FIBO GROUP HOLDINGS LIMITED

Pillar III disclosures for the year ended 31 December 2015

Cyprus 2016

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1. Introduction

FIBO Group Holdings Limited ('the Company') is regulated by the Cyprus Securities and Exchange Commission ('CySEC') under authorisation number 118/10 issued on 14 June 2010 by which it is licenced to operate as a Cypriot Investment Firm and to provide investment and ancillary services in Cyprus and on other Member-States of the European Union. The principal activities of the Company are the provision of investment services (receipt, transmission and execution of clients' orders and provision the clients with the facility of online trading on the international financial markets) and safe custody in accordance with the provisions of the applicable legislation and requirements issued by the Cyprus Securities and Exchange Commission.

This report has been prepared in accordance with the requirements of the Disclosures 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 and amending Regulation (EU) No 648/2012.

The Regulation describes the Basel II framework which is based on three pillars:

- Pillar I covers the standards that set out the minimum regulatory capital requirements that are required for credit, market and operational risk

- Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes. Investment firms and Supervisors have to evaluate and assess whether an Investment Firm should hold additional capital against risks not covered in Pillar I

- Pillar III (Market discipline) covers transparency and the obligation of Investment Firms to disclose meaningful information to the market related to their risks, capital, and generally risk management.

The Company's Pillar III disclosures below have been prepared using 31 December 2015 data in accordance with the Regulation

1.1 Materiality of Disclosures

The Regulation provides that the Company 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, this was not included in the document.

1.2 Disclosures and Confidential Information

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive 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.

Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality. Under the light of the above, the Company avoided to disclose such confidential information in this report.

1.3 Location and Frequency of Disclosures

According to CySEC's Directive DI144-2014-14 (the "Directive"), the risk management disclosures must be included either in the financial statements of the investment firm, if these are published, or on its website. In addition, these disclosures must be verified by the external auditor of the investment firm. The investment firm will be responsible for submitting its external auditor's verification report to CySEC.

The Company intends to make its disclosures annually in a document other than the Audited Financial Statements. The Board of Directors has stated in its Disclosure Policy that the disclosures will be uploaded on the website of the Company. In addition, the disclosures have been reviewed by the external auditor.

The current disclosures are based on the position of the Company as at 31st December 2015.

1.4 Scope of Disclosures

The requirements of the Regulation apply to the Company on an individual basis.

2. Risk Management Objectives and Policies

2.1 Risk Management Organisation

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

Board Risk Management Declaration

The Board has the overall responsibility for assessing the effectiveness of the Company's risk management measures and the systems of financial and internal control. These are designed to control rather than abolish the risks of not achieving business objectives; hence they offer adequate but not absolute assurance against fraud, material misstatement and loss.

The Board considers that it has in place satisfactory systems and controls with regards to the

Company's profile and strategy, with an appropriate range of assurance mechanisms and resourced, to avoid or minimize loss.

Risk Management Framework

This framework provides a comprehensive approach of the Company for identifying, measuring, monitoring and managing each type of risk to which the Company is exposed. By adopting a formal approach to risk management, we achieve better outcomes as a result of systematically identifying and analysing the wide range of issues that affect decision-making.

The risk management framework has been developed to:

- ensure that the primary objective of the risk management process is achieved. This is to ensure that a level of capital adequacy is maintained so that the total risk taken by the Company is no greater than the Company's ability to absorb losses
- allow the Company to proactively manage its risks in a systematic and structured way and to continually refine its process to reduce its risk profile and ultimately its capital requirements
- ensure appropriate strategies are in place to mitigate or transfer risks
- embed the risk management process and ensure it is an integral part of the Company's process of strategic decision making and capital planning
- help create a risk awareness culture at all departments within the Company
- engage the Company's management's attention to the management, monitoring, reporting and review of identified risks as well as considering new and emerging risks on a continuous basis

Risk Management Process

The risk management process is integrated within the Company through established internal policies, systems, controls and comprehensive reporting, commensurate with the complexity of the Company's activities and structure. The system of internal controls provides reasonable assurance about the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The risk management process provides for the continuous monitoring of the system of internal controls to ensure its effectiveness.

The Risk Management Department is responsible for determination, evaluation and efficient management of the risks inherent in the provision of investment services. The department's aim is to provide these services in accordance with the provisions of the Investment Services, Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) and Directives issued by the CySEC, as well as the internal regulations of the Company.

The Risk Management Department of the Company has the following duties and responsibilities:

- Development of policy regarding the assumption, follow up and management of risk which will include guidelines regarding possible risk exposure and acceptable risk levels

- Development of risk management policy for clients and counterparties for the following risk:
  a. credit risk
  b. liquidity risk
  c. market risk
  d. leverage risk

- Analysis for the Investment Committee of the potential hazards associated with the recommended frameworks on which investment decisions are based

- Credit assessment (including quality and financial analysis) of the clients when opening new client accounts and classification of clients according to the Company's risk criteria and limits

- Credit assessment of counterparties and classification of counterparties according to the Company's risk criteria and limits

- Monitoring of investment risk undertaken by the Company for each client, counterparty and the Company as a whole

- Estimated risk of the Company's clients' and counterparties' participation in money laundering and/ or terrorist funding activities

- Monitoring of deals executed with counterparties in relation with securities' market prices

- Monitoring of brokerage and asset management transactions as regards adherence to established risk limits

- Monitoring risk associated with margin trading clients

- Monitoring day-to-day operational risks

- Building a risk-aware culture within the Company and providing relevant trainings

- Maintenance of appropriate internal control systems designed to manage key risk areas

- Providing an annual written report to the Company's Board of Directors on the matters of the Department's responsibilities indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

The Company's strategies and processes for managing risks, as well as the measurement systems used and the hedging and mitigating strategies are analysed below by risk division.

2.2 Credit Risk Management

Credit risk is defined as the potential that a company borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximise a company's risk-adjusted rate of return in the provision of investment services by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of an investment company.

Measurement and Assessment

The Credit Risk Management Policy establishes the frame work for credit assessment, structure of limits and process of approval and monitoring of credit risks. The Company manages the credit risk inherent in its entire portfolio as well as the risk attributable to individual credits or transactions. Credit exposures from related accounts are aggregated and monitored on a consolidated basis.

The Company's Risk Manager sets targets and limits for the composition and quality of the loans, advances and trade debtors portfolio and monitors compliance with them. Limits approval is done by the Investment Committee of the Company on the basis of List of limits by the Company's Risk Manager.

Creditworthiness Assessment of Clients and Counterparties

Evaluation of client or counterparty creditworthiness involves analysis of financial and non-financial data, including submitted pledge to cover their credit risks.
Financial data includes:
- balance sheet,
- income statement,
- diversification,
- leverage and other information from financial statements.

Non-financial data includes:
- qualitative characteristics (such as industry review, business risk, etc)
- reputation

assessment of credit risk by external assessors

All required information is collected from the clients during account opening KYC ('Know Your Client') procedures and from the counterparties during due diligence procedures.

The assessment of the quality of the portfolio is carried out using credit rating and credit scoring systems to determine the creditworthiness of customers. Credit Rating approach to credit risk classifies companies based on their rating with External Credit Assessment Institutions (ECAI) and calculates the historical percentage of defaults for each rating. The Company only uses ECAIs that have been recognized and announced as eligible by CySEC.

Efficient Monitoring and Control

The Company's Risk Manager constantly reviews clients and counterparties creditworthiness. Monitoring includes review of the following data:
- Previously collected information
- Limits set previously for this client or counterparty
- All financial data information updates collected from the last review (not less than one year)
- All non-financial information (not less than six months)

The purpose of such monitoring is to ensure that limits set previously to clients and counterparties are valid and there is no negative information stipulating high probability of counterparty's/ client's failure to carry its obligations. Following the review, Risk Management amends if required the limits set previously for the particular client or counterparty.

Approved credit limits are registered on a protected excel spreadsheet and circulated to all traders and front office and back office employees as an extra monitoring tool. In cases where a trader enters a deal which results in violation of credit limits, the deal is blocked by the system and is not executed. The Risk Manager is informed of any violations and makes decision whether to accept the violation or close the deal.

2.3 Market Risk Management

Market risk reflects the extent to which the return of the security varies in response to, or in association with, variations in the overall market returns. Market risk is associated with the Company's open positions, which are exposed to the risks of changes in the market. Credit, country, liquidity, exchange rate and interest rate risks in particular have an impact in the form of price fluctuations.

The Company's Risk Management Department is responsible for measuring and monitoring of market risk, setting out the policy for management of this type of risk and approving acceptable market risk limits, such as position limits, stop-loss limits etc.

The lack of sophistication in monitoring of emerging financial markets can result in poor levels of market transparency, liquidity, efficiency and regulation in the emerging markets. Moreover, high volatility and large price differences are characteristic of these markets. Finally, inadequacy or absence of regulatory measures gives rise to an increased danger of market manipulation or insider trading.

2.4 Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes reputation and strategic risks. It is embedded in every business activity and potential losses may occur in all Company's activities.

The Company has adopted the Basic Indicator Approach for the assessment of own funds requirements for operational risk. The capital requirement for operational risk under the Basic Indicator Approach is equal to 15% of a relevant indicator, which is defined in the Regulation as the average over three years of the sum of net income.

3. Own Funds

The own funds of FIBO Group Holdings Limited as at 31 December 2015 were EUR 826,331 as shown below:

Original Own Funds (Tier 1)	EUR
Share Capital	3,500
Share Premium	1,948,500
Losses carried forward	-1,337,822
Total Tier 1	**614,178**
Deductions from Original Own funds	**-56,645**
Subordinated Shareholders' loan	**268,798**
Total Eligible Own Funds	**826,331**

3.1 Original Own Funds

<u>Share Capital</u>

As at 31/12/2015 the share capital of the Company comprised of 3,500 shares with a nominal value of € 1 each for the total amount of € 3,500. The share premium of the company as at 31/12/2015 was € 1,948,500.

4. Minimum Required Own Funds for Credit, Market and Operational Risk

4.1 Company's Approach to Assessing the Adequacy of its Internal Capital

Different approaches based on the different categories of risks are issued to assess the adequacy of the Company's internal capital to support current and future activities. These approaches are described below.

Basic Indicator Approach for Credit Risk

The necessary mechanism for the capital calculation in accordance with the Standardised Approach is implemented in accordance with the Regulation.

The following table shows 8% of the risk-weighted Company's exposure amounts as at 31/12/2015 for each of the exposure classes specified in the Regulation.

Minimum Capital Requirements in Relation to Operational Risk

The minimum capital requirement in relation to operational risk calculated in accordance with the Basic Indicator Approach EUR 52,000

Description	2013 ('000)	2014 ('000)	2015 ('000)
Revenue	584	716	570
Cost of sales	-278	-329	-203
Interest income/(expense)	0	0	0
Other income	2	0	0
Net finance (costs)/income & Exchange difference	-7	-17	33
TOTAL	***301***	***370***	***400***
Average of 3 years	357		
Capital Requirement ('000)		**52**	
Risk Weighted Assets ('000)	**632**		

Position, Foreign Exchange and Commodity Risks Own Funds Requirements

The capital requirement in relation to position, foreign exchange and commodity risks calculated in accordance with the Regulation amounts to 6,131,000Euros .

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5. Company's Exposure to Credit, Counterparty Credit And Dilution Risks And Free Deliveries

Past due accounts receivable are defined as all accounts receivable where the counterparty has failed to make a payment when it was contractually due. At each balance sheet date the Company assesses whether there is any objective evidence that accounts receivable (/debts) are impaired. A debt is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the liability (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the debt or the group of debts, that can be reliably estimated.

5.1 Total Amount of Exposures

Exposures by different types of exposure classes as at 31 December 2014

Type	ST Claims on institutions	Administrative bodies	Corporate	Other Items	Total
	EUR	EUR	EUR	EUR	EUR
Cash and cash equivalent	433,938	-	306,204	-	740,142
Trade receivables	-	-	-	-	-
Other receivables	-	85,815	2,232,234	133,582	2,451,631
Prepayments	-	-	595	-	595
Amounts due from related parties	-	-	6,978	-	6,978
Fixed assets	-	-	-	4,683	4,683
Total	433,938	85,815	2,546,011	138,265	3,204,029

5.2 Geographical Distribution of the Exposures

Regions	Amount
Cyprus	695,263
EU	1,680,164
Other	868,603
Total	3,204,029

5.3 Distribution of the Exposures by Industry or Counterparty Type

Industry/ Counterparty type	ST Claims on institutions	Administrative bodies	Corporate	Other Items	Total
	EUR	EUR	EUR	EUR	EUR
Financial institutions	433,938	-	-	-	433,938
Others	-	85,815	2,546,011	138,265	2,770,091
Total	433,938	85,815	2,546,011	138,265	3,204,029

5.4 Residual Maturity Breakdown of the Exposures

	ST Claims on institutions	Administrative bodies	Corporate	Other Items	Total
	EUR	EUR	EUR	EUR	EUR
Less than 1 year	433,938	-	2,546,011	-	2,979,949
Indefinite maturity	-	85,815	-	138,265	224,080
Total	433,938	85,815	2,546,011	138,265	3,204,029

5.5 Geographical analysis of the Exposures

Country	Code	Amount
UAE	AE	648,727
Belize	BZ	1,474
China	CN	12,711
Cyprus	CY	695,263
Germany	DE	18,450
Denmark	DK	10,000
United Kingdom	GB	1,644,756
Latvia	LV	24,438
Russia	RU	145,915
USA	US	2,296
Total		3,204,029

5.6 Impaired Exposures and Past Due Exposures

As at 31 December 2015, the Company did not have any impaired exposures or past due exposures.

6. The Standardised Approach

6.1 Exposure Classes for which External Credit Assessment Institutions ('ECAI') or Export Credit Agencies ('ECA') are used

The Company uses Moody's, Standard & Poor's and Fitch Ratings as its External Credit Assessment Institutions ("ECAIs"). The credit ratings of all three ECAIs are used for all exposures of WSFIS, subject to their availability. If two credit assessments are available from nominated ECAIs and the two correspond to different risk 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.

6.2 Association of the External Rating of Each Nominated ECAI or ECA with Credit Quality Steps

The Company complies with standard association published by CySEC, regarding the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Annex VI of the Directive.

Table… Credit Step Mapping Table

Credit Quality Step (CQS)	External Credit Assessment Institutions		
	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

6.3 Exposure Values Associated with Credit Quality Steps

The exposure values before and after risk mitigation associated with each credit quality step prescribed in Annex VI of Part C of the Regulationas at the 31 December 2014 were as follows:

Rating	**Total exposure**
	EUR
Aaa	1,675,501
Aa2	648,727
Aa3	12,711
A3	24,438
Ba1	145,915
B1	695,263
Caa2	1,474
Total	**3,204,029**

As at the year-end the Company did not employ any credit risk mitigation for its exposures, therefore, the above amounts indicate the exposures both before and after credit risk mitigation.

7. Company's Internal Capital Adequacy Approach Process (Pillar II)

Our approach for meeting the Pillar II requirements, are based on the Pillar 1 minimum capital requirement Plus approach,   as it takes the Pillar I capital requirements calculation as a starting point and then considers whether this results in an adequate amount of capital to cover the Company's actual risk profile

The Company chooses to apply this method and uses, as a starting point, the minimum capital calculated according to the provisions of the Regulation, under Pillar 1, that is, for credit risk, operational risk and market risk.

The capital calculated as a minimum requirement, under Pillar 1, is then assessed internally as to its adequacy vis-à-vis the following:

- Risks covered in Pillar 1
- Risk not fully covered in Pillar 1
- Pillar 2 risks

The Company assesses the above elements of the overall risk, following the chosen approach, and uses the stress scenarios approved at the strategic management levels, mainly for external factors, including through the cycle, to ensure that the Company's plans and current level of the capital are sufficient to:

- meet the Company's liabilities as they fall due;
- survive a recession and meet the Pillar 1 capital requirement through a severe recession.

The Company aims to operate at all times over and above the required statutory capital and currently maintains a prudent level of capital for both short and long term requirements.

8. Recruitment and Diversity Policy for senior management

The Company has implemented the recruitment and diversity policy, providing conditions for employment of staff for crucial managerial positions and those who shall be responsible for the determination of the Company's entrepreneurial strategy.

The policy provides that these people shall have certain number of year's prior experience in relevant executive positions in the financial markets, and adequate academic and/or professional qualifications in financial, management, accounting fields.

The recruitment principles for the Board member provide that there is a maximum number of directorships which can be held by the Boards members.

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

Data is provided for the Directors in office as of 31 December 2015 and the compliance with the policy principle was adhered to during the year, including all directors in office in 2014.

Table 1. Number of directorships

Financial Year 2015		
Position within the Company	Directorships – Executive	Directorships – Non-Executive
Executive Director	1	0
Executive Director	1	0
Non-executive Director	0	1
Non Executive Director	5	1

The Company's remuneration policy is determined by the Company's general meeting .

For the purposes of the Remuneration policy, remuneration represents salaries paid and other financial and material incentives, including benefits associated with retirement.

The policy concerns the following staff categories of the Company:

I. Senior management staff;

II. Employees, whose activities are associated with risk taking;

III. Employees with management functions;

IV. Any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on their risk profile whose activities have a significant influence on the risk profile of the Company.

The remuneration of the Company's staff covered by the Remuneration Policy is based on fixed salaries with no performance related pay. Furthermore the Company does not have any shared-based compensation or any other variable component schemes. The remuneration of the Company's controlling functions is determined by the Board of Directors and is fixed.

Present disclosure is required to provide for the information as follows:

Aggregate quantitative information on remuneration, broken down by senior management and members of staff, whose actions have a material impact on the risk profile of the Company indicating the following:

The amounts of remuneration for the financial year, split into fixed and variable remuneration, and the	**number of beneficiaries**	**Amount '000 EUR**
FIXED	**13**	**291**
VARIABLE	**N/A**	**N/A**
The amounts of outstanding deferred remuneration, split into vested and unvested portions	**N/A**	**N/A**
The amounts of outstanding deferred remuneration, split into vested and unvested portions	**N/A**	**N/A**
The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments	**N/A**	**N/A**
New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments	**N/A**	**N/A**
The amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person	**N/A**	**N/A**