INSTANT TRADING EU LTD

DISCLOSURE AND MARKET DISCIPLINE FOR THE YEAR 2017

APRIL 2018

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1. Introduction

Instant Trading EU Ltd (hereinafter called the "Company") obtained its license as an Investment Firm regulated by the Cyprus Securities and Exchange Commission (the "Cysec"), License no. 266/15, and started operations in November 2015.

The report is prepared in accordance with the requirements of Directive DI144- 2007-05 and relevant regulations of the Cyprus Securities and Exchange Commission for the Capital Requirements of Investment Firms. The said Directive is based on three pillars:

1. Pillar I has to do with the standards that set out the minimum regulatory capital requirements
2. Pillar II covers the Supervisory Review Process which assesses the internal capital adequacy processes.
3. Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place.

The Company makes this report available publicly on its website annually. This report relates to the year ended 31/12/2017 (The "Reporting reference date"), and to the Pillar III of the said Directive.

Any information not contained in this report was either not applicable based on the Company's business and activities, or such information is considered as proprietary to the Company. Sharing such information with the public would possibly undermine the Company's competitive position.

The report pertains to the "Disclosure and Market Discipline of Investment Companies" regulatory obligation, as stipulated in CySEC's Directive 144-2007-05 of 2012. Under this regulatory obligation the Company is required to disclose information relating to the capital it holds and to each material category of risk it faces, in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the Company and the risk assessment process it has in place to monitor these exposures.

The present disclosures are verified by the external auditor Instant Trading EU Ltd. A review is carried out on an annual basis. Considering the scale, size and complexity of the Company and its operations, and the financial instruments offered to clients, it should be noted that some or all of the disclosures may need not be published more frequently than annually. The disclosures will be published on the Company's website at www.instaforex.eu

2. Risk Management Structure

The Company is exposed to a variety of risks referred to below in this present report. The Company actively manages the risks it is exposed with the involvement of a series of functions within, so as to protect both investor and company interests.

From the level of Board of Directors & Senior Management, and their relevant Risk Management Committee, to the independent Internal Audit function, and down to the additional defense line of the Risk Management function, the Company identifies, assesses, manages and monitors risks taking into account the nature, scale and complexity of the activities undertaken in the course of business.

2.1. Board of Directors & Senior Management in place:

Is ultimately responsible for overlooking and directing the operations of the Company and approve objectives and strategic directions, as detailed in the Company's approved Internal Operations Manual (the "IOM").

2.2. Risk Management Committee in place:

Is composed as required by members of the Company's control functions, Senior Management and Board of Directors, to oversee the overall risk management system in place and direct key risk management related decisions, as detailed in the Company's IOM.

2.3. Risk Management Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM. The Company has a full time person who is responsible for the Company's risk management function.

2.4. Compliance Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM. Specifically, it is implementing a compliance monitoring program to ensure the overall compliance of the Company with laws and relevant directives imposed by the Cysec. The Company has a full time person who is responsible for the Company's Compliance Function.

2.5. Internal Audit Function in place:

Is covered by the necessary expertise and follows the required processes as detailed in the Company's IOM. Specifically, it is implementing an internal audit program to independently review the Company's functions and activities and their adherence to processes, controls, and requirements.

3. Risk Management related policies for mitigating risk

The Company's Board of Directors and Senior Management have the overall responsibility for the establishment and oversight of the Company's risk management framework, as well as for the internal control systems.

The Risk Manager reports to the Risk Management Committee, the Senior Management and the Board and is responsible for:

- Monitoring the adequacy and effectiveness of the Company's risk management policies and procedures
- Examining the level of compliance by the Company and its staff with the arrangements, processes and mechanisms adopted
- Monitoring the adequacy and effectiveness of the measures taken to address any deficiencies in the aforementioned policies, procedures, arrangements, processes and mechanisms, including failures by Company staff to comply with them
- Assessing the exposures and capital adequacy results of the Company
- Monitoring on a continuous basis the performance and overall actions of the Dealing on Own Account Department
- Monitoring the performance of the Company's portfolios
- Educating and training Company personnel on risk-related issues
- Evaluating the potential effects from the introduction of new services and activities to the management of the Company's risks

As an additional form of control, the Risk Management Committee is responsible for monitoring and controlling the Risk Manager in the performance of his duties. The Committee is dedicated primarily to managing the credit, market and operational risks resulting from the Company's operations, and as part of its responsibilities it has to set out, approve and regularly update the risk strategy.

The Risk Management Committee convenes at least annually, as well as upon the request of one of its members or the Risk Manager.

Furthermore, the Internal Audit function, which is outsourced, examines the compliance of the Company with regulatory requirements concerning internal audit matters and provides recommendations based on the work carried out.

Finally, the Head of Own Account Department implements a number of procedures which contribute towards the better management and control of risk. These include:

- Restricting deal sizes so as to avoid concentration to a single client
- Diversifying currency pairs so as to not concentrate risk in a single currency pair
- Monitoring on a daily basis the Company's foreign currency positions

- Reporting to management large changes in exposure of net FX positions
- Monitoring on a daily basis the Company's capital adequacy ratio and informing the management in the event the ratio falls below 10%
- Screening the hedging process, whereby the Company effects transactions with its liquidity providers in order to hedge its positions against its clients
- Informing the General Manager and Risk Manager in case a single client exceeds maximum limitations via various deal combinations
- Continuously monitoring client activity for any "unusual" trading patterns and alerting General Manager and Risk Manager with any concerns
- Continuously checking published rates and ensuring they are aligned with market rates
- Making sure that opening and closing procedures of system at the beginning and at the end of the trading week is done accurately and that any possible adverse events are mitigated
- Taking part in investigating and solving client specific trading issues and alerting General Manager and Risk Manager with issues that may arise

The Company has established policies for identifying, assessing, managing and mitigating specific categories of risk (even though some policies may be geared to the achievement of objectives in one or more separate but overlapping categories). The Company also takes risk mitigation measures and allocates the responsibility for applying these measures to certain employee(s). The Company keeps a record with all risks and relevant procedures and updates it.

Communication of information at all relevant levels is defined by the organizational structure, which clearly specifies reporting lines and allocates functions and responsibilities.

4. Capital Adequacy & Capital Management

A fundamental objective of the Company's management of capital is to ensure that the Company complies with regulatory/externally imposed capital requirements and that the Company maintains such compliant/healthy capital ratios at all times/continuously.

According to the Directive DI144-2007-05 of the Cysec regarding Capital Adequacy of Investment Firms, the company is obliged to submit to CySEC quarterly capital adequacy reports.

4.1. Capital Adequacy Ratio & Risk Weighted Assets

[Cysec: min required for the Company is: 8%]

The Company's capital adequacy ratio as of end of year was as follows and the Company's Risk Weighted Assets were concentrated on the categories a., b., c. below:

Eligible Own Funds (I, II, III) & Capital Requirements / Risk Weighted Assets (a, b, c)	**EUR 'OOO**
I. Original Own Funds (Tier 1 Capital)	1,933
II. Tier 2 Capital	1,000
III. Total Eligible Own Funds	**2,933**
a. Risk Weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,236
b. Total Risk exposure amount for position, fx, and commodities risk	4,081
c. Additional Risk amount for operational risk	276
Total Risk Exposure Amount	**6,593**
Minimum Capital Adequacy Ratio [Cysec: min required for the Company is: 8%]	**44,49%**

4.2. Company Own Funds - Capital base

[Cysec: min required for the Company is: 730,000 EUR]

The composition of the capital base of the Company as of end of year was as follows:

As at the Reporting reference date:

Capital (Original Own Funds): Tier 1 (none of Tier 2)	**‘EUR OOO**
Share Capital	2
Share Premium	1,423
Reserves (Retained Earnings)	-568
Additional Capital	1,051
Subordinated Loan	1,000
Total Own Funds <u>[Cysec: min required for the Company is: 730]</u>	**<u>2,908</u>**

5. Main Risks

5.1. Credit Risk

Credit Risk arises mainly from the inability of counterparties to honor contractual obligations or change in the credit premium that the market demands as an effect of the market perception of increased default risk.

Banks, Custodian-type third parties and trading counterparts of the Company have been risk-assessed on creditworthiness. To minimize potential risks, the Company was using, for its own purposes/funds, reliable (EU &/or investment- grade) and diversified financial institutions in the EU region. The Company did not have any own financial instruments/positions.

As at the Reporting reference date:

Credit Risks (Standardized Approach) per Counterparty type EU (on-Balance Sheet):	**'EUR OOO**
Institutions	2,447
Equity	69
Other	5
Total Risk Weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	**2,521**

5.2. Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changing market prices. The Company uses the Standardized Approach for measuring Market Risk.

5.2.1. Currency Risk

Foreign Exchange Market risk is the risk that results from adverse movements in the rate of exchange. Foreign Exchange risk arises from positions (transactions, and recognized assets and liabilities; on- and/or off- balance sheet items) in currencies other than the Company's currency of operation, EUR.

The Company mitigates such risk, as it has a Trading Book Policy which includes position and loss limits for the Dealing on Own Account Department as well as hedging guidelines that need to be adhered to, and by closely monitoring same as part of its capital adequacy monitoring and reporting.

5.2.2. Interest Rate Risk

Interest Rate Market risk is the risk that arises from adverse movements in interest rates that affect the Company's on- and/or off- balance sheet items.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The Company did not have any own position in securities meaning that its income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2017 the Company had no other interest bearing financial assets or liabilities than cash at bank, with interest at normal commercial rates.

5.2.3. Market-Asset Liquidity Risk

Market–Asset Liquidity Risk is the risk that Company's tradable market assets become illiquid.

The Company's management monitors on a continuous basis and acts accordingly. The Company did not have any own financial instruments/positions (securities), other than its cash-form capital, therefore was not exposed to such risk of asset illiquidity.

5.3. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or external events. Operational risk is one of the major risks that the company is facing where errors, fraud or disruptions to service can have monetary or reputational cost.

Particularly, the Company mitigates such risk as it applies the Four Eye Principle as a risk mitigation factor of broad human error. It has also established procedures which ensure business continuity and disaster recovery. Furthermore, the company applies transaction recording mechanisms, segregation of duties where feasible, and verification as necessary.

The Company follows the Basic Indicator approach for the relevant risk measurements.

5.3.2. Operating-Cash Flow Liquidity Risk

Operating-Cash Flow Liquidity Risk is the risk that the Company will not be able to meet its financial obligations, and may arise, among others, when the maturity of assets and liabilities does not match.

The Company closely monitors cash-flow in real time and be aware, as far as possible, regarding future own financial obligations, to ensure to meet its liabilities when they are due. As at the Reporting reference date, the payables comprising the financial liabilities of the Company where matched by balances available on account(s).

5.3.3. IT Risk

IT risk is the business-impact risk associated with the ownership & operation, as well as involvement with, Information Technology.

The Company mitigates this risk with adequate arrangements in place regarding back-up procedures, software maintenance, hardware maintenance, use of the internet-, and anti-virus-safety/safeguarding procedures.

5.3.4. Reputational Risk

Reputational risk occurs when negative publicity arising from customers, counterparties, shareholders or regulators regarding the Company's business practices affects the Company.

The Company, in this respect, employs the following mitigation strategies:

- Strive to keep its customers satisfied. The company has a well- implemented customer complaint handling-policy.
- Information provided to customers is ensured to be fair, clear and not misleading. The Company reviews and approves any advertising and other material before they are being published.
- Prioritizes compliance with applicable regulations
- Maintains good relationships with counterparties

6. Remuneration Policy

The Company set the Company-wide remuneration policy approved by the Board of Directors.

The remuneration of the Directors and Senior Management of the Company is also governed by the aforesaid policy. The remuneration of Executive Directors and Senior Management of the Company comprises of a salary and a variable element.

The remuneration of the Non-Executive Directors of the Company comprises of a fixed annual fee.

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

Aggregate Remuneration by Business Area (€'000)	
Business Area	**Aggregate Remuneration**
Control Functions	12
Senior Management & Executive Directors	36
Reception, Transmission & Execution	9.6
Dealing on Own Account	0
Marketing	24
Total	**81.6**

7. Communication / Enquiries

For any enquiries regarding this report and its contents of this report, please feel free to contact the Company at the contact details on the website www.instaforex.eu