection of its IT systems and resources, which is enforced by using a username and password combination that is in line and consistent with industry standards.

Furthermore, in order to prevent and eliminate repudiation (*i.e.* denial) attempts by its Clients regarding their executed transactions, the Company (i) uses unique username and password combinations, (ii) uses encrypted or proprietary protocols during its communication with Clients to minimise the possibility of authentication credentials being stolen, (iii) records and, where necessary, verifies Clients' IP addresses used for

executing transactions and depositing and/ or withdrawing funds from their trading accounts, and (iv) stipulates in its 'Client Agreement - Terms and Conditions of Business' (which Clients need to read, understand and accept prior to trading) that Clients are responsible for ensuring that their password and username remain confidential at all times and that the Company bears no responsibility for any loss that arises if a Client intentionally or unintentionally reveals his/her password and/or username to a third party.

- g. *Fraud Risk and Risk of a Material Misstatement:*** Fraud Risk that may arise internally and/ or externally is the risk that results from, among other things, misappropriation of assets, corruption and fraudulent financial statements.

In order to manage its Fraud Risk and Risk of a Material Misstatement, the Company, among other things, (i) applies good governance principles, (ii) ensures appropriate and ethical behaviour within the Company, in accordance with the requirements imposed under the Company's 'Code of Business Conduct', the Company's 'Code of Ethics' and other related policies and guidelines, and (iii) oversees the qualifications, independence and performance of its internal (PricewaterhouseCoopers Limited) and external auditors (Deloitte Limited).

- h. *Information Systems Risk, Business Disruption, System Failures and Relevant Measures:***

The business functionality of the company depends to a great extent on the efficient operation of the Company's IT and communication systems. If the installation, administration, monitoring, maintenance, repair and upgrade of the Company's IT and communication systems is delayed or not completed successfully, then there is a risk of discontinuation of the trading and other activities of the Company.

The Company's IT Department is responsible for the installation, administration, monitoring, maintenance, repair and upgrade of all computer software and hardware.

Furthermore, in order to mitigate potential risks and reduce the impact of potential issues in the event that the operability of designated IT systems and applications in the Company's data/operations centre facility need to be restored at an alternate location following an incident (or within the existing facilities of the Company, if they are useable), the Company's IT department has developed and implemented an '**IT Disaster Recovery Plan**' ("**ITDRP**") that provides for the ability to recover from situations including, but not limited to: unplanned evacuations; power outages; major water leaks; fire, loss of water/sewer service; severe weather; and any facilities failures that may cause functional interruptions of the Company's computer software and hardware.

As such, the Company's ITDRP is designed to account for business interruptions of various lengths and scopes and requires that the IT Department is able to recover critical functions according to their time criticality.

As part of the ITDRP, each critical IT function has a designated leader responsible for preparing and testing its recovery script(s) and each critical IT function has established operational guidelines and procedures for disaster recovery to address identified scenarios.

Furthermore, the Company has developed and implemented a comprehensive '**Business Continuity Plan**' (the '**BCP**') that will be put in motion in case of a physical or other disaster so that (i) the operation of the Company and the provision of investment and ancillary services remain unaffected to all Clients and (ii) any of the

obligations to other institutions, including banking institutions and liquidity providers, are appropriately met.

Under the BCP, key personnel and management shall physically relocate and carry out business, as normal. The BCP centre is appropriately equipped in order for the Company to maintain its competitive advantage and systems integrity, including, but not limited to, internet connectivity from multiple service providers, in case a disaster occurs. According the BCP, the Company's IT department is equipped with a fast, secure and stable telephony and network connectivity and has extended provisions for power supply to prevent loss of services during any power outages. The BCP documentation is up-dated regularly in order to reflect the on-going improvements and changes to the Company's business processes and requirements. In addition, the BCP documentation includes the putting into operation of emergency test scenarios on a regular basis; such test scenarios make it easier for Company Employees to understand the steps to be followed once a BCP is put into motion.

The Management and specifically the Company's in-house IT Department are monitoring and taking all necessary steps for the smooth and uninterrupted operation of the Company's IT and communication systems and to ensure that , in case of a physical or other disaster so that (i) the operation of the Company and the provision of investment and ancillary services remain unaffected to all Clients and (ii) any of the Company's obligations to other institutions, including banking institutions and liquidity providers, are appropriately met.

12. OTHER RISKS

- a. **Legal and Compliance Risk:** The Company may be exposed to Legal and Compliance Risk that arises from uncertainty in the interpretation of contractual clauses, laws and/ or regulations.

In order to manage its legal risk, the Company has engaged, on a contract basis, the services of a specialist lawyer in financial and corporate matters, specialised, not only in jurisdiction of the Republic of Cyprus, but also in jurisdictions other than the jurisdiction of the Republic of Cyprus, to act as the Company's legal advisor, responsible for, among other things, preparing any documentation, including, but not limited, to contractual agreements in which the company engages and, among other things, for looking into the implications of trading new products or entering new markets.

Furthermore, the Company strictly adheres to the requirement imposed by **CySEC** that any marketing material, which the Company intends to publish for promotional purposes is reviewed and approved beforehand by the Company's Compliance Officer and legal department.

- b. **Reputational Risk:** The Company may be exposed to reputational risk that may arise due to a number of factors, including, but not limited to, negative publicity, pending or concluded litigation, lost revenue and decline in the value of the Company's shares.

In order to manage its reputational risk, the Company, among other things, ensures that the Company is responsive to market changes (including changes of regulatory nature)

and that policies and procedures (including the Company's 'Code of Business Conduct and the Company's 'Code of Et hics') are adhered to.

- c. **Strategic Risk:** The Company may be exposed to strategic risk that could result due to poor strategic business decisions taken and implemented by the Company.

In order to manage its strategic risk, the Company, among other things, (i) assesses, as often as required, the Company's strategic direction, taking into account its objectives, and updates the Company's budgets accordingly, (ii) requests the approval of the Board of Directors to initiate any projects that might have an impact to the Company's short and long term business plans and require people and other resources in order to be completed, and (iii) reports, as often as required, to the Board of Directors milestones and other goals achieved/ not achieved so that actual results can be measured in comparison to forecasts.

- d. **Outsourcing Risk:** The Company may be exposed to outsourcing risk, which is the risk of loss or reputational damage as a result of service failure on the part of an outsourced service provider. Whilst the Company does outsource certain key processes, it actively seeks to avoid outsourcing risk through a rigorous selection process of service providers, ongoing due diligence and the application of recovery plans in the instance of failure, including the ability to replicate certain processes inhouse.

- e. **Remuneration Risk:** The Company may be exposed to remuneration risk, which is the risk that the Company's remuneration policy incentivises employees to act in ways that may undermine effective risk management by, for example, aligning rewards with short term results which may encourage individuals to take risks that push the boundaries of the Company's tolerated risk levels. The Company has developed remuneration policies that seek to abide by general best practices. The Company's management specifically takes into account not only compliance with credit and market risk limits when considering individual compensation packages but also reviews adherence to broader operational, governance and compliance controls.

13. REMUNERATION POLICY AND PRACTICES

GENERAL

13.1. The Company is required to disclose certain information on at least an annual basis regarding its Remuneration Policy and practices for those staff whose professional activities have a material impact on the risk profile of the Company. The Company's disclosures in that regard are made in accordance with its size, internal organisation and the nature, scope and complexity of its activities.

13.2. The Company's remuneration Policy has been approved by the Company's Board of Directors.

13.3. Due to its size, nature and complexity, the Company is not required to appoint an independent remuneration committee.

13.4. The Company's Remuneration Policy will be reviewed as part of annual processes and procedures, or following a significant change to the business requiring an update to its internal capital adequacy assessment.

13.5. Individuals are rewarded based on their contribution to the overall strategy of the business.

- 111 Investment Generation
- 111 Investment Trading
- 111 Sales & Marketing
- 111 Operations

13.6. Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the business are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the Company.

13.7. The Company takes a proportionate approach to its Remuneration Policy disclosures in line with the nature, scale and complexity of the Company's operations and, as such, has chosen not to disclose exact remuneration figures in regards to the remuneration of the individual staff identified by the Company's Remuneration Policy.

13.8. The Company may omit required disclosures where it believes that the information could be regarded as prejudicial to the national transposition of *Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.*

13.9. The Company has made no omissions on the grounds of data protection.

PURPOSE

13.10. The remuneration policy of TTCM Traders Trust Capital Markets Ltd. (the "**Company**") applies to all of the Company's employees.

13.11. The policy reflects the Company's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that:

- 111 the Company is able to attract, develop and retain high-performing and motivated employees in a competitive, international market;
- 111 employees are offered a competitive remuneration package;
- 111 employees feel encouraged to create sustainable results and that a link exists between shareholder and employee interests;
- 111 the Company's focus areas are supported.

13.12. The policy focuses on ensuring sound and effective risk management through:

- 111 a stringent governance structure for setting goals and communicating these goals to employees;

- 111 including both financial and non-financial goals in performance and result assessments;

and

- III making fixed salaries the main remuneration component.

CORPORATE GOVERNANCE

- 13.13. The remuneration policy of the Company is set by the Company's Board of Directors. Decisions with regards to remuneration levels and salary increases of employees are taken by the Executive Directors of the Company, in consultation with the departmental heads.
- 13.14. Performance is assessed using a set of criteria that differ according to the position and responsibilities of the employee concerned. Specifically, dealing staff are evaluated based on the speed of order execution, the number of trade rejections and the quality of customer service, among others.
- 13.15. In addition to examining these factors, the Executive Directors of the Company will hold discussions with each employee at the beginning of each year to discuss the employee's performance during the preceding year, while they also take into consideration the recommendations received by the heads of departments with regards to the employees they propose for salary increase.
- 13.16. At the annual performance and appraisal interview, the individual employees and managers evaluate and document performance and set new, documented goals. Decisions on adjustment of the employee's fixed salary or on performance-based pay, as described hereinafter, are made on the basis of this meeting. Adjustment of material risk takers' fixed salary or on performance-based pay, as described hereinafter, is based on the same process as above stated.

REMUNERATION COMPONENTS

- 13.17. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee's rank in the Company and professional activity as well as market practice.
- 13.18. The five remuneration components are:
- III fixed remuneration (including fixed supplements);
 - III performance-based remuneration (variable salary, as described hereinafter) ;
 - III workers compensation and sick leave schemes ;
 - III other benefits;
 - III severance payment.
- 13.19. The *fixed remuneration* is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions.

- 13.20. The *performance-based remuneration* motivates and rewards high performers who strengthen long-term customer relations, and generate income and shareholder benefits.

Signified by the structure (lengthen long-term customer relations, and generate income and shareholder benefits)

described below, the Board of Directors has determined a maximum percentage of performance-based remuneration relative to the fixed remuneration. This percentage varies according to the type of position held. Performance based remuneration will be disbursed as cash bonus only.

- 13.21. *Workers compensation and sick leave schemes* guarantee employees a basic cover in the event of illness or death. The workers compensation schemes of the company's Executive Directors and employees are subject to, and are regulated by applicable laws and regulations in Cyprus. The Company is committed to meeting its obligations under applicable workers' compensation acts which provide medical, rehabilitation, and wage-replacement benefits to individuals who sustain work-related injuries or illnesses while working. All work-related accidents, injuries, and illnesses must be reported immediately. The failure to promptly report an accident, injury, or illness may result in the loss of coverage under applicable workers' compensation insurance.
- 13.22. In accordance with applicable laws and regulations in Cyprus, TTCM Traders Trust Capital Markets Ltd is under no statutory obligation to pay sick pay and sick pay is payable exclusively by the Social Insurance Department. An employee is entitled to receive sick pay for any period of over (three) 3 days in which he is unable to work in accordance at the prescribed statutory rate.
- 13.23. The maximum number of days for which sick pay is payable is 156 days in relation to every period of interrupted employment, which can be extended under certain circumstances where incapacity is not of a permanent nature. An employee who exceeds his/her allotment of sick days per year will have a portion of his/her salary deducted at the end of the respective month in which the excess sick days appeared. However, if mitigating circumstances exist as to an employee's continued absence or sick leave, these circumstances will be taken into consideration before any decision on such a salary deduction is made.
- 13.24. The company provides each employee with 5 (five) days of sick leave without requiring a note from a physician (if an employee exceeds his/her limit for sick days in the year, she/he must bring a sick-list notice from the treating physician). If an employee is unable to work due to illness, he/she must notify his/her immediate supervisor directly as soon as possible and by the time he/she was to report to work.
- 13.25. The company permits the use of available sick days for absence due to the birth or adoption of a child to an employee. Industrial accidents and illness are covered by Worker's Compensation Insurance pursuant to the requirements of applicable laws and regulations in Cyprus (see above). The sick leave policy outlined above does not apply to those illnesses or injuries that are covered by a Worker's Compensation policy.
- ~~13.26~~ *.Other benefits* are awarded on the basis of individual employment contracts and local market practice.
- ~~13.27~~ *.Severance payments* are payable in accordance with relevant employment laws.

PERFORMANCE-BASED REMUNERATION

1328. Performance-based remuneration is awarded in a manner which promotes sound risk management and does not induce excessive risk-taking, *i.e.* by granting a significant proportion of performance-based pay as deferred cash.
1329. Non-disbursed performance-based components are subject to back-testing (as a minimum for employees identified as risk takers) and should be forfeited in full or in part if granted on the basis of unsustainable results or if the economic state of the Company has deteriorated significantly.
1330. Disbursed as well as non-disbursed components are subject to claw back without compensation if granted on the basis of data which has subsequently proven to be manifestly misstated.
1331. Performance-based pay is awarded by ensuring:
- 111 an appropriate balance between fixed and performance-based components;
 - 111 that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible;
 - 111 that the performance-based component reflects the risk underlying the achieved result;
 - 111 that awarded performance-based pay may be forfeited in full or in part if granted on the basis of unsustainable results (back-testing - as a minimum for employees who are identified as risk takers);
 - 111 that awarded performance-based pay may be clawed back if granted on a deliberately erroneous foundation;
1332. Performance-based remuneration pools must be based on an assessment of the Company's budget performance and a number of Key Performance Indicators reflecting the trend in the Company's focus areas.
1333. The Key Performance Indicators cover the following:
- 111 profit before tax compared with budget;
 - 111 assessment of risk-adjusted return;
 - 111 cost development;
 - 111 change in customer satisfaction;
 - 111 compliance with internal business procedures.
1334. The Board of Directors decides on the funds to be allocated to the performance-based remuneration pools. The Company's control functions are involved to ensure that risk, capital and liquidity limits are not exceeded.

1335. Performance-based pay is granted to employees with particular influence on Company results and shareholder value. In functions targeting capital markets, performance-based pay constitutes a significant proportion of the total remuneration package for selected employees to attract and retain the most talented people in these fields.
1336. Performance-based pay is granted to reflect the individual employee's performance and departmental as well as Company results. A discretionary assessment is always made to ensure that other factors -also factors which are not directly measurable - are considered.
1337. Sign-on fixed pay as well as stay-on and guaranteed variable pay is granted only in exceptional cases and only to attract or retain highly specialised individuals. Such pay may not exceed one year's salary.
1338. The maximum total amount available for performance-based pay is set at 25% of the Company's 'Earnings Before Interest and Taxes' (EBIT) in each year.

Performance based bonus scheme for Departments other than Sales related Departments

1339. The company *operates* a discretionary annual bonus scheme to recognise an employee's contribution to the success of the Company.
1340. The discretionary annual bonus scheme of the Company is set by the Company's Senior Heads and the Board of Directors. Decisions with regard to the discretionary annual bonus scheme are taken by the Executive Directors of the Company, in consultation with the departmental heads.
1341. Participation to the scheme is subject to certain conditions set in this section of the Report, and also in the Company's 'Employee Handbook' in more detail. The discretionary annual bonus scheme is a different arrangement from the commissions scheme (a sales incentive plan) that employees in the Retail Sales Department, Institutional Sales Department and Customer Support Department are eligible to participate in.
1342. The discretionary annual bonus year runs from January 1st until December 31st.
1343. In order to consider paying a discretionary annual bonus scheme to any employee, the Company needs to:
- 111 execute on average a monthly certain volume during the relevant bonus term, set by the Executive Directors of the Company, in consultation with the departmental heads; and
 - 111 achieve on average certain monthly gross revenue during the relevant bonus term, set by the Executive Directors of the Company, in consultation with the departmental heads.
1344. In addition to the above, an employee may be eligible to participate in the discretionary annual bonus scheme if he/she achieved a certain minimum score in his/her annual appraisal.
1345. In order to determine the amount of a discretionary annual bonus payment, the Company will consider a number of factors including but not limited to:

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-
- 111 the amount of the overall bonus pool determined by the Company's Board of Directors;
- 111 the amount -out of the overall discretionary annual bonus pool - allocated to an employee 's department according to the sum of salaries received by the Department's employees - (this does not mean that (i) the bonus will be equally split among employees of that Department and (ii) the bonus received will be pro-rata to an employee's monthly salary);
- 111 the employee's contribution to his/her Department and the Company's business in general;
- 111 the employee's performance during the relevant bonus term;
- 111 the employee's ethos, punctuality and team spirit; and
- 111 the employee's day-to-day conduct having in mind the Company's Code of Conduct and Code of Ethics.
1346. The amount of a discretionary annual bonus payment does not depend on the monthly salary of an employee, or his/her seniority in the department, or his/her years of service to the Company; therefore, a high-performance junior employee may receive a higher discretionary annual bonus compared to a lower-performance senior employee that receives a higher monthly salary.
1347. Generally, the discretionary annual bonus will not exceed 20% of the employee's fixed salary, including pension contributions, but it may be higher for selected employees. Discretionary annual bonuses are granted to the individual employee on the basis of compliance with the employee's performance, in accordance with the criteria described above, and in the employee's employment agreement, which contains both financial and non-financial targets. The results achieved for the employee's department/business unit will be included in the assessment.
1348. In order to be eligible to receive discretionary annual bonus, an employee needs to be employed by the Company on the relevant discretionary annual bonus payment date. If an employee terminates his/her employment or if he/ she has been dismissed by the Company prior to the discretionary annual bonus payment date then that employee (i) is not entitled to receive the discretionary annual bonus on a pro-rata basis and (ii) is not entitled to receive any damages for loss of payment under the discretionary annual bonus scheme.
1349. In addition , an employee is not eligible to participate in the discretionary annual bonus scheme if his/ her probation period (*i.e.*, the first six (6) months of employment) has not expired. Even if an amount - out of the overall discretionary annual bonus pool - is allocated to a Department , the Department' s Manager, in conjunction with the Executive Directors of the Company, reserves the right not to proceed with the payment of any discretionary annual bonus payment, if none of the employees ' performance is satisfactory.
1350. Employees on maternity leave during the discretionary annual bonus term are eligible to participate in the discretionary annual bonus scheme , but, in this instance, any discretionary annual bonus may be paid on a pro-rata basis.

1351. In 2016, the remuneration for Departments consisted mainly of fixed monthly salaries.

Commissions scheme for the Retail Sales and Institutional Sales Departments

1352. The Retail Sales and Institutional Sales Departments are eligible to a certain amount of commission bonus for any trading volumes above the set targets for each country.

1353. The commission bonus scheme of the Company is set by the Company's Senior Management and the Board of Directors. Decisions with regard to the commission bonus scheme are taken by the Executive Directors of the Company, in consultation with the departmental heads.

1354. Generally, the commission bonus will not exceed 25% of the employee's fixed salary, including pension contributions, but it may be higher for selected employees. Commission bonuses are granted to the individual employee on the basis of compliance with the employee's performance, in accordance with the criteria described above, and in the employee's employment agreement, which contains both financial and non-financial targets. The results achieved for the employee's department/business unit will be included in the assessment.

1355. In 2016, the remuneration for the Retail Sales and Institutional Sales Departments consisted mainly of fixed monthly salaries.

RISK TAKERS AND CONTROL FUNCTIONS

1356. The remuneration of material risk takers and employees in control functions is subject to stricter conditions. Once a year, the Board of Directors identifies employees who may take material risks on behalf of the Company, such as employees investing Company funds and/or employees who monitor compliance with risk taking limits.

1357. Other employees with a material impact on the Company's risk profile are also subject to the stricter remuneration conditions.

1358. Employees in control functions, including Legal, Internal Audit, Compliance, Finance and Risk Management are not eligible for performance-based pay.

1359. Employees in control functions receive remuneration in the form of fixed salaries only. The Company ensures that employees in these functions receive competitive remuneration.

REMUNERATION OF THE NON-EXECUTIVE MEMBERS OF THE BOARD OF DIRECTORS

1360. Non-executive Members of the Board of Directors receive a fixed fee. Non-executive Board members are not covered by incentive programmes and do not receive performance-based remuneration.

1361. The basic fee of a Non-executive Board member is set at a level that is on par with the rest of the market and reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Non-executive Board members' fees.

REMUNERATION OF EXECUTIVE DIRECTORS

1362. The remuneration of the Executive Board Member is to ensure the Company's continued ability to attract and retain the most qualified Executive Board Members and a good basis for

succession planning. In connection with the annual assessment of the remuneration of the Executive Board Members, developments in market practice are assessed systematically.

1363 The remuneration of the Executive Board Members consists of fixed pay and incentive programmes. Executive Board Members are also entitled to a free phone and other fixed benefits.

1364 The performance of Executive Board Members is assessed once a year based on a written performance agreement containing both financial and non-financial goals. These goals reflect the Company's value creation targets, both in the short and in the long term.

MISCELLANEOUS

1365 The Board of Directors may deviate from the Company's Remuneration Policy in individual cases if justified by extraordinary circumstances.

REMUNERATION OF THE COMPANY'S PERSONNEL FOR THE YEAR ENDED ON DECEMBER 31ST, 2016

1366 The remuneration of the Company's personnel for the year ended on December 31st, 2016, which includes salaries as well as employer's social security contributions, is as set forth in **TABLE** below:

<u>TABLE: STAFF COSTS</u>	2016	2015
	€	€
<i>Wages and salaries</i>	311,500	276,471
<i>Social insurance costs etc.</i>	28,919	25,780
<i>Special contribution</i>	1,239	934
<i>Social cohesion fund</i>	6,126	5,424
	347,784	308,609

REMUNERATION OF THE COMPANY'S DIRECTORS AND KEY STAFF FOR THE YEAR ENDED DECEMBER 31ST, 2016

1367 The remuneration of the Company's Directors for the year ended on December 31st, 2016, is as set forth in the TABLE below:

<u>TABLE: DIRECTORS' REMUNERATION</u>	2016	2015
	€	€
<i>Directors' fees as non-executives</i>	4,750	3,500
<i>Directors' remuneration</i>	47,958	39,000
<i>Key Staff</i>	146,588	128,765
	199,296	171,265

1368 It should be noted that the legal function, Internal Audit, AML & Compliance, and Accounting Departments are outsourced and, therefore, are not included in the tables.

1369 The Company did not pay any non-cash remuneration during the year 2016.