Nextrade Worldwide Limited

RISK MANAGEMENT DISCLOSURES

YEAR ENDED 31 DECEMBER 2014

MAY 2015

According to Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

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1. Introduction

1.1 Corporate Information

Nextrade Worldwide Limited ("the Company") is authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") as a Cyprus Investment Firm ("CIF") to offer Investment and Ancillary Services under license number 229/14, dated 21 March 2014.

Nextrade Worldwide Limited was incorporated in Cyprus on 09 August 2011 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company was authorized to provide investment firm services by the Cyprus Securities and Exchange Commission (CYSEC) on 21 March 2014. Its license includes the reception and transmission of orders in relation to one or more financial instruments and the execution of orders on behalf of clients. The principal activity of the Company, is the provision of services for trading in binary options, through an online platform.

The Company has the licence to provide the following services:

Investment Services
Receipt and transmission of orders.
Execution of Orders on Behalf of Clients

Auxiliary Services
Safekeeping and administration of financial instruments, including custodianship and related services
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Foreign exchange services where these are connected to the provision of investment services

1.2 Pillar III Regulatory Framework

On 26 June 2013, the European Parliament and the Council released a legislative package known as "CRDIV" to strengthen the regulation of the financial sector. The "CRDIV" package replaces the previous European Capital Requirements Directives (2006/48 and 2006/49) and CySEC's Directives DI144-2007-05 and DI144-2007-05, commonly known as Basel II, in relation to capital requirements and large exposures, with a European Directive (2013/36/EU) and a European Regulation (575/2013). The Regulation (EU) 575/2013 ("**the Regulation**") is directly applicable as a Single Rule book by all Member State institutions whereas the Directive 2013/36/EU need to be transposed by all member state regulatory authorities. The transposed Directive of CySEC is named as Directive DI144-2014-14 ("**the Directive**"). The main purpose of the Basel II revisions was to make the framework more risk sensitive and representative of actual risk management practices.

The new regulatory framework consists of three Pillars:

- Pillar I sets out the minimum capital requirements firms are required to meet;
- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured or not adequately captured in the Pillar I calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management practices.

The Company has prepared these disclosures in accordance with the requirements of Part Eight of the Regulation.

The Regulation provides that an investment firm may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, it has stated this in the document.

The Regulation also permits investment firms to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The European Banking Authority ("EBA") defines proprietary as "…if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable." Confidential information is defined as: "Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality." Where the Company has omitted information for either of these two reasons, it has stated this in the relevant section and the reasons for this.

Basis and frequency of disclosure

This document is prepared according to the Company's Pillar III Disclosure Policy. The Company intends to make its Pillar III disclosures annually in a document other than the financial statements.

The disclosures will be uploaded on the website of the Company, on the following location https://www.stockpair.com/sp#support/about where they will be publicly available to view and download.

These disclosures are based on the position of the Company after the completion of the audit for the financial statements as at 31/12/2014.

The Company has commissioned independent auditors (KPMG Limited, Cyprus) to review its Pillar III Disclosures. The Company is required by the Directive DI144-2014-14 to provide a copy of the auditor's verification report to CySEC within five months of each financial year-end.

1.3 Scope of Application

The Management of Nextrade Worldwide Ltd (hereinafter the "Company"), in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the "Regulation") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of investment firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The information provided in this report is based on procedures followed by the management to identify and manage risks for the year ended 31 December 2014 and on reports submitted to CySEC for the year under review.

The Company is making the disclosures on an individual basis.

2. Risk Management Objectives and Policies

2.1 Strategies and Processes to Manage Risks

2.1.1 Risk Management Framework and Governance

Risk management is considered to be an integral part of the Company's internal controls and corporate governance arrangements. As such it is acknowledged and approved by the Board of Directors of the Company. The Risk Management department has the responsibility for overseeing risk management within the Company as a whole and thus, risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company's activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company. Their purpose is to set appropriate risk limits and controls, to monitor risks and adherence to limits, to manage the Company's financial risk and to minimize the effects of fluctuations in financial markets on the value of the Company's financial assets and liabilities. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company’s Board of Directors reviews the written reports prepared by the Risk Manager, identifies the risks faced by the Company, decides in respect to risk management and monitors whether all the Company’s risk management procedures are followed.

2.1.2 Risk Management Function

The Board of the Company has appointed a Risk Manager to head the Risk Management function which operates independently and is responsible for implementing the Risk Management Policy of the Company set by the Board of Directors and ensuring that is properly followed under the supervision and control of the Risk Manager. The Risk Manager submits reports to the Senior Management and Board on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

The Risk Manager has the following responsibilities:

- Identify and evaluate the fundamental risks faced by the Company;
- Adopt and implement effective arrangements and procedures to manage all types of risks that arise due to the Company’s operations in respect of the level of risk tolerance;
- Monitor the adequacy and effectiveness of the Company’s risk management policies and procedures;
- Monitor the level of compliance by the Company and the persons employed to the measures and arrangements set for the managing of the risk exposures of the Company;
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures;
- Produce all the required reports related to the risks the Company is exposed as well as the documents that are required by the Law to be submitted to CySEC, and keep records of these reports. Furthermore, where applicable and required, the Risk Manager should provide advice to the Senior Management of the

Company in relation to any potential deficiencies and suggest remedial measures so as to be in full compliance with the Law;
- Undertake a frequent review of effectiveness of the system of internal control and provide a report to the Senior Management.

During 2014 the Risk Manager was also an Executive Director of the Company.

2.1.3 Risk Management Committee

During 2014, the Company did not have a Risk Management Committee.

2.1.4 Internal Audit Function

The Company, taking into consideration the nature, scale and complexity of its operations, as well as the investment services and activities provided, has established, implemented and maintained internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the Company. The Internal Audit function is separated and independent from other functions of the Company.

The Internal Audit function has the following responsibilities:

i. Establish, implement and maintain an audit plan which will aim to examine and evaluate the whether the Company's systems, internal control mechanisms and agreements are adequate and effective and comply with the legal framework;
ii. Issue recommendations based on the result of the audit plan's examinations;
iii. Verify compliance with any potential recommendations;
iv. Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board and the Senior Management of the Company, at least annually. The internal audit report shall be presented to the Board for review and discussion.

2.1.7 Money Laundering Compliance Officer ("MLCO")

The MLCO is in charge of the Company's Anti-Money Laundering Compliance procedures and processes. The Company's employees report their knowledge and/or suspicion of transactions involving money laundering and terrorist financing to the MLCO, who then investigates and if considered necessary, reports to the Board of Directors and, if required, to the relevant authorities.

Specifically, the MLCO's responsibilities consist of the following:
- To design the internal practice, measures, procedures and controls relevant to the prevention on money laundering and terrorist financing and to describe and allocate the appropriateness and the limits of responsibility of each department that is involved;
- To develop and establish the customers' acceptance policy and to submit it to the board of directors for consideration and approval;
- To prepare the policy regarding anti-money laundering and terrorist financing;
- To monitor and assess the correct and effective implementation of the policy;
- To receive and evaluate information from the employees which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or might be related with such activities;
- To notify MOKAS for the suspicion through "Compliance Officer's Report to the Unit for Combating Money Laundering";

- To provide guidance to the employees on subjects related to money laundering and terrorist financing;
- To educate employees on the latest developments in the prevention of money laundering and terrorist financing, including the practical methods and trends used for this purpose;
- To prepare and submit to the Commission the Monthly prevention statement for the prevention of money laundering and terrorist financing;
- To prepare the Compliance Officer's annual report;
- To maintain a registry of reports to internal and external bodies.

2.1.8 Compliance Officer

The Company has established, implemented and maintained policies and procedures designed to detect any risk of failure by the Company to comply with its obligations under the Law, as well as the associated risks, and has put in place measures and procedures designed to minimise such risk.

This is achieved through a compliance function which operates independently and has the following responsibilities:

- To monitor and to assess the adequacy and effectiveness of the measures and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations under the Law and the Directive;

- To advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the Law and the Directive.

2.1.9 Risk Inventory

The Company is exposed to the following risks from its use of financial instruments:

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The Company follows mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:
- All Client funds are held in segregated accounts, separated from Company's funds;
- The Company maintains regular credit review of all counterparties;
- The Company diversifies its funds over several European banks and is choosing banks that were awarded by Moody's, S&P or Fitch with high ratings.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Positions can be closed at any time by clients and can also be closed by the Company, in accordance with the Company's margining rules. If after closing a position a client is in surplus, then the amount owing is repayable on demand by the Company. The company holds in separate accounts all the funds of its clients. Therefore the company considers liquidity risk to be low.

Market risk

Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income indirectly as a result of the increase or decrease in the clients; activities, as well as the foreign exchange differences. As at the reporting date the currencies to which the Company has the highest exposure due to its reporting currency, are the EUR and GBP.

Exchange Risk

Foreign exchange risk is the effect that unanticipated exchange rate changes have on the Company. In the ordinary course of business, the Company is exposed to minimal foreign exchange risk, which is monitored through various control mechanisms. The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risks faced by the Company;
- The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk;
- Setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information);
- Obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction;
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high risk countries;
- Ensuring that the Company's personnel receive the appropriate training and assistance;
- Maintaining strict deposit and withdrawal procedures to minimize money transfer opportunities.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil money penalties, payment of damages, and the voiding of contracts. Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential, and an inability to enforce contracts.

The Compliance officer, who is responsible for implementing and maintaining adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and for putting in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

The Company also appoints an external advisor as Internal Auditor, who performs onsite visits, in order to assess the Company's Compliance with the regulatory framework.

The Company, through its Compliance function, ensures that all personnel receive the appropriate training and assistance regarding compliance issues.

Operational risk

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

1) Technology

   The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

   Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilized.

2) Regulation

   The company is regulated by the Cyprus Securities and Exchange Commission.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. Moreover, the Company has in place internal policies and procedures to be followed in the case of damage to any vital part of the Company's structure.

2.1.10 Risk Management Arrangement Adequacy

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate the risks of not achieving business objectives, and – as such – offer reasonable but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled to avoid or minimise loss.

2.2.11 Risk statement

The Company has not yet prepared a risk statement. However the company will define its Risk Appetite which will provide the directors, senior management and staff with a framework which facilitates the identification and management of both risks and opportunities. In accordance with the Annual Risk Management Report of the Company for the year 2014, the Company, after the approval by the Board of Directors, shall set its own definition of Risk appetite as: "The aggregate level and types of risk a Company is willing to assume within its risk capacity to achieve its strategic objectives and business plan"

2.1.12 Internal Capital Adequacy Assessment Process ("ICAAP") and Pillar II

ICAAP overview

In accordance with Directives DI144-2014-14 and DI144-2014-15 of the Cyprus Securities and Exchange Commission ("CySEC"), on the Capital Requirements of Investment Firms ("IFs"):

- Nextrade Worldwide Limited shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the risks to which it is or might be exposed. In this respect, the company shall adopt the relevant guidelines issued by CySEC.
- These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company

During the year ending 2014 the Company did not have an ICAAP. However as a result of the above mentioned requirements, the company plans to establish an Internal Capital Adequacy Assessment Process ("ICAAP") during 2015.

The ICAAP is an internal tool which allows the Company to assess its position and determine the amount of internal capital it needs to hold in order to be covered against all the risks it is facing or to which it may be exposed in the future.

The ICAAP falls under the scope of Pillar 2, which can be described as a set of relationships between the Commission and the Investment Firm, the objective of which is to enhance the link between an investment firm's risk profile, its risk management and risk mitigation systems, and its capital.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1 by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICAAP comprises of all the measures and procedures adopted by the Company, with the purpose of ensuring:

- the appropriate identification and measurement of risks,
- an appropriate level of internal capital in relation to the Company's risk profile, and
- the application and further development of suitable risk management and internal control systems and tools

The ICAAP will be clearly owned and approved by the Company's Board of Directors ("Board")

From the Company's perspective, the ICAAP will:

- Be a key element of its day to day governance process and its strategic management initiatives;
- Promote a comprehensive risk management framework;
- Align capital with risk management and strategy; and
- Provide a tool for communicating to the Board and the regulator the key aspects of its risk management and governance frameworks.

ICAAP Profile and Methodology

The planning of the ICAAP is closely related to the size of the Company and the complexity of its operations, taking into consideration the principle of proportionality. In addition, the link between the ICAAP and the Supervisor's Review Process ("SREP"), which is going to be carried out by CySEC, is also influenced by the size and complexity of the Company's operations. According to the size of Nextrade Worldwide Limited and the complexity of its operations, the Company will utilise the minimum capital requirement approach for the calculation of the additional capital for Pillar 2. The Company will implement the minimum capital requirement approach in three stages:

1. The Pillar 1 minimum capital requirement will be used as the foundation, since it reflects the Company's exposure to Pillar 1 risks (i.e. Credit Risk, Operational Risk and Market Risk)
2. The adequacy of the minimum capital required under Pillar 1 will then be assessed, in relation to risks arising from the following three categories:

    i. Risks covered in Pillar 1;
    ii. Risk not fully covered in Pillar 1 (e.g. Concentration Risk which is part of Credit Risk);
    iii. Risks not covered in Pillar 1 (e.g. Liquidity Risk, Strategic Risk, Reputational Risk).

4. A comprehensive risk assessment will be carried out for all three groups of risks, during which a profile will be determined for each risk (high/medium/low), based on its anticipated impact and its likelihood of occurrence. All high profile risks will be further analyzed and mitigation measures will be set in order for the Company to better control and mitigate them.

5. The additional measures set for the mitigation of these risks will be considered over and above the capital allocated for Pillar 1 purposes and can take the following forms:
    i. Provision of additional capital, corresponding to the risks not covered (either fully or partially) by Pillar 1;
    ii. Enhancement of internal procedures to reduce the likelihood of these risks materializing and/or the impact of these risks to the Company.

ICAAP results

The ICAAP will contain further analysis about the risks which are included in the Capital Adequacy Ratios and how all these risks (and any additional risks) are managed through the CIF's internal processes. As at 31 December 2014, the result of the ICAAP has not been requested by CySEC.

2.2 Governance Arrangements

2.2.1 Recruitment Policy

The company has not yet established a board recruitment policy. However the Board of Directors were selected according to their knowledge, skills and expertise in their own fields offering diversity to the Board. The directors selected are specialist in various fields offering diversity, specialist knowledge and the expertise required to oversee the smooth operations of an investment firm.

2.2.2 Diversity Policy

The company has taken into consideration, the scale and complexity of its operations and is committed in ensuring that the diversity of its Management Board is in line at all levels, skills, experience and professionalism. The company recognises that business succeed when adopting diversity into their business strategy.

2.2.3 Reporting and Control

The board receives information on risk through the annual risk statement and through other information communicated by the risk manager.

3 Own Funds

3.1 Balance sheet reconciliation

Eligible Own Funds	**2014**
	$'000
Share capital	3
Share premium	274
Retained Earnings	162
Original Own Funds (Tier 1 Capital)	**439**

3.2 Own funds disclosure template under the Transitional and fully phased in definition

At 31 December 2014	Transitional Definition	Full - phased in Definition
	$'000	$'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	277	277
Retained earnings	162	162
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**439**	**439**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	
Intangible assets (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-**	**-**
Common Equity Tier 1 (CET1) capital	**439**	**439**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**439**	**439**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**439**	**439**
Total risk weighted assets	**602**	**602**
Capital ratios and buffers		
Common Equity Tier 1	72,95%	72,95%
Tier 1	72,95%	72,95%
Total capital	72,95%	72,95%

3.3 Main terms and conditions of capital resources

The Company maintained as of 31st December 2014 Core Tier 1 as eligible own funds. The Company's Tier 1 Capital comprises share capital, share premium and retained earnings. Share Capital includes the Company's paid up capital.

As at 31 December 2014, the Company had issued and fully paid capital of 2.000 ordinary shares at a value of US$ 2.614. At the same date, share premium amounted to US$ 274.443.

4 Minimum required own funds for credit, market and operational risk

4.1 Risk weighted assets and Capital Adequacy Ratio

The Company falls under Article 95(1) of the Regulation therefore, it calculates its total Risk Weighted Assets as the higher of the following:

a) The sum of the risk weighted assets calculated for credit and market risks;
b) 12,5 multiplied by the one quarter of the fixed overheads of the preceding year.

Risk Type	Capital Requirement	Risk weighted assets
	$'000	$'000
Credit	**32**	**401**
Market	**9**	**113**
of which Equity market risk	-	-
of which Commodity market risk	-	-
of which Interest rate market risk	-	-
of which FX market risk	9	113
Large exposures in the Trading Book	-	-
Operational (based on Fixed Overheads)	**48**	**602**
CVA	-	-
Total Capital Requirement (Maximum of Operational risk vs Credit plus Market risk)	**48**	**602**

As at 31st December 2014, the capital adequacy ratio of the company stood at 72,95%. The CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8%. The CySEC may impose additional capital requirements for risks not covered by Pillar I.

4.2 Credit Risk

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

Asset Classes	Capital Requirement	Risk-weighted assets
	$'000	$'000
Public sector entities	5	59
Institutions	5	58
Retail	20	264
Other Items	2	20
Total	**32**	**401**

4.3 Market Risk

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

Risk Type	Capital Requirement $‘000	Risk weighted assets $‘000
Market		
of which Equity market risk	-	-
of which Commodity market risk	-	-
of which Interest rate market risk	-	-
of which FX market risk	9	113
Total	**9**	**113**

4.4 Operational Risk

Due to the limited authorisation of the Company, the Company falls under Article 95(1) of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year.

The capital adequacy requirement of the company in relation to operational risk as at 31 December 2014 was US$ 48 thousands and the equivalent risk weighted assets were US$ 602 thousands.

5 Counterparty Credit Risk

Counterparty credit risk arises from the possibility that a counterparty will fail to perform on an obligation arising from transactions such as money market placements, FX, derivatives and other transactions.

As at 31 December 2014 the company had no exposure to transactions which would give rise to counterparty credit risk.

6 Company’s exposure to credit risk and impairment risk

6.1 Past due and impaired loans and receivables

As at 31 December 2014 the Company did not have any past due loans with clients or any past due receivables and did not recognise any provisions for impairment in respect of loans or trade and other receivables.

6.2 Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by exposure class

The table below outlines the company's exposures by exposure class net of any specific provision but before applying Credit Risk Mitigation:

Asset Classes	Original exposure amount, net of specific provisions	Average exposure
	$'000	$'000
Public sector entities	59	59
Institutions	288	379
Corporates	-	118
Retail	352	196
Other Items	20	135
Total	**719**	**887**

6.3 Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by significant geographic area and material exposure class

The table below outlines the company's exposures by exposure class and geographic area net of any specific provision but before applying Credit Risk Mitigation:

Exposures per Asset Class per Country of incorporation of Counterparty	Cyprus	Hungary	Netherlands	Total
	$'000	$'000	$'000	$'000
Public sector entities	59	-	-	**59**
Institutions	111	5	172	**288**
Corporates	-	-	-	**-**
Retail	352	-	-	**352**
Other Items	20	-	-	**20**
Total	**542**	**5**	**172**	**719**

6.4 Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by industry and exposure class

The table below outlines the company's exposures by exposure class and industry area net of any specific provision but before applying Credit Risk Mitigation:

Exposures by Asset Class by Industry Segment	Financial services	Not Applicable	Total
	$'000	$'000	$'000
Public sector entities	59	-	**59**
Institutions	288	-	**288**
Corporates	-	-	**-**
Retail	-	352	**352**
Other Items	7	13	**20**
Total	**354**	**365**	**719**

6.5 Exposures post value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by residual maturity and by material exposure class

The table below outlines the company's exposures by exposure class and residual maturity net of any specific provision but before applying Credit Risk Mitigation:

Exposures by residual maturity	up to 3 months	>3 months	Total
	$'000	$'000	$'000
Public sector entities	-	59	**59**
Institutions	288	-	**288**
Corporates	-	-	**-**
Retail	-	352	**352**
Other Items	-	20	**20**
Total	288	431	**719**

7 External Credit Assessment Institutions (ECAIs) used for calculating Risk-weighted Assets under the Standardised Approach

For exposures to banking institutions the Company has used ratings by Moody's, S&P or Fitch.

7.1 Application of External Ratings from Recognised ECAIs

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

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

7.2 Transfer of Credit Assessments onto items not included in the Trading Book

For exposures to regional governments or local authorities, public sector entities and institutions, the ECAIs are applied in the following priority:

1) Issue/Exposure;
2) Issuer/Counterparty;
3) Sovereign.

For exposures to central governments or central banks, multilateral development banks, corporates, and CIUs, the ECAIs are applied in the following priority:

1) Issue/Exposure;
2) Issuer/Counterparty.

The ECAIs are not taken into account where all relative exceptions per the CRR apply.

7.3 Exposures before and after Credit Risk Mitigation

As at 31 December 2014, all of the company's exposures were unrated.

8 Exposures in Equities not included in the Trading Book

As 31 December 2014 the company did not have any exposures in equities which were not included in the Trading book.

9 Exposure to Interest Rate Risk on positions not included in the Trading Book

As 31 December 2014 the company did not have any exposures to interest rate risk on positions which were not included in the Trading book.

10 Remuneration Policy and Practices

The Company is in the process of developing a Remuneration Policy which shall be appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities whilst adhering to the provisions of the Directive DI144-2007-05. The Company's remuneration system will be relative to the practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management, members of the Board of Directors and the Heads of the departments. The total remuneration of staff will consist of fixed components.

10.1 Performance Related Pay

The remuneration structure offered by the Company to management and staff during 2014 comprised solely of a fixed salary cash component. No variable pay was granted, cash or non-cash.