TOPFX

Disclosure and Market Discipline Report

Made in accordance with the Cyprus
Securities and Exchange Commission
Directives 2013/36/EU, DI144-2014-14, DI144-2014-15 and Regulation 575/2013
As at 31 December 2015

TOPFX

Contents

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A. Introduction

Pillar III disclosure is a requirement of the European Union's Capital Requirements Regulation 575/2013 and Directive 2013/36/EU, as implemented by CySEC Directives 144-2014-14 and 144-2014-15 (where applicable). Pillar III aims to encourage market discipline by developing a set of disclosure information, which gives access to market participants, regarding to the Company's capital adequacy and to each material category of risk it faces. Additionally, it aims to provide information regarding the risk assessment and the risk mitigation process which was followed by the Company during 2015.

Definitions:

TopFX Ltd: the "Company",
Cyprus Securities and Exchange Commission: "CySEC"
Directive DI144-2007-05, DI144-2014-14 and DI144-2014-15 of the Cyprus Securities and Exchange Commission and Regulation 575/2013 and Directive 2013/36/EU of European Commission for the Prudential Supervision and Capital Requirements of Investment Firms: the "Directives".
Frequency: The Company will be making these disclosures annually.
Media and Location: The disclosure will be published on our website: http://www.topfx.com
Scope of report: The disclosures are in accordance to the audited financial statements of the Company for the year ended 31 December 2015.

B. Scope of Application

The Company TopFx Ltd was incorporated in Cyprus on 24.09.2010 as a limited liability company. TopFx Ltd is a licensed Cyprus Investment Firm regulated by the Cyprus Securities & Exchange Commission (CySEC) with license number 138/11. The Company activated the license at 1 of March 2012.

The main objective of the abovementioned directives and regulations is to implement the Basel III reforms across the European Union.

According to Basel III regulations, there are three pillars, which are designed to promote market discipline through the disclosure of important financial information regarding the risk exposures of the Company and of the risk management process followed.

The current regulatory framework consists of three pillars:

Pillar I: Sets out the minimum capital requirements for the Company to be able to cover the credit risk, market risk and operation risk.

Pillar II: Sets out the supervisory review which requires the regulators to undertake a qualitative review of the Company's capital allocation techniques (ICAAP) and compliance with the relevant standards.

Pillar III: Sets out the required disclosures to allow market participant to gain access and better understand the risk profile of the Compnay, to assess/review important information of the capital structure, risk exposures, the risk management process followed and most important the capital adequacy of the Company.

TopFx Ltd obtained an Investment Firm authorization from the Cyprus Securities and Exchange Commission (CySEC) to offer:

Investment Services:

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of Orders on behalf of clients
3. Portfolio Management

Ancillary Services of:

1) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management
2) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3) Foreign exchange services where these are connected to the provision of investment services.

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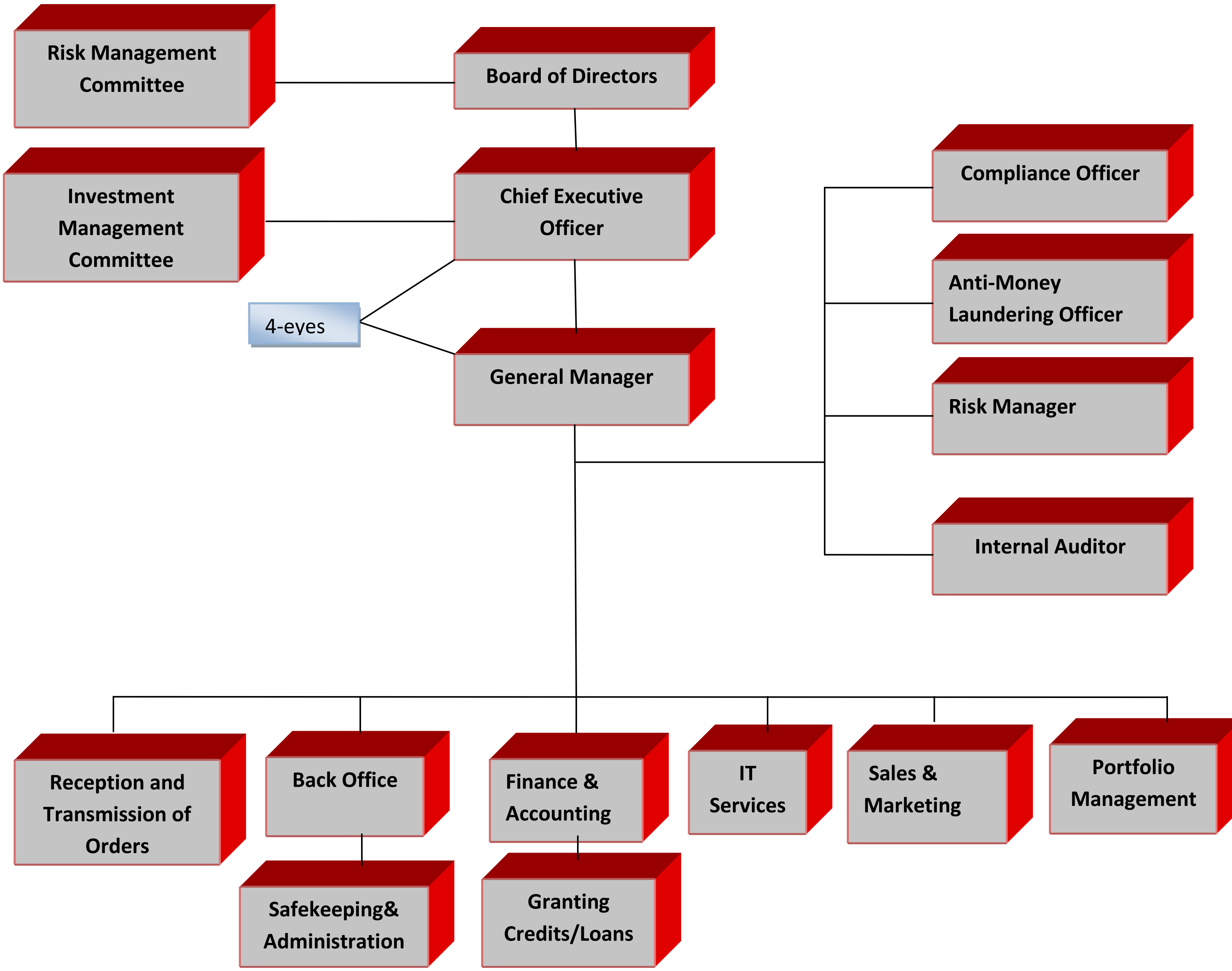
C. Risk Management & Governance of the Company

Diagram of Organizational Structure



1. **Board of Directors:** The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies, set the strategy of the Company. The Board is responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequately flow of information.

2. **Risk Management Function:** The Risk Manager ensures that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager shall report to the Senior Management of the Company.
   As an addition to the above, the Company is operating a Risk Management Committee, which is responsible for monitoring and controlling the Risk Manager in the performance of his duties. Also is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients as well as the risks underlying the operation of the Company.

3. **Compliance Function:** The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer is to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

4. **Internal Audit Function:** The Internal Auditors review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

The corporate governance of the Company regarding risk management is considered adequate through the establishment of an effective risk oversight structure. The internal organisational controls are in place to safeguard that the

Company accelerate the ability to identify, assess and mitigate the relevant risks. Also the aim of the Company and in general the risk management function is to quickly recognize potential adverse events, be more proactive and forward looking and establish the appropriate risk responses were deemed necessary and at all times to comply with the relevant legislation.

D. Capital Base

TopFX Ltd calculates its regulatory own funds and capital adequacy ratio on an individual basis. The Company's Eligible Own Funds includes only Original Own Funds (Tier 1 Capital). Tier 1 capital is a core measure of a Company's financial strength from a regulator's point of view. It is composed of share capital, share premium and reserves (excluding revaluation reserves) including the profits and losses brought forward as a result of the application of the final profit or loss.

The table below presents the Company's capital base as at 31 December 2014:

	€
Share Capital	11,000
Share Premium	1,412,656
Advances from shareholders	1,115,822
Other transitional adjustments	99,000
Accumulated losses	(1,750,225)
Total Eligible Own Funds	**888,253**

E. Capital Requirements

The company under Article 95(2) is excluded from CRD IV definition therefore the capital requirements are based on Fixed Overheads, Credit & Market risk are measured using the Standardized approach.

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements.

The total Capital Requirements as at 31 December 2015 are shown in the table below:

Risk weighted exposures	€ amount in thousands
Credit, Counterparty Credit and Dilution Risks and Free Deliveries capital requirements	499
Settlement/Delivery Risk	0
Position, Foreign Exchange and Commodities Capital Requirements	0
Operational Risk Capital Requirements	
Additional Risk Exposure Amount due to Fixed overheads	2,801
Total Risk Exposure amount	**3,300**
Capital Adequacy Ratio	**26.90%**
Minimum Capital Adequacy ratio	**8%**

The Capital Adequacy ratio of the company is 26.90 % much higher than the minimum required 8% and is generally maintained at high levels as per Board of Directors policy. During the year 2014, the ratio never fell below of what is deemed minimum by CySEC.

F. Risk Management

The Management recognizes that risk is embedded in all the Company's activities. Risk is about uncertainties – that may have either a positive (constructive) or negative (destruction) impact. A risk is an opportunity that will not be realized or a threat that an event or action will materialize. That missed opportunity or unmanaged threat in turn damages an organization's ability to deliver results for stakeholders and to achieve business objectives. The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of its business.

In the course of its operating activities, the Company has to face and tackle the following risks:

1. Credit risk
2. Liquidity risk
3. Market risk:
   a) Currency risk
   b) Interest rate risk
4. Operational risk
5. Compliance risk

6. Reputation Risk
7. Capital risk management

1. Credit Risk

The company adopts the Standardized approach for Credit risk. The Company has no significant concentration of credit risk. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any debtors or financial institution.
The breakdown of credit risk requirements used for calculating the Capital Adequacy ratio as at 31 December 2015 is presented below:

Asset Class	**Exposure amount (€ amount in thousands)**
Public sector entities (100%)	83
Institutions (20%)	111
Other Assets (100%)	305
Risk weighted Assets:	
Total Risk weighted assets(RWA)	499

The Company continuously monitors the credit exposures to any particular counterparty, forecast the cash flows and ensures that the carrying level of the Company's own funds and consequently the Capital Adequacy ratio meet the regulatory requirements at all times.

2. 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. The company maintains sufficient liquidity to manage known and unanticipated funding needs.
Liquidity is managed in accordance with a framework of policies and controls such as:

- maintaining sufficient cash deposits and highly liquid assets
- performing monthly reconciliations of cash balances.

No maturity table disclosing the undiscounted cash flows of the underlying liabilities has been presented as all outstanding balances are due within 12 months and consequently their carrying amounts are representative of their contractual cash flows and the impact of discounting is not significant. Additionally the Company holds in segregated accounts all the clients' funds and therefore considers that the liquidity risk is significantly low.

3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.
As per the CIF License and legislation of the Republic of Cyprus, for the year under review, the Company did not hold the license of dealing on its own account, thus the market risks were kept at minimum level. The Company adopted the Standardized approach for Market risk. The standardized measurement method for the capital requirement for position risk in equities adds together the long and short positions of equities according to predefined models to determine the capital requirement.

a) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in a foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the company's measurement currency. The main sources of foreign exchange risk for the company are certain bank balances in foreign currencies. The management and the accounting department of the Company monitor the exchange rate fluctuations on a continuous basis in order to limit the effect of this particular risk.

b) Interest rate risk
Interest rate risk is the risk that the value of financial assets or liabilities may fluctuate as a result of changes in the market interest rate environment which might include changes in the overall level of interest rates, the volatility of interest rates and the interest rate spreads. This particular risk is considered low due to the operational model of the Company.

4. Operational risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide range of issues.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a program of audits undertaken by the Internal Auditors of the Company and by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. In addition, the Directors of the Company are responsible for managing operational risk by delegating the relevant resources/personnel to the functions that are deemed more exposed.

5. Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non-compliance with law and regulations of the state. The objective of the Company is to meet all legal and regulatory requirements imposed by CySEC by establishing the relevant policies and procedures based on the legislation in order to minimize the materiality of this risk. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

6. Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The possibility of having to deal with serious incidents is limited as the Company exerts its best efforts in providing high quality services to its Clients. In addition, the Company's Board members and Senior Management comprise of experienced professionals who are recognized in the industry for their integrity and ethos, and, as such, add value to the Company.

7. Capital risk management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. The company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital.Net debt is calculated as total borrowings. Total capital is calculated as “equity” as shown in the statement of financial position plus net debt.

The Company is required to report on a quarterly basis its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The Senior Management and the Accounting Department monitor the reporting obligation and put in place policies and procedures in order to meet the relevant regulatory requirement.

G. Disclosure regarding the remuneration policy and practices of the Company

The Company’s Board of Directors is responsible for the adoption, periodic review and implementation of the Company’s Remuneration Policy. The Board of Directors has approved, at its meeting which took place on 15th December 2015, the Remuneration Policy that has been drafted by the Senior Management of the Company based on Part Eight of Regulation (EU) No 575/2013 of the European Parliament.

The Company’s Remuneration Policy fulfils the Company’s obligation under Part Eight of Regulation (EU) No 575/2013 of the European Parliament. Responsible body for the implementation of the Company’s Remuneration Policy shall be the Board of Directors. The responsibility of the Board is to prepare the decisions regarding the Remuneration Policy, including those which have implications for the risk and risk management of the Company and to table the said decisions or proposals for final deliberation. Additionally, the Compliance Officer of the Company is advising the Board regarding remuneration matters in order to ensure that any developments in the regulation will be implemented by updating the remuneration policy of the Company accordingly to comply with the provisions of the relevant legislation.

During the year 2015, the remuneration of staff consisted of a fixed component only with no variable element. The remuneration of each individual varies and depending from position, education, experience, performance, accountability and responsibility. In addition the Company based on the profitability it may give bonuses to the key employees.

The company’s information for the year is presented below:

a) Aggregate quantitative information on remuneration, broken down by business area

Business Area	Total remuneration in Euro
Reception & Transmission	540,186
Total	**540,186**

b) 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 investing firm, indicating the following:

1) The amounts of remuneration of the financial year, split into fixed and variable remuneration, and the number of beneficiaries:

Senior Management & Non-Executive Directors

Fixed Remuneration in €	Number of Beneficiaries	Variable Remuneration in €	Number of Beneficiaries
120,402	**5**	**-**	**-**