FXTM | IT'S FOREX TIME

Risk Management Disclosures

Year Ended 31 December 2013

1. SCOPE OF APPLICATION

The Management of Forextime Ltd (hereinafter the "Company"), in accordance with the provisions of Chapter 7 (Sub-Chapter A, Paragraphs 34 - 38) of Part C and Annex XII of the Cyprus Securities and Exchange Commission (hereinafter the "CySEC") Directive DI144-2007-05 of 2012, for The Capital Requirements of Investment Firms, has an obligation to publish information relating to risks and risk management on an annual basis at a minimum.

The Company obtained its license with number CIF 185/12, to act as a Cyprus Investment Firm, on 13 December 2012, and the license was activated on the 01st of February 2013. The information provided in this report is based on procedures followed by the Management to identify and manage risks for the year ended 31 December 2013 and on reports submitted to CySEC for the year under review.

2. CREDIT RISK

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that all of its transactions giving rise to credit risk are made with parties having an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Also, the Company has policies to limit the amount of credit exposure to any banking institution, considering among other factors the credit ratings of the banks with which deposits are held.

Cash balances are held with financial institutions in Cyprus, Switzerland and UK while the Company has policies to limit the amount of credit exposure to any financial institution. The risk of default of these credit institutions is quite low, based on the relevant calculations in the Company's capital requirements.

Capital Requirement / Credit Risk

The table below shows the capital requirement in respect of credit risk:

	Maximum Exposure to credit risk
	2013
	€000
Risk weighted assets:	
Institutions	1114
Other assets and receivables	672
Corporates Banking Book	621
Corporates Trading Book	202
Total Risk Weighted assets:	2609
Credit Risk (8% of total risk weighted assets)	**208.7**

3. MARKET RISK

3.1 Foreign Exchange Risk

The Company's reporting currency is the Euro. Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Below is the capital requirement regarding the Company's Foreign Exchange Risk:

2013	**€000**
8% Capital Requirement	***118***

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.2 Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially can increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

4.OTHER RISKS

4.1 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.

For the calculation of operational risk in relation to the capital adequacy reports, the Company uses the Basic Indicator Approach. Based on the relevant calculations of the Company's capital requirements, for operational risk, as at 31st of December 2013, is EUR 314,731.

4.2 Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

4.3 Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of 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 customer service, fraud or theft, client claims and legal action, regulatory fines.

The Company has transparent policies and procedures in place when dealing with possible client complaints in order to provide the best possible assistance and service under such circumstances. In addition, the Company's Board of Directors is made up of high caliber professionals who are recognized in the industry for their integrity and ethos; this adds value to the Company.

4.4 Strategic Risk

This could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company's exposure to strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

4.5 Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

4.6 Capital Risk Management

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company. Such procedures are explained in the Procedures Manual of the Company.

The Company is further required to report on its capital adequacy monthly and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of management accounts to monitor the financial and capital position of the Company. Moreover, the Capital Adequacy Ratio is monitored daily (live) by the Dealing on Own Account Department.

4.7 Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore the risk of non- compliance is very low.

4.8 Legal and Compliance Risk

This could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least quarterly to, inter alia, discuss such issues and any suggestions to enhance compliance are implemented by management.

4.9 Information Technology Risk

Information Technology (IT) risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Specifically, policies are currently being implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. The Company maintains adequate IT systems and infrastructures and thus the materialization of this risk has been minimized to the lowest possible level.

5. REMUNERATION POLICY

The Company has developed a Remuneration Policy while the principles employed within the Company's Remuneration Policy are appropriate to its size, internal organization and the nature, the scope and the complexity of its activities whilst adhering to the provisions of the Directive DI144-2007-05 of 2012 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Financial Firms which was introduced with effect from November 26, 2012.

5.1 Remuneration System

During 2013 the following was applicable with regards to the Company's remuneration system:

The Company's remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the 'executive management' are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels.

The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff's skills, experience and performance, whilst supporting at the same time the long-term business objectives.

The Company's remuneration system takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff.

It is noted that the Company has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and has established a remuneration committee.

The total remuneration of staff currently consists of a fixed and variable component. The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/competitors.

Furthermore there is also variable remuneration component.

5.2 Performance Appraisal

The Company implements a performance appraisal method, which is based on a set of Key Performance Indicators (KPIs), developed for each business unit. The appraisal is being performed as follows:

a. Strategy Objectives and KPIs are set at the beginning of each year. In addition departmental objectives are set in the beginning of each month, defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.

b. Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.

c. Annual performance evaluation: takes place annually, usually at the beginning of each year.

5.3 Remuneration of Senior Management Personnel and Directors

The remuneration of the Senior Management personnel of the Company, including Board of

Directors, in 2013, was as shown in the following table:

	Individuals	Fixed Remuneration	Variable Remuneration	Total Remuneration
		€	€	€
Senior Management	4	582,086	438	582,524
Non-Executive Directors	2	28,950	0	28,950

6. CAPITAL MANAGEMENT

The adequacy of the Company's capital is monitored by reference to the rules established by the Basel Committee as adopted by CySEC. In December 2007 CySEC issued the Directive DI144-2007-05, as later amended, for the calculation of the capital requirements of Investment Firms adopting the relevant European Union directive. Basel II consists of three pillars: (I) minimum capital requirements, (II) supervisory review process and (III) market discipline.

The Company for management purposes determines as capital its equity, including all reserves.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company's overall strategy remains unchanged from last year.

The Company manages the capital structure and takes reasonable steps in the light of changes in the economic conditions and the risk characteristics of its underlying business and assets. In order to maintain or improve the capital structure the Company may issue new shares, sell assets to obtain funds, obtain borrowings, and adjust the amount of any distribution of dividends.

6.1 Pillar I – Minimum Capital Requirement

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, after the consideration of various mitigating factors, according to the exposure class to which they belong. For exposures with institutions, the risk weight also depends on the term and maturity period of the exposure. The categories of exposures the Company is exposed to with regards to credit risk, are deposits with financial institutions, fixed assets and other current assets.

The Standardised measurement method for the capital requirement for market risk adds together the long and short positions of foreign exchange risk according to predefined models to determine the capital requirement. The main sources of foreign exchange risk for the Company are certain bank balances in foreign currencies and exposures in foreign currencies from fees receivables.

For operational risk, the Basic Indicator approach calculates the average, on a yearly basis, of revenues to be used in the risk weighted assets calculation.

6.2 Pillar II – The Supervisory Review Process (SRP)

The Supervisory Review Process 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. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

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.

6.3 Pillar III – Market Discipline

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 original own funds. In addition the results and conclusions of ICAAP are disclosed.

According to the CySEC Directive, 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. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors and sent to CySEC.

6.4 Capital Adequacy Ratio

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of its activities.

The CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8%. CySEC may impose additional capital requirements for risks not covered by Pillar I.

During 2013 the Company had fully complied with all externally imposed capital requirements as shown in the table below:

	31/12/2013
	EUR '000
Original Own Funds	6,132.45
Total Eligible Own Funds	**6,132.45**
Credit Risk	208.74
Foreign Exchange Risk	118.24
Operational Risk	314.73
Commodities Risk	8.10
Equity Risk	0.32
Total Capital Requirements	**650.13**
Capital Adequacy Ratio	**75.46%**

Own Funds mean the capital base as defined in the existing capital base directive. The capital base of CIFs is made up of Tier 1 original own funds, Tier 2 additional own funds, less deductions from capital. Tier 1 capital consists mainly of paid up share capital, reserves brought forward, less any proposed dividends, translation differences and unaudited current period losses, as applicable.