



RISK MANAGEMENT DISCLOSURES

YEAR ENDED 31 DECEMBER 2015

MAY 2016

Disclosures in accordance with
the Cyprus Securities and Exchange Commission Directive DI144-2014-14 and
in accordance with 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

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Capital Requirements Disclosures

1. General information and scope of Requirements of the Legislation

This report pertains to the “Disclosure and Market Discipline of Investment Firms” regulatory obligation, 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 “CRR” or “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 (hereinafter the “CRDIV” or “Directive”). Under this regulatory obligation Teletrade DJ International Consulting Ltd (hereinafter the “Company”) is obliged to provide information on its risk management, capital structure, capital adequacy, its risk exposures as well as the most important characteristics of the Company’s corporate governance including its remuneration system. The scope of these disclosures is to promote market discipline and to improve transparency of market participants.

The Company’s Pillar III Market Discipline and Disclosure reports are published on the Company’s website at <http://www.teletrade.eu/>, on an annual basis at a minimum. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2015 which contain supplementary information relating to the requirements of the Directive and CRR.

The information that the Company discloses herein relates to the year ended 31 December 2015.

Principal Activities

The Company is licensed by CySEC as a financial services firm, under license number 158/11, which entitles the Company to operate locally and outside Cyprus.

According to its CIF license, the Company is authorized to provide the following investment and ancillary services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Investment advice
- 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
- Investment research and financial analysis or other forms

Disclosure Policy

The Company discloses information in relation to its capital requirements on an annual basis. The disclosures should be published on the website of the Company in conjunction with the date of publication of the financial statements. In addition, these disclosures must be verified by the external auditor of the Company. The Company is required according to the Directive DI 144-2014-14 of CySEC (the “Directive”) to provide a copy of the auditor’s verification report to CySEC, five months after the end of each financial year, at the latest.

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Scope of the Disclosures

As at 31 December 2015, the Company owned 100% of Teletrade FZE. However, the Company is not required by the Cyprus Companies Law, Cap. 113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a small sized group as defined by the Law. As a result, the Pillar 3 disclosures relate solely to information of the Company.

The details of the subsidiaries of the Company are as follows:

Name	Country of incorporation	Principle activities	Holding %	31 December 2015 (€)
Teletrade DJ International Consulting (Australia) PTY(*)	Australia	Proprietary Company	100	-
Teletrade FZE	UAE	Investment Services	100	1

(*) On 1 July 2015, Teletrade DJ International Consulting (Australia) PTY deregistered from Australian Securities and Investment Commission. Consequently, investment in subsidiary was fully impaired.

2. Governance – Board and Committees

2.1 The Board

The Board of Directors is responsible for overlooking the operations of the Company. With respect to the management of risk, it has overall responsibility for the establishment and oversight of the Company's risk management framework.

The major duties of the Board of Directors of the Company are:

- To carry the overall responsibility for proper implementation of the relevant laws and regulations
- To 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
- To govern the Company by broad policies and objectives, formulated and agreed upon by the chief executive and employees
- To ensure that sufficient resources are available to the Company to carry out its operations
- To ensure that it receives on a frequent basis, at least annually, written reports of the Anti-Money Laundering Compliance Officer (AMLCO), Compliance Officer, Risk Manager, Internal Auditor and External Auditor and take the appropriate remedial measures in case of identified deficiencies
- To ensure that the Risk Manager, Compliance Officer and Anti-Money Laundering Compliance Officer has full access to all documents and information necessary for the execution of their duties and responsibilities
- To approve the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing, risk management and other risk related policies such as the Company's Risk strategy/appetite/tolerance
- To assess and periodic review of the effectiveness of the policies, arrangements and procedures put in place to comply with the Company's obligations under the Law and applicable legislation and implementation of appropriate measures to address any deficiencies
- To establish a clear and quick reporting chain for transmission of information to the AMLCO, Risk Manager, Compliance Officer and other personnel

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- To assess the Money Laundering function, Compliance function, Risk Management Function and others
- To assess the Internal Audit Department's members and the efficiency of the mechanisms of internal control
- To evaluate and adopt strategies to improve the operation of the internal audit mechanism
- To approve the Company's financial statements
- To review the suitability report prepared by the Company's external auditors as well as other reports from external auditors
- To take decisions on important matters of the Company during Board meetings

2.2 Risk Management Framework and Function

Overall Risk Management responsibility for the Company lies on the Board of Directors. In order to fulfill its responsibilities, the Company has designed and implemented a risk management framework that considers all the risks the Company is exposed to. This framework works in four levels:

- Identifying the risks;
- Measuring their impact on the Company;
- Avoiding/mitigating the impact of the risks;
- Reporting the risks to the Senior Management, Board or to the regulator (CySEC) when necessary.

Some responsibilities that arise under the risk framework are delegated to the Company's staff that has appropriate skills and capabilities in terms of education, knowledge and experience to perform them.

The Company has established a Risk Management function which is headed by the designated Risk Manager. The Risk Manager has also duties of AML Compliance officer assistant. The Board of Directors, Risk Committee, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer perform control function in risk management at the level of responsibilities devoted to them. The Company considers the arrangements appropriate and proportionate for its size and complexity and does not consider them to give rise to any conflict of interest. In addition to the dedicated in-house resource the Company also engages external consultants and when necessary specialised risk advisors.

In 2015 the Company had replaced its Risk Manager and AML Compliance Officer. The new Risk Manager has taken over the responsibilities of the Risk Management department on 19th February 2015. The new AML Compliance Officer has taken over the responsibilities of the AML Compliance department on 9th March 2015. During 2015 the Risk Committee was established and consists of two members of the Board (independent non-executive directors).

Within the duties of the Risk Manager is to monitor and report to the Senior Management and the Board of Directors all different types of risks taken by the Company, advise Senior Management, oversee the risk management procedures, comply and supervise the implementation the relevant provisions of the Law relating to risk management issues assign by the Board, examining the capital adequacy and the financial results of the Company cooperate with all external professionals (e.g. Internal Auditor) towards the enhancement of the risk management procedures and provide regular risk management reports.

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

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In addition, the Senior Management is responsible for ensuring that all employees comply with these procedures. This is achieved in four steps:

1. Setting selection criteria for the staff in order to hire those who have the necessary skills and are capable of performing their work efficiently and in accordance with the Company's policies;
2. Training the staff on the Company's policies and procedures and on their significance;
3. Making the staff aware of their responsibilities and the consequences for non-compliance;
4. Constant monitoring of the staff's compliance with the policies and procedures and making the necessary recommendations.

The Senior Management together with Risk Manager is responsible for the practical implementation of procedures designed by the Risk Manager and approved by the Board.

All employees of the Company can at all times approach the General Manager and inform him of any deficiencies they have noted in the Company's procedures and systems. Subsequently, the General Manager and Risk Manager inform the Board of Directors.

The Board of Directors regularly evaluates the Risk Management policies and procedures of the Company and makes any changes it finds necessary. As it was mentioned above the overall risk management of the Company lies on the Board of Directors.

The Risk Management Function of the Company is supervised by the Risk Committee. The Risk Committee is responsible for advising the Board on risk-related matters and risk governance and for non-executive oversight of risk management and internal controls (other than over financial reporting).

The Risk Manager prepares and provides the annual risk management report to Senior Management and is responsible for evaluating and managing the Company's risks at all times. The annual risk management report is also presented to the Board of Directors and minutes of such meetings attached to the relevant reports are submitted to CySEC within twenty (20) days from the day of the meeting.

2.3 Board - Recruitment and Diversity Policy

The recruitment of the members of the Board of Directors follows the Guidelines issued by the Cyprus Securities and Exchange Commission on recruitment of Directors. Recruitment into the Board is also subject to the approval of the Board of Directors and the candidates are provided to the Board by the Remuneration and Nominations Committee that has been established in 2015. The Remuneration and Nominations Committee consists of two Non-Executive directors which should meet at least annually and decide on the issues within its remit.

Candidate to the Board members should possess an appropriate mix of skills and experience to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. The candidate also must have good repute and moral credibility.

The Board also aims to reflect diversity in its composition by recruiting members with varied geographical, social, economic, environmental, business and cultural background. The Board of Directors is maintaining a reasonable balance with respect to age and gender (where possible). The major responsibilities of the Remuneration and Nominations Committee are ensuring that there is an appropriate balance of skills and experience across the Board of Directors, recommend to the Board the composition of the Board Committees, review the leadership needs of the Company in order to ensure the continued ability of the Company to

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compete effectively in the market place and assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes.

It is noted that the Company's Board of Directors has varied experiences and backgrounds, including accounting, risk management, etc. Additionally, each independent Director has a strong background in his field adding a strong value to the Company's Board of Directors.

2.4 Risk Committee

As it was mentioned above the Risk Committee was established in 2015 and consists of two members of the Board (independent non-executive directors). During the year 2015 the Risk Committee had two meetings, minutes of which were dispatched to the Board.

The responsibilities of the Risk Committee are:

- The Risk Committee must advise the Board on the Company overall current and future risk appetite and strategy and assist the Board in overseeing the implementation of that strategy by senior management. The Board must retain overall responsibility for risks.
- The Risk Committee must review whether prices of liabilities and assets offered to clients take fully into account the Company's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the Risk Committee shall present a remedy plan to the Board of Directors.
- Reports all material risks that are identified and measured.
- Determine the nature, the amount, the format, and the frequency of the information on risk which it is to receive. In order to assist in the establishment of sound remuneration policies and practices, the Risk Committee shall, without prejudice to the tasks of the Remuneration and Nomination Committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

2.5 Number of directorships held by members of the Board

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

Directorships within the same group are treated as single directorship, as specified in the CySEC Circular CI144-2014-23 and in the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) ("the Law"), as amended from time to time.

Name of Director	Position within Teletrade	Directorships – Executive	Directorships – Non-Executive
Petr Nekrasov	Executive Director	1	0
Artur Mamedov	Executive Director	1	0
Andreas Samatas	Non – Executive Director	0	1
Michael Constantinides	Non – Executive Director	1	1
Andreas Karavias	Non – Executive Director	1	2
Oleg Suvorov	Non – Executive Director	0	1

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2.6 Information flow on risk to the management body

As it was mentioned the Risk Management Function of the Company is supervised by the Risk Committee. The Risk Committee is responsible for advising the Board on risk-related matters and risk governance and for non-executive oversight of risk management and internal controls (other than over financial reporting).

The General Manager has also direct access to the Board of Directors at all times, at which he/she has the opportunity to inform the Board of Directors for anything related to risk management. The General Manager also notifies the Board of Directors of any breach of the established procedures and provides recommendations for the improvement of the risk management procedures.

The information flow on risk to the management body is achieved through the reports of the Risk Manager, the Risk Committee, the Internal Audit, the Anti-Money Laundering Compliance officer, the Compliance officer, and any other reports or minutes prepared and presented to the board.

All reports are reviewed and discussed by the Board of Directors prior to be approved.

All procedures are reviewed periodically (at least annually) and approved by the Board of Directors.

3. Board Declaration – Adequacy of risk management arrangements

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 Company's risk management framework seeks to ensure that there is an effective process in place to manage risk across the Company. 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. The board's judgment was made on the basis of the material and reports presented to the Board by the company's Senior Management, Internal Auditor, the company's Risk Manager, AMLCO and Compliance Manager, and on the basis of supplementary information and statements obtained by the board.

4. Risk Statement

The Company regularly monitors its Capital Adequacy Ratio and ensures that it is not lower than required minimum of 8% including capital buffers, where applicable. In the case where the Capital Adequacy Ratio falls below the required minimum, the Company based on its strategic plan takes immediate actions to restore compliance. The Company has set an internal minimum Capital Adequacy Ratio of 9,5% for 2015 and 10% for 2016 and 2017. In terms of operational issues, the Company has a low appetite for risk. The Company makes resources available to control operational risks to acceptable levels. The Company recognizes that it is not possible or necessarily desirable to eliminate some of the risks inherent in its activities. Acceptance of some risk is often necessary to foster innovation and efficiencies within business practices.

Since implementation of Directive DI144-2014-15, the Company adheres to it and does not have any large exposure to shareholders or/and directors (and their connected parties) above the minimum large exposure limits set by the aforementioned Directive. In addition, the Company does not have any large exposure above

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25% of capital for assets classified in asset classes other than institutions and does not have any large exposure above 100% of capital for assets classified as exposures to institutions according to the provisions of the European Regulation 575/2013.

5. Risk Management and Internal Control System

Risk is the potential that the Company's financial performance and financial position suffer loss and deviate from the expected values. The crystallization of risk may have as a result the Company to suffer significant damage (financial or operation) which may lead to the disruption of its operations.

The Company has allocated financial and other resources in order to set up procedures that will enable the management of the risks so that to avoid losses, achieve stability and also to increase its profitability.

Responsible for the Company's internal control system and the management of its risks are the following:

- Board of Directors
- Senior Management
- Risk Manager
- Anti-Money Laundering Compliance Officer
- Compliance Officer (outsourced)
- Internal Audit Function (outsourced)

Risk Manager

The Risk Manager is responsible for:

- Development and maintaining an effective risk identification, assessment, reporting, management and mitigation framework as assign by the Board
- Development and recommendation action plans for the improvement of internal controls and the mitigation of risks
- Reporting to the Senior Management, Risk Committee and Board
- Preparation of Pillar 1, Pillar 3, annual review of ICAAP, and other necessary forms from CySEC concerning risk management
- Monitors the risk profile of the Company against the Board 's risk appetite

The scope of the Risk Manager work concerning risk management is to provide their services in accordance with the provisions of the applicable laws and the Directives issued by CySEC, as well as the internal regulations of the Company. The Risk Manager has also duties of AML Compliance officer assistant and provides AML compliance services as well.

Compliance Officer

The Compliance Officer reports directly to the Board of Directors and is responsible for:

- Ensuring compliance with laws, regulations and Directives issued by CySEC
- Ensuring implementation of the procedures described in the Company's Procedures Manual
- Monitoring and assessing that adequate policies and procedures to detect any risk of failure by the Company to comply with its obligations under the applicable legislation, as well as the associated risks, have been established, implemented and are maintained, and that for these purposes, the Company takes

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- into account the nature, scale and complexity of its business and the nature and range of investment services and activities undertaken in the course of that business
- Ensuring that Company employees attend training sessions on compliance with applicable laws, rules and regulations, as well as anti-money laundering and terrorist financing procedures
 - Providing advice and guidance to Company employees
 - Ensuring that the Company complies with its continuous obligations to CySEC (e.g. submission of Capital Adequacy Return, annual reports, notifications to CySEC regarding changes in the Company's structure, services, personnel, procedures, etc.)
 - Communicating with regulatory bodies
 - Assisting regulatory bodies in performing inspections of the Company's activities
 - Continuous improvement of the existing control procedures
 - Reviewing the Company's marketing communications and checking if it has been prepared in accordance with legal requirements
 - Advising and assisting employees to comply with the Company's obligations under the applicable laws and Directives
 - Recommending specific remedial measures in case of detection of any weakness or failure by the Company to comply with its regulatory obligations
 - Providing an annual written report to the Board of Directors on the matters of his/her responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies

Anti-Money Laundering Compliance Department

The Anti-Money Laundering Compliance Department consists of the AMLCO and 3 AML Assistants to help AMLCO with the daily workflow which were appointed in 2015.

The Anti-Money Laundering Compliance Officer reports directly to the CEO and Board of Directors of the Company and is responsible for:

- Preparing, updating and implementing the AML Policy and AML procedures (client acceptance policy) of the Company
- Preparing and implementing the Deposits & Withdrawals Policy of the Company
- Approving all new clients of the Company via CRM software
- Approving deposits and withdrawals from client accounts
- Reviewing clients on an annual basis
- On-going monitoring of client accounts and transactions
- Reporting to the Board of Directors
- Preparing the monthly prevention forms to be sent to the CySEC
- Reviewing and implementing any changes/updates to the AML legal framework
- Carrying out the employee training sessions and attending training on AML issues from external experts
- In case of any suspicious activity – receiving internal suspicion reports/preparing internal suspicion reports/liaising with MOKAS
- Monitoring fraud alerts received from the payment service providers
- Any other duties as may arise for the implementation of the Company's AML policy

Internal Audit

The Internal Audit function is outsourced and is an element of the internal control framework established by management to examine, evaluate and report on financial and other controls on operations. Internal audit

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assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls.

It is an independent unit reporting directly to the Board of Directors through a written internal audit report prepared on an annual basis.

6. Capital Management

The adequacy of the Company's capital is monitored by reference to the provisions of the European Regulation 575/2013 and the CySEC's Directives DI144-2014-14 and DI144-2014-15. Together the Regulation 575/2013 and abovementioned CySEC's Directive, referred to as CRDIV package, will bring into force, transitionally, the regulatory provisions of Basel III Framework.

The Basel III consists of three pillars: Pillar I - minimum capital requirements, Pillar II - supervisory review process and Pillar III - market discipline.

(a) Pillar I – Minimum Capital Requirements

Pillar I covers the calculation of Risk Weighted Assets for credit risk, market risk and operational risk, set out the enhanced minimum capital and liquidity requirements of firms to cover credit, market and operational risk.

The Company adopted the Standardised approach for Credit and Market risk and the Basic Indicator approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong.

The Standardised measurement method for the capital requirement for market risk adds together the long and short positions according to predefined models to determine the capital requirement.

For operational risk, the Basic Indicator approach calculates the average, on a three year basis, of net operating income to be used in the risk weighted assets calculation.

(b) Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

Pillar II connects the regulatory capital requirements to the Company's Internal Capital Adequacy Assessment Procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

The Supervisory Review Process (SREP) provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

The Company is assessing on a regular basis the adequacy of its internal capital to support current and future activities based on the scope and complexity of the Company's operations.

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The Internal Capital Adequacy Assessment Process (ICAAP) Report has been drawn up in 2015 in accordance with the Regulation (EU) No 575/2013 of the European parliament and of the council on prudential requirements of investment firms, Guidelines GD-IF-02, Guidelines GD-IF-03 and the Directive DI144-2014-14 on the discretions of CySEC, however it needs to be updated accordingly to incorporate the actual figures of 2015. According to the criteria set by the aforementioned Guidelines, the Company is considered large and/or complex for the purposes of the ICAAP as it is authorized to deal on own account. Nonetheless, it is noted that at present the Company does not meet any of the other criteria under this classification as it is neither authorized to underwrite financial instruments, nor to operate a multilateral trading facility. Furthermore, the Company does not make use of any advanced methods to calculate its capital requirements. However, the Company used the Minimum Capital Requirement Approach in design of its ICAAP, given the low complexity of its operations and its relatively small size.

Specifically, the ICAAP has been designed and implemented in the following steps:

1. Identification and articulation of future business plans and objectives
2. Procedure for identification and assessment of risks before and after internal controls
3. Aggregation of identified risks
4. Assessment of the impact of stress test scenarios on forecasted capital plan
5. Capital allocation in accordance with the profile of the risks identified and in line with stress test results.

Moreover, the ICAAP enables the Board of Directors and Senior Management to assess on an ongoing basis the risks inherent in the Company's activities, and to this extent, it forms an integral part of the Company's risk management process and decision making culture.

The Report includes an assessment of the primary risks faced by the Company (credit, market and operational) and also other risks as well as stress testing for the capital adequacy position and performance of the Company in case of extreme circumstances.

(c) Pillar III – Market Discipline

Pillar 3 specifies a set of enhanced risk disclosure requirements which enable market participants to assess information on firms' risks, capital, risk management procedures and internal control processes.

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds.

According to the CySEC Directive DI144-2014-14, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC within five months of each financial year.

6.1 Capital Base and Capital Adequacy

The Capital Base of the Company is consisted solely of Common Equity Tier 1 capital. Common Equity Tier 1 capital is comprised of share capital, share premium, retained earnings and the audited loss from current year. From Common Equity Tier 1 capital, intangible assets are deducted (if available).

As at the 31/12/2015, the level of own funds was EUR 1.444 thousands.

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As at 31/12/2015 the Capital Adequacy Ratio was 7,47%. The Regulation stipulates at least a minimum capital ratio of 8% during 2015. The shortfall of the Company's Capital Adequacy Ratio below the minimum required level of 8% was mainly due to the loss of the period. To increase its capital adequacy ratio and comply with the relevant minimum regulatory requirements, the Company is planning to proceed with an interim audit in order to be able to include its net profit for the first quarter of 2016 in its Common Equity Tier 1 capital.

Table 1 below shows a breakdown of the own funds as at 31/12/2015.

Table 1: Capital Base	
	31 December 2015 (€000)
Common Equity Tier 1 Capital	
Share Capital	301
Share Premium	2.700
Retained earnings	(1.015)
Audited income / (loss) for the year	(542)
Intangibles	-
Total Common Equity Tier 1 Capital (CET1)	1.444
Additional Tier 1 (AT1)	-
Total Tier 1 (T1 = CET1+AT1)	1.444
Tier 2	-
Total Eligible Capital (=T1+T2)	1.444

Share capital

Authorised capital

On 5 June 2013, the authorised share capital of the Company was increased from €91.200 divided into 191.200 ordinary shares of nominal value of €1.00 each to 241.200 ordinary shares of a nominal value of €1.00 each, by the creation of 50.000 ordinary shares of a nominal value of €1.00 each under the same terms and with the same rights in all respects as the existing shares.

On 23 July 2013, the authorised share capital of the Company was further increased from €241.200 divided into 241.200 ordinary shares of nominal value of €1.00 each to 301.200 ordinary shares of a nominal value of €1.00 each, by the creation of 60.000 ordinary shares of a nominal value of €1.00 each under the same terms and with the same rights in all respects as the existing shares.

Issued capital

On 5 July 2013, the Company issued and allotted to the existing shareholders an additional 50.000 ordinary shares with nominal value of €1.00 and at a premium of €9.00 each.

On 23 July 2013, the Company issued and allotted to the existing shareholders an additional 60.000 ordinary shares with nominal value of €1.00 and at a premium of €9.00 each.

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There were no changes in the share capital of the Company during the year.

6.2. Capital Requirements

Minimum regulatory capital requirements

The total capital requirements of the Company as at 31 December 2015 amounted to €1.545 thousand and are analyzed in Table 2 below:

Table 2: Minimum Capital Requirements	
<u>Risk Category</u>	Minimum Capital Requirements (€000)
Credit Risk	141
Credit Valuation Adjustment Risk	0
Market FX Risk	702
Market Commodities Risk	6
Market Equity Risk	139
Operational Risk	557
Total	1.545

6.2.1. Credit Risk

General

Credit risk reflects the risk where a counterparty fails to meet its obligations towards the Company and as a result the Company bears a loss. The Company's credit risk results from the trading activities of its customers, the exposure to the banks, from receivables from other counterparties, investments in non-trading book and from own trading open positions in derivatives in trading book (counterparty credit risk). The Company has no significant concentration of credit risk. The Company monitors on a continuous basis the ageing profile of its receivables. In addition, the Company has policies to limit the amount of credit exposure to any financial institution.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by individual characteristics of each customer. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Capital Requirements

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

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Table 3 below presents the allocation of credit risk in accordance with the Standardised Approach exposure classes.

Table 3: Exposure Classes and Minimum Capital Requirements			
Exposures at 31 December 2015	Total Exposure Value (€000)	Risk-weighted amounts (€000)	Minimum Capital Requirements (€000)
<u>Exposure Class</u>			
Institutions	937	333	26
Corporates	1.631	1.163	93
Equity	0	0	0
High risk items	14	21	2
Other Items	134	250	20
Total	2.716	1.767	141

Nominated External Credit Assessment Institutions (“ECAIs”) for the application of the Standardised Approach

The Company made use of external credit ratings only for its exposures to institutions and corporates, but most of its corporate counterparties were unrated. As at 31 December 2015, the Company’s exposures to Institutions resulted from its deposits with credit institutions. The Company used the credit ratings of Fitch, Moody’s and Standard & Poor’s to rate its exposures and counterparties.

The Company has decided to use the ratings of all three ECAIs mentioned above in the following way:

- If only one credit assessment is available from a nominated ECAI for a rated item, that credit assessment is used to determine the risk weight for that item;
- If two credit assessments are available from nominated ECAIs and the two correspond to different weights for a rated item, the higher risk weight is assigned;
- If more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights are referred to. If the two lowest risk weights are different, the higher risk weight is assigned. If the two lowest risk weights are the same, that risk weight is assigned.

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

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Table 4: Credit Quality Step Mapping table			
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

A breakdown of the Company's exposures by Credit Quality Step (CQS) is given in the following Table:

Table 5: Breakdown by CQS		
Exposures at 31 December 2015	Exposure Value before Credit risk mitigation (€000)	Exposure Value after Credit risk mitigation (€000)
<u>Credit Quality Step</u>		
1	-	-
2	5	5
3	98	98
4	514	514
5	75	75
6	37	37
Unrated/Not applicable	1.987	1.987
Total	2.716	2.716

For Credit Institutions (i.e. banks) and custodians, the Company proceeds with a due diligence review when opening an account with the bank and thereafter, regularly, on a monthly basis. The due diligence review includes reviewing the credit ratings of the banks, the financial statements of the banks and also by watching the press news regarding the specific bank. The Company evaluates exposure to the banks according to "institutions' based method".

For all the other counterparties (mostly the individual customers), the Risk Assessment is initially made within the scope of Anti-Money Laundering Procedures when the customer approaches the Company to open an account and on a regularly basis (ongoing customer due diligence). For terms of credit risk assessment, the customers are regularly assessed based on their proper consequence on their payments to the Company and their general attitude. Risk Weight of the traded counterparty depends on the CQS of the rated Corporate. For the unrated customers the Risk Weight are assigned as 100% or the Risk Weight of its central government, whichever is higher in the counterparty credit risk assessment.

Capital Requirements Disclosures

Average Exposure

The average exposure of the Company in 2015, broken down by asset class, is shown in Table 6 below:

Table 6: Average Exposure in 2015	
Exposure Class	Average Exposure (€'000)
Institutions	1.432
Corporates	2.203
Public Sector Entities	43
Equity	18
High risk items	3
Other Items	90
Total	3.789

Residual Maturity of Credit Risk Exposures

Table 7: Exposure Classes and Residual Maturity			
Exposures at 31 December 2015	Maturity ≤ 3 months (€'000)	Maturity > 3 months (€'000)	Total (€'000)
<u>Exposure Class</u>			
Institutions	937	-	937
Corporates	1.507	124	1.631
Equity	-	0	0
High risk items	-	14	14
Other Items	-	134	134
Total	2.444	272	2.716

Capital Requirements Disclosures

Geographic Distribution of Credit Risk Exposures

Table 8: Exposure Classes by Country						
	Czech Republic (€'000)	Latvia (€'000)	Lithuania (€'000)	Cyprus (€'000)	Other (€'000)	Total (€'000)
<u>Exposure Class</u>						
Institutions	5	283	516	111	22	937
Corporates	745	38	72	8	768	1.631
Equity	-	-	-	-	0	0
High risk items	-	-	-	-	14	14
Other Items	-	-	-	134	-	134
Total	750	321	588	253	804	2.716

Industry of Credit Risk Exposures

Table 9: Exposure Classes by Industry			
Exposures at 31 December 2015	Financial (€'000)	Non-Financial (€'000)	Total (€'000)
<u>Exposure Class</u>			
Institutions	937	-	937
Corporates	88	1.543	1.631
Equity	0	-	0
High risk items	14	-	14
Other Items	-	134	134
Total	1.039	1.677	2.716

Credit Risk Mitigation and Counterparty Credit Risk

As at 31 December 2015, the Company was exposed to Counterparty Credit Risk through FX CFD, Gold CFD, Equity CFD and Commodity CFD positions with clients. The capital requirement for this risk was calculated using the Mark-to-Market approach. The positions were also secured by cash collaterals (i.e. the margins deposited by the clients in order to be able to conduct the trades), which were used to mitigate the final exposures based on the Simple Method for Credit Risk Mitigation.

Capital Requirements Disclosures

Table 10: Counterparty Credit risk Breakdown per Derivative position							
Derivative Type	Positive Fair Value (€'000)	Negative Fair Value (€'000)	Nominal Value (€'000)	Exposure Amount before CRM (€'000)	Exposure Amount after CRM (€'000)	RWA (€'000)	Cap. Requir. (€'000)
FX Derivatives	742	(104)	45.284	1.195	746	746	60
Derivatives on Gold	72	(9)	1.982	92	81	81	6
Derivatives on Equity	0	-	1.747	105	96	96	8
Derivatives on Commodity	1	-	35	3	3	3	0
Total	815	(113)	49.048	1.395	926	926	74

Table below provides a breakdown of funded and unfunded credit protection by asset class.

Exposures at 31 December 2015	Funded Credit Protection (€'000)	Unfunded Credit Protection (€'000)
Exposure Class		
Institutions	-	-
Corporates	(469)	-
Equity	-	-
High risk items	-	-
Other Items	-	-
Total	(469)	-

Impairment of assets

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

As at the end of December 2015, the Company didn't have any past due exposures and had fully impaired investment in subsidiary (deregistration of the subsidiary Teletrade DJ International Consulting (Australia)) in the amount of 66 euros.

Capital Requirements Disclosures

6.2.2. Market and Liquidity Risk

General

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. During 2015, the Company managed market risk by monitoring the exposure on a continuous basis. In particular it follows mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- Stop Loss, Stop out level - Limits on trading
- Margin Calls

6.2.2.1 Market Risk

Currency risk

Currency risk results from adverse movements in the rate of exchange on transactions in foreign currencies.

As at year end, the Company was exposed to currency risk deriving from its balance sheet exposures and open FX and Gold CFD positions denominated in currencies other than the reporting currency (EUR).

The capital requirement deriving from currency risk is €702 thousand.

Commodities risk

Commodities risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities and notional positions in commodities such as CFDs on commodities.

The Company uses the Standardized Method to measure capital requirements for commodities risk. At the year end, the capital requirement deriving from commodities risk is € thousand.

Position risk

Position risk refers to the probability of loss associated with a particular trading (long or short) position due to price changes. Position risk includes equity risk and interest rate risk.

Equities risk

Equities risk refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of equities and notional positions in equities.

The Company uses the Standardized Method to measure capital requirements for equity risk. At the year end, the capital requirement deriving from commodities risk is €139 thousand.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company uses the Standardized Method for the purpose of calculation interest rate risk arising from the open positions in FX CFDs (Traded Debt Instruments), however due to the very short-term nature of these positions, the capital charge for interest rate risk is not calculated (zero percent for the specific and general risk).

Capital Requirements Disclosures

6.2.2.2 Liquidity Risk

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. Liquidity Risk can expose the Company to a shortfall of liquidity and limit its access to the capital markets resulting in damages. Liquidity shortages expose the Company to the risk of not having enough cash to fulfill its duties against creditor/debtors that can eventually cause regulatory sanctions and loss of business/reputation.

The Company has procedures with the object of minimizing such losses, such as maintaining sufficient cash and other liquid current assets and by having available an adequate amount of committed credit facilities and monitor the Company's exposures and diversification to avoid rise of concentration risk.

6.2.3. Operational Risk

General

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 of the Company are responsible for managing operational risk.

The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. The Company has in place a fully operation Business Continuity & Disaster Recovery Plan site supported with business continuity metrics.

The Company applies the Basic Indicator Approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk. As at 31 December 2015, the minimum capital requirements under this approach, using actual income figures for 2013, 2014 and 2015, amounted to €57 thousand.

6.2.4. Equity Investments

The Company classifies its investments in equity as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Information with regards to the recognition, measurement and impairment method is provided in the audited financial statements of the Company.

Capital Requirements Disclosures

During 2015, the Company acquired 0,85% of the share capital of Teletrade Group LLC, a company registered in Russia Federation for the total consideration of €13.864. Teletrade Group LLC is a related company as the rest of its 99,14% of share capital is owned by the shareholder of the Company.

6.2.5. Leverage

According to Article 429 of the CRR, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure and is expressed as a percentage. Institutions shall calculate the end-of-quarter leverage ratio.

The leverage ratio of the Company is calculated using the fully phased in definition of Tier 1 capital and the monitoring from regulator will end in 2017, when a minimum ratio will be established. Currently, a 3% minimum limit is being in place for monitoring purposes.

As at 31 December 2015, the leverage ratio of the Company was 53.17% using a fully phased in definition, as per the table below.

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

	Applicable Amounts (€'000)
Total assets as per published financial statements	1.613
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
Adjustments for derivative financial instruments	693
Adjustments for securities financing transactions "SFTs"	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
Other adjustments	(410)
Total leverage ratio exposure	2.716

Table below provides a breakdown of the exposure measure by exposure type.

	CRR leverage ratio exposures (€'000)
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1.321
(Asset amounts deducted in determining Tier 1 capital)	0
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	1.321

Capital Requirements Disclosures

Derivative exposures	
Replacement cost associated with <i>all</i> derivatives transactions (i.e. net of eligible cash variation margin)	815
Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	580
Total derivative exposures	1.395
Securities financing transaction exposures	
Total securities financing transaction exposures	0
Other off-balance sheet exposures	
Other off-balance sheet exposures	0
Capital and total exposures	
Tier 1 capital	1.444
Total leverage ratio exposures	2.716
Leverage ratio	
	53,17%

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

	CRR leverage ratio exposures (€'000)
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1.321
Trading book exposures	0
Banking book exposures, of which:	1.321
<i>Exposures treated as sovereigns</i>	-
<i>Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns</i>	-
<i>Institutions</i>	937
<i>Retail exposures</i>	-
<i>Corporate</i>	237
<i>Exposures in default</i>	-
<i>Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	147

The Company monitors its Leverage Ratio on a quarterly basis and all appropriate measures are taken where deemed necessary.

The Company's leverage ratio decreased compared to previous year end figures mainly due to the increased losses of current financial year. However, its ratio remained well above the current 3% threshold.

Capital Requirements Disclosures

6.2.6. Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non – compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer and Anti-Money Laundering Compliance officer, as well as by the monitoring controls applied by the Company.

Staff receives training on compliance issues as well as AML issues, and policies and procedures are updated in line with new regulations. Objective is to fulfill all regulatory compliance requirements and ensure that the Company maintains its reputation amongst various stakeholders.

6.2.7. Reputational risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by clients, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company’s key directors, the loss of large clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company’s operations whether such fact is true or false.

Similar to compliance risk mitigation the Company reacts to market changes and regulation changes by adhering to new/updated policies and procedures, staff training and monitoring its strategic goals.

7. Remuneration

The remuneration policy of Teletrade DJ International Consulting Ltd is set by the Senior Management and the Board of Directors in consultation with Nomination & Remuneration Committee. Decisions with regards to remuneration levels and salary increases of employees are taken by the CEO in consultation with the Board.

Performance is assessed using a set of criteria that differ according to the position and responsibilities of the employee concerned. In 2015, remuneration consisted mainly of fixed monthly salaries.

Table 11 below presents a breakdown of the annual remuneration for those categories of staff whose professional activities have a material impact on the risk profile of the Company, by business area:

Table 11: Aggregate Remuneration by Business Area	
Business Area	Aggregate Remuneration (€'000)
Control Functions	152
Brokerage Department	78
Dealing on Own Account, Portfolio Management & Investment Advice	68
Other risk-taking functions (including categories of staff whose total remuneration takes them into the same remuneration bracket as senior management and risk takers)	144
Total	442

Capital Requirements Disclosures

Control functions include the persons employed in the Legal, Risk Management, AML & Compliance Department and Senior Management.

The aggregate remuneration for 2015, broken down by Senior Management & Executive Directors and members of staff whose actions have a material impact on the risk profile of the Company, is as follows.

Table 12: Aggregate Remuneration by Senior Management & Executive Directors and other staff					
Personnel	No. of people	Fixed (Cash) (€'000)	Variable (Cash) (€'000)	Variable (non-Cash) (€'000)	Total (€'000)
Senior Management & Executive Directors	2	78	-	-	78
Other risk Staff	18	364	-	-	364
Total	20	442	-	-	442

In Table 12 above, the category “Senior Management & Executive Directors” consists of the Four Eyes and the Executive Directors of the Company. “Other risk Staff” includes the personnel employed in the departments/business areas mentioned above whose actions could have a material impact on the risk profile of the Company or/and other staff whose total remuneration takes them into the same remuneration bracket as senior management and risk takers. It is noted that staff in the Company’s representative offices in other countries such as Spain, Italy, Latvia, Czech, Lithuania etc. are not included in the breakdown in tables above since their business line (i.e. back office) is not considered as risk taking function. The total staff cost as at 31/12/2015 is provided in Note 7 of the Company’s Financial Statements.

Capital Requirements Disclosures

Appendix I

I. Balance sheet reconciliation

	Amounts (€'000)
Share capital	301
Share premium	2.700
Accumulated losses	(1.557)
Total Equity as per published accounts	1.444
Regulatory adjustments	-
Total Eligible Own Funds	1.444

II. Own funds disclosure template

At 31 December 2015	Transitional Definition (€'000)	Full - phased in Definition (€'000)
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	3.001	3.001
Retained earnings	(1.015)	(1.015)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	0	0
Funds for general banking risk	0	0
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1.986	1.986
Common Equity Tier 1 (CET1) capital: regulatory adjustments	0	0
Intangible assets (net of related tax liability)	0	0
Losses for the current financial year	(542)	(542)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(542)	(542)
Common Equity Tier 1 (CET1) capital	1.444	1.444
Additional Tier 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1)	1.444	1.444
Tier 2 (T2) capital	0	0
Total capital (TC = T1 + T2)	1.444	1.444
Total risk weighted assets	19.323	19.323

Capital Requirements Disclosures

Capital ratios		
Common Equity Tier 1	7,47%	7,47%
Tier 1	7,47%	7,47%
Total capital	7,47%	7,47%

Definitions:

The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.