(CySEC 210/13)

PILLAR III DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2017

Under Directive 144-2014-14 of the Cyprus Securities & Exchange Commission for the prudential supervision of investment firms and Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

May 2018

Contents

1. Introduction

1.1 Corporate information

Spot Capital Markets Ltd ("the Company") is a Cyprus Investment Firm ("CIF") with license no. 210/13 granted by the Cyprus Securities and Exchange Commission ("CySEC") on 20 August 2013. The Company activated its license on 10 November 2013.

The Company has the license to provide the following investment and ancillary services, in the financial instruments outlined below:

Investment Services	Ancillary Services	Financial Instruments
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services	(1) Transferable securities (2) Money-market instruments (3) Units in Collective Investment Undertakings (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	(5) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
	Foreign exchange services where these are connected to the provision of the above investment services	(6) Options, futures, swaps, and other derivative contract relating to commodities that can be physically settled provided that

Investment Services	Ancillary Services	Financial Instruments
		they are traded on a regulated market and/or an MTF (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point III(6) above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls (8) Derivative instruments for the transfer of credit risk (9) Financial contracts for differences (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise that by reason of a default or other termination event), as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognized clearing houses or are subject to regular margin calls.

Since January 2018, Spot Capital Markets Ltd, ceased the offering of Binary Options products to its clients and it is currently offering FX and CFDs as financial instruments.

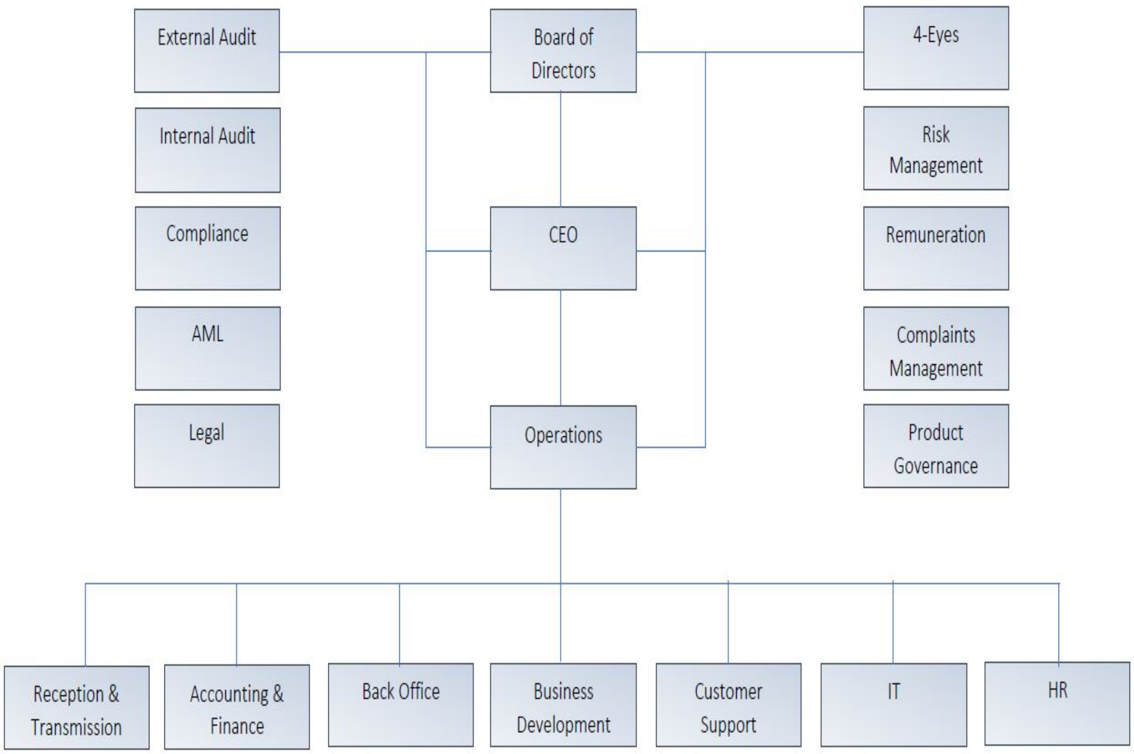
1.2 Scope of Application

This report has been prepared in accordance with the requirements 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 "Regulation") and paragraph 32(1) of DI144-2014-14 of the CySEC for the Prudential Supervision of Investment Firms. It relates to the year ended 31 December 2017 and it is prepared on an individual (solo) basis.

The Directive is based on three pillars:

- Pillar 1 has to do with the standards that set out the minimum regulatory capital requirements required for credit, market and operational risk.
- Pillar 2 covers the Supervisory Review Process which assesses the Internal Capital Adequacy Assessment Processes. Investment Firms have to evaluate and assess their internal capital requirements.
- Pillar 3 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 they have in place

1.3 Organisational Structure



1.4 Disclosure Policy

This Disclosure & Market Discipline Report ("the Report") has been prepared by Spot Capital Markets Ltd ("the Company"). The information that the Company discloses herein relates to the year ended 31 December 2017.

Information to be disclosed

This Report contains information in relation to the risks that Spot Capital Markets Ltd faces and the strategies it has in place to manage and mitigate those risks, its own funds and its capital adequacy, as detailed in the Regulation.

Frequency

The Company's policy is to publish the Report on an annual basis. The frequency of disclosure will be reviewed should there be a material change in the approach used for the calculation of capital, business structure or regulatory requirements.

Preparation and Availability of Report

This Report is prepared annually and is available electronically on the Company's website (www.spotcapitalmarkets.com) four months after the financial year end. A hard copy of this Report is available upon request.

Verification

This Report has been verified by the Company's external auditors and submitted to the CySEC, accompanied by the external auditor's verification, five months after the financial year end.

2. Governance

2.1 Board of Directors

The Board has overall responsibility for the business. It sets the strategic aims for the business and ensures that the Company's operations are performed within a control framework, which is designed to enable risk to be assessed and managed. The Board satisfies itself that financial controls and systems of risk management are robust.

2.2 Risk Management Committee

The Company's Risk Management Committee is consisted by the following persons:

- Christina Rossi – CFO / Risk Manager
- Udi Algrassi – CEO / Executive Director
- Kleanthis Rousakis– Head of Operations / Executive Director
- Artemis Antoniou – Head of Legal & Compliance
- Michael Olympios – Non-Executive Director

The composition of the Committee is according to the complexity, nature and scale of the Company. The Committee aims to meet at the end of each quarter to discuss the relevant matters and be updated for the risk management updates. Nevertheless, during 2017 the Committee held only 2 meetings.

2.3 Recruitment Policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Board recruitment is subject to the approval of the CEO and General Manager. Regulatory approval is coordinated through the Compliance Officer. Reference is made to the most recent Board Skills review to establish the specific experience and skills needed to ensure the optimum blend.

Further to the above, Directors appointed by the Company shall have the following:

- Bachelor or Master degree in economics or finance (including banking), accounting, law, business administration or subject related to their industry;
- significant professional experience for at least three (3) years in full time occupation in the execution of at least one of the above functions;
- proven knowledge of relevant regulation;
- experience in senior management position.

2.4 Number of Directorships held by members of the Board

The table below provides the number of directorships each 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. It shall be noted that, the Company is not considered significant in terms of its size, internal organization and the nature, scope and complexity of its activities.

Name of Director	Position within Spot Capital Markets Ltd	Directorships – Executive in other companies	Directorships – Non Executive in other companies
Udi Algrassi	Executive Director	-	-
Kleanthis Rousakis	Executive Director	-	-
Andreas Matsas	Non- Executive Director	2	1
Michael Olympios	Non- Executive Director	-	-

Note: The information in this table is based only on representations made by the Company

2.5 Diversity policy

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organization.

2.6 Information Flow on risk to the management body

The information flow on risk to the management body is achieved as follows:

- An Internal Audit report is prepared on an annual basis and presented to Senior Management and the Board.
- The Risk Manager submits his reports to the Senior Management and Board on a regular basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.
- An Anti-Money Laundering and Terrorist Financing report is prepared on an annual basis by the Risk Manager and presented to Senior Management and the Board.
- Financial statements are audited by the Company's external auditors on an annual basis. The Board also submits them to CySEC.
- A suitability report is prepared annually by the Company's external auditors and submitted to the Board of Directors.

3. Risk management Objectives and Policies

The Company's risk management policies are established to identify and analyse the risks faced by the Company. Their purpose is to set appropriate risk limits and controls, to monitor risks and adherence to limits, to manage the Company's financial risk and to minimize the effects of fluctuations in financial markets on the value of the Company's financial assets and liabilities. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

3.1 Risk Management Function

Adequate and effective risk management policies have been established in order to present all actions followed by the Company for the purpose of facilitating the monitoring and mitigation of the risks to which the Company is exposed. The Risk Manager, as the head of Risk Management function, is responsible for implementing the Risk Management Policy set by the Board of Directors and ensuring that it is properly followed. The Company's Risk Manager has also provided a set of suggestions that will strengthen the Company's internal controls and risk management framework.

The risk management function is responsible to:

- Implement policies on risk management and internal control.
- Identify and evaluate the fundamental risks faced by the Company.
- Provide adequate information on a timely manner to the Board of Directors on the status of risks and controls.
- Provide daily, weekly and monthly reports for consideration by the Chief Executive Officer, with details of the Company's total exposures.
- Undertake a quarterly review of the effectiveness of the system of internal control and report any deficiencies to the Board of Directors.

The Risk Manager's responsibilities are to:

- Identify and evaluate the fundamental risks faced by the Company.
- Adopt and implement effective arrangements and procedures to manage all types of risks that arise due to the Company's operations in respect of the level of risk tolerance.
- Monitor the adequacy and effectiveness of the Company's risk management policies and procedures.
- Monitor the level of compliance by the Company and the persons employed to the measures and arrangements set for the managing of the risk exposures of the Company.
- Monitor the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

In addition, the Risk Manager shall submit reports to the Senior Management and Board on a frequent basis, and at least annually, indicating whether the appropriate remedial measures have been taken in the event of any deficiencies.

3.2 Legal and Compliance Function

As per the Operations Manual of the Company, the Company retains a person to the position of the Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees should report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The Legal and Compliance Function (including Anti-Money Laundering and Terrorist Financing) establishes and implements adequate policies and procedures to detect the risk of the Company failing to comply with its regulatory obligations.

The AMLCO main responsibilities are:

- Designing the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, and describing and explicitly allocating the appropriateness and the limits of responsibility of each department that is involved in the abovementioned.
- Developing and establishing the customers' acceptance policy and submitting it to the Board of Directors for consideration and approval.
- Preparing a risk management and procedures manual regarding money laundering and terrorist financing.
- Monitoring and assessing the correct and effective implementation of the AML policy, the practices, measures, procedures and controls and in general the implementation of the AML risk management and procedures manual.
- Receiving information from the Company's employees which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or that might be related with such activities.
- Evaluating and examining the information received as per the previous point, by reference to other relevant information and discussing the circumstances of the case

with the informer and, where appropriate, with the informer's superiors. The evaluation of this information is being done on an "Internal Evaluation Report".

- If following the evaluation described in the previous point, the AMLCO decides to notify MOKAS, then he completes a written report and submits it to MOKAS the soonest possible. It is provided that, after the submission of the AMLCO's report to MOKAS, the accounts involved and any other connected accounts, are closely monitored by the AMLCO and following any directions from MOKAS, thoroughly investigates and examines all the transactions of the accounts.
- Acting as the first point of contact with MOKAS, upon commencement and during an investigation as a result of filing a report to MOKAS.
- Ensuring the preparation and maintenance of the lists of customers categorized following a risk based approach, which include the names of customers, their account number and the date of the commencement of the business relationship. Moreover, ensures the updating of the said lists with all new or existing customers, in the light of additional information obtained.
- Detecting, recording and evaluating, at least on an annual basis, all risks arising from existing and new customers, new financial instruments and services and updates and amends the systems and procedures applied by the Company for the effective management of the aforesaid risks.
- Responding to all requests and queries from MOKAS and the CySEC, providing all requested information and fully cooperating with MOKAS and the CySEC.

In addition, a report on Anti-Money Laundering and Terrorist Financing is prepared on an annual basis and presented to Senior Management and the Board.

3.3 Risk Management Procedures

The Company is exposed to the following risks:

- Credit risk
- Market risk
- Operational risk

- Liquidity risk
- Business Risk
- Compliance Risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Company's activities.

3.4 Internal Capital Adequacy Assessment Process

This process constitutes the Company's internal assessment of capital adequacy and is designed to address the requirements under Pillar 2 of the Basel framework. The ICAAP process considers all of the risks faced by the Company, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against these risks, both currently and in the future.

The reference date for the most recent ICAAP report is the 30th September 2016, and is approved by the Company's BOD.

The ICAAP will be updated in 2018 following the finalization of the audited financial statements.

3.5 Internal Audit

The Internal Audit Function examines and evaluates the adequacy and effectiveness of the Company's policies, procedures and internal control mechanisms in relation to its regulatory obligations. The Company has outsourced its internal audit function to a specialised services provider.

On-site inspections are carried out at the Company's headquarters, recommendation reports are issued and compliance with regulatory requirements is verified. An Internal

Audit report is prepared on an annual basis and presented to Senior Management and the Board. The approved report is then submitted to CySEC.

4. Declaration of Management Body

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 Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

5. Board Risk Statement

The Board express the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across four categories:

a. Financial: credit, market, liquidity risks;
b. Reputational: regulatory and external reputational risk;
c. Operational & People: the risk associated with the failure of key processes or systems and the risk of not having the right quality and number of people to operate those processes and systems.
d. Technology Risk: the risk associated with the failure of or interruption of technological systems

For further details refer to Appendix I.

6. Own Funds

Minimum required own funds

The Own Funds of the Company as at 31 December 2017 consisted solely of Tier 1 capital and are analysed in Table 1 below:

Table 1: Capital Base (€'000)	
Original Own Funds (Tier 1)	**31 December 2017**
Share Capital	3
Share Premium	476
Previous years retained earnings	106
Audited income / (loss) for the year	(255)
Total Equity as per Audited Financial Statements	**330**
Less: ICF Contribution	(68)
Less: Intangible assets	(24)
Total Eligible Own Funds	**238**

Authorized Capital

The authorized capital of the Company as at 31 December 2017 was 5.000 ordinary shares of €1 each.

Issued and fully paid

The issued ordinary share capital of the Company as at 31 December 2017 amounted to €3.400 with a share premium of €476.200.

Capital Adequacy Ratio

The purpose of capital is to provide sufficient resources to absorb the losses that a firm does not expect to make in the normal course of business (unexpected losses). The Company aims to maintain a minimum capital adequacy ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

As at 31 December 2017, the Company's Capital Adequacy ratio was 4,18% based on the end of year audited figures, which is below the regulatory minimum of 8%.

It is noted that on May, 3rd 2018, an amount of €200.000 was injected as a "Capital Contribution", with the purpose of improving the Company's solvency position. In addition, the Company has also requested the CySEC's approval for making use of the provisions under Article 97(2) of the EU Regulation 575/2013 with regards to adjusting its Operational Risk Fixed Overheads calculation. It is noted that as at the date of preparation of this document, the adjustment is pending approval from CySEC.

7. Minimum Capital Requirements

The Company follows the Standardized Approach for the measurement of its Pillar 1 capital requirements for Credit Risk and Markets Risk and the Fixed Overheads Approach for Operational Risk.

The total capital requirements of the Company as at 31 December 2017 amounted to €456 thousand and are analysed in Table 2 below:

Table 2: Minimum Capital Requirements (€'000)	
Risk Category	**Minimum Capital Requirements**
Credit Risk	18
Market Risk	-
Operational Risk (*Additional due to Fixed Overheads)*	438
Total	**456**

7.1 Credit Risk

General

Credit risk reflects the risk of loss in the case where counterparty fails to meet its obligations towards the Company. The Company's credit risk results from the trading activities of its customers and from its various other counterparties.

Capital Requirements

In 2017 the Company's credit risk mainly resulted from its balances with banks, its trade receivables and its fixed assets.

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

In addition, to assess the credit risk that the Company was exposed to, the different counterparty types were examined and the outstanding counterparty risk was determined in each case or each segment. The risk was then assessed using impact and likelihood, based on empirical data and credit ratings wherever applicable. Spot Capital Markets Ltd used the expected loss method in order to assess whether pillar 2 requirements should be placed.

The Company made use of external credit ratings only for its exposures to institutions, since its corporate counterparties were all unrated.

Moreover, as at year end the Company was exposed to counterparties from Cyprus, Germany and Slovakia.

The Company has policies in place to ensure that credit risk is managed and limited according to the risk appetite set by the board. In addition, The Company has sets limits to control its maximum exposure to specific counterparties. The limits are set based on the credibility of each counterparty and its relation with the Company. After setting these limits, the Company retains its exposure to each counterparty within the acceptable range. During 2017, the Company did not breach any of the limits set.

Table 3 presents the allocation of credit risk per exposure class in accordance with the Standardised Approach:

Table 3: Exposure Classes and Minimum Capital Requirements (€'000)		
Exposures at 31 December 2017	**Risk-weighted amounts**	**Minimum Capital Requirements**
Exposure Class		
Institutions	167	14
Corporates	27	2
Other Items	29	2
Total	**223**	**18**

Table 4 presents the exposures of the Company per risk weight:

Table 4: Exposure amount per risk weight (€'000)	
Risk Weight	**Exposure Amount**
0%	1
20%	819
100%	59
Total	**879**

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights.

Institutions

As standard practice, for its exposures to Institutions, the Company used the credit ratings of Standard & Poor's, Moody's and Fitch as these stood as of 31 December 2017.

The Company has used the Credit Quality Step mapping table below to map the credit assessment to risk weights:

Table 5: Credit Quality Step Mapping			
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

However, as at the reference date, all Institutions to which the Company was exposed to, were unrated. As a result, the risk weights were determined based on applicable preferential treatments or, in accordance with the Government-Based method.

Corporate & Other Items

Exposures to Corporates and Other Items were unrated. As a result, a 100% risk weight was used.

Table 6 below provides a breakdown of credit risk exposures by Credit Quality Step:

Table 6: Exposure amount per CQS (€'000)		
Credit Quality Step	**Exposures amount before credit risk mitigation**	**Exposure Amount after credit risk mitigation**
1-6	-	-
Unrated	832	832
Not Applicable	47	47
Total	**879**	**879**

Residual Maturity of Credit Risk Exposures

Table 7 presents the residual maturity of the Company's credit risk exposures by asset class:

Table 7: Exposure Classes and Residual Maturity (€'000)			
Exposures at 31 December 2017	**Maturity ≤ 3 months**	**Maturity > 3 months or Not Applicable**	**Total**
Exposure Class			
Institutions	819	3	**822**
Corporates	27	-	**27**
Other items	30	-	**30**
Total	**876**	**3**	***879***

Geographic Distribution

The Company's exposures analysed by geographical area are shown below:

Table 8: Exposure Classes and Geographic Distribution (€'000)				
Exposures at 31 December 2017	**Cyprus**	**Germany**	**Slovakia**	**Total**
Exposure Class				
Institutions	395	33	394	**822**
Corporates	27	-	-	**27**
Other items	30	-	-	**30**
Total	**452**	**33**	**394**	***879***

Industry Sector of Credit Risk Exposures

A breakdown of the credit risk exposures by industry, for each exposure class at year end, is provided in Table 9:

Table 9: Exposure Classes and Industry (€'000)			
Exposures at 31 December 2017	**Financial**	**Other**	**Total**
Exposure Class			
Institutions	822	-	**822**
Corporates	10	17	**27**
Other items	-	30	**30**
Total	**832**	**47**	***879***

Table 10 presents the average exposure per exposure class:

Table 10: Average Exposure (€'000)		
Exposures at 31 December	**Original Exposure**	**Average**
Exposure Class		
Institutions	822	**1.245**
Corporates	27	**69**
Other items	30	**41**
Total	**879**	**1.355**

Impaired and Past due Assets

As at 31 December 2017, the Company did not have any financial assets that were past due or impaired.

7.2 Market Risk

General

Market risk reflects the risk of loss of the market value of assets and liabilities as a result of movements in the price of financial instruments (interest rates, foreign currencies, equities, commodities).

As the Company does not have the license to trade on own account, this exposure is limited to the balance sheet exposure derived from monetary assets and liabilities denominated in currencies other than its reporting currency (the euro).

The Company uses the Standardized Method to measure capital requirements for currency risk, i.e. 8% capital is required for any open net exposure in foreign currency.

During 2017, the Company managed currency risk by the exchange rate fluctuations on a continuous basis.

Capital Requirements

The Company did not have positions in currencies other than the euro as at 31 December 2017 thus the resulting capital requirement for this risk was zero.

7.3 Operational Risk

General

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal and compliance, as well as environmental risks.

The key risks identified relating to the Company's operations (and regulatory requirements); mainly derive from Tied Agent operations and regulatory breaches. The Company places additional controls for mitigating the implications as well as the possibility of occurrence of such risks, providing the alternative use of operations and expert advice on legal issues.

Management adopted a number of procedures so as to ensure that a systemic risk assessment and root cause analysis took place for the material operational risk events, in order to be able to prioritize and address them effectively. In addition, all necessary action was taken to ensure that these risk events were systematically evaluated in terms of likelihood and impact. Some of the methods used to this effect included insurance coverage and contingency planning. In addition, the Company's Management provides a written report to the Board on an annual basis (at minimum) as part of the ICAAP, in order to enable the Board to follow the size and development of the operational risks incurred.

The Company also had procedures in place to ensure that all withdrawal requests received from clients were processed accurately and timely and that they were being approved by at least two signatories, adhering to the four eyes principle (for banking operations). These procedures aimed at avoiding any breach of the applicable legislation with respect to client money rules, as well as identifying potential mistakes made by employees and mitigating any employee effort to steal company or client money.

Capital Requirements

Due to the limited authorization of the Company, the Company falls under Article 95(1) of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

- The sum of Risk Weighted Assets for Credit and Market risk
- Operational Risk Weighted Assets

The following table shows the calculation of the capital requirements for Operational Risk based on the Fixed Overheads Approach:

Table 11: Capital Requirements for Operational Risk under the Fixed Overheads Approach

Operational Risk (Fixed Overheads Approach)	Capital Requirement (€'000)
25% of the fixed overheads	456
Additional capital requirement due to the Fixed Overheads Approach	438

7.4 Liquidity Risk

Liquidity risk is the risk that arise when the maturity of assets and liabilities does not match and thus the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

Spot Capital Markets Ltd has determined it is not exposed to liquidity risk as it does not hold any assets with long maturity. All clients funds and own funds (all current accounts) are placed in banks and considered highly liquid.

In general, the Company follows a very conservative approach to liquidity risk management, which results to a net asset liquidity position.

7.5 Business Risk

Business risk reflects the risk of direct or indirect loss, or damaged reputation as a result of changes in external circumstances or events. Business risk includes all risks not mentioned under other risks.

The key business risks are identified as part of the Company's budgeting process. The outcome of this process forms the basis for the sensitivity analysis applied on net income. Business risk is covered by the budgeted income. However, if the income is not sufficient, capital must explicitly be set aside.

Throughout the year the Company's performance was being evaluated to determine whether capital needed to be set aside.

7.6 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, as well as by the monitoring controls applied by the Company.

The Company is regulated by the CySEC. The regulator under its capacity is issuing several circulars which are expected to affect the Company's current operations. One of these circulars is referring to bonuses that CIFs are providing to their clients creating an incentive to trade. Furthermore CySEC has issued lately a consultation paper proposing changes into the current Binary Options Framework and consequently affecting further the current operational model of the Company.

As a consequence of the above, on the 22nd of January 2018 an administrative fine was imposed to the Company by CySEC due to non-compliance with certain laws and regulations for which the Company has submitted a letter requesting mitigation of the fine.

The management of the Company after considering these proposed changes has discussed with its service organization, which it is an entity under common control, and proceeded with the development of an alternative product which will be in line with the directions provided under the consultation paper. Moreover, the Company has enhanced its products range by offering CFDs as a product on its platform since February 2017.

Since January 2018, Spot Capital Markets Ltd ceased offering binary products to its clients. The business of the Company was changed to offering FX and CFDs. As this new business model needs time to pay off, the Company is currently experiencing losses. However, the management expects the Company to continue as a going concern by being at all times capital adequate having sufficient funds in the bank to allow its operations to continue even if it is going to be loss making for the next year. Moreover, the Company is considering additional business directions in order to diversify its offering and increase its potential revenue streams.

The Company has applied to the CySEC for obtaining approval for several applications regarding tied agents in different countries in Europe along with the activation of license in South Africa.

CySEC has sent a letter to the company on 16th April 2018 regarding its capital adequacy ratio for the first quarter of 2018. The Company replied on the 8th May 2018 presenting its position that the methodology used for the calculation of the capital adequacy has to change after the termination of binary options offered by the Company. Based on the new calculations and the capital contribution of EUR200.000, the capital adequacy of the Company reached the 17,88%.

The ultimate beneficial owner of the Company has indicated his intention to continue providing financial assistance to the Company to enable it to continue as a going concern.

Other Regulatory Risks

The implementation of MiFID II took place on January 3rd, 20 18 and contains new EU-wide rules governing investment firms, trading venues and market structures, as well as third-country firms providing investment services or activities in the EU. Some key elements of the new regime include but are not limited to:

i. the introduction of a new category of trading venue - the Organised Trading Facility (OTF) – an important addition to the EU market infrastructure, which will bring additional trading activity within the scope of regulation;

ii. with regards to the Systematic Internaliser (Sl) regime, the introduction of detailed quantitative criteria for the definition of ' frequent and systematic' and 'substantial' basis when executing client orders against own proprietary capital, and the extension of the regime to a broader range of asset classes;

iii. the introduction of a trading obligation for liquid derivatives so as to shift Over-the-Counter (OTC) trading activity in such instruments onto organised venues, thereby bringing transparency into the OTC sphere. A trading obligation is also introduced for shares admitted to trading on a regulated market, or traded on a trading venue;

iv. the adoption of a new definition for algorithmic trading and the introduction of a set of rules governing such activity. A subset of algorithmic trading, High Frequency Trading (HFT), and relevant rules thereof, are also introduced;

v. a general increase in scope, with additional financial instruments and fewer and/or narrowed exemptions;

vi. the extension of pre- and post-trade transparency requirements to non-equities;

vii. changes to the transaction reporting regime;

viii. a new distinction between ' independent' and ' non-independent' investment advice, with a ban on third-party inducements in relation to the former, as well as for the service of po1tfolio management;

ix. new corporate governance requirements equivalent to those applied under CRR/CRDTV (the Capital Requirements Directive 2013/36/EU);

x. new product intervention powers for the European Securities & Markets Authority (ESMA); and

xi. the introduction of new reporting obligations on best execution for investment firms executing orders on behalf of clients and for execution venues

The Company's management is unable to predict all developments and/or decisions that will be taken by ESMA and/or CySEC which could have an impact on the industry and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

8. Remuneration Policy and Practices

Due to the fact that the Company is considered as small, the practice of the Company is that all the employees will be paid a fixed remuneration based on their employment contract and that there are no variable components of the total remuneration as per employee contracts. However, management may provide extraordinary bonuses to some or all employees. The bonuses may be provided based on exceptional performance of the staff and to retain key employees whose talent contributes to the Company’s success in the highly competitive sector in which it is required to operate.

The remuneration policy has been designed based on the following basic principles:

- It is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of risk tolerated by the Company.
- The remuneration policy is in line with the business strategy, objectives, values and long term interests of the Company and incorporates measures to avoid conflicts of interest.
- The management body adopts and periodically reviews (at least annually) the general principles of the remuneration policy and is responsible for its implementation.

In 2017 the Company paid only fixed remuneration as per its employment contracts, without paying any variable remuneration (bonuses). The aggregate remuneration of the Company's personnel for the year ended 31st December 2017, broken down by business area, is as follows:

Table 12: Aggregate Remuneration by Business Area (€'000)	
Business Area	**Aggregate Remuneration**
Control Functions*	250
Accounting & Finance, Reception & Transmission, Back Office	82
Total	**332**

**Control Functions include the Company's Directors (Executive & Non Executive) and also the Head of Legal & Compliance and AMLCO Officer.*

In addition, the table below provides information on the remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration.

Tabled 13: Fixed and Variable Remuneration by Senior Management and Other Staff (€'000)				
	No. of staff	**Fixed**	**Variable**	**Total**
Senior Management*	11	332	-	**332**
Other Staff	-	-	-	**-**
Total	**11**	**332**	**-**	**332**

**Senior Management includes the Company's Directors, (Executive & Non Executive), the Chief Financial Officer, the AMLCO Officer and also the Heads of Legal & Compliance, Reception & Transmission and Back Office.*

Lastly, during 2017 the Company did not provide any non-cash benefits, sign-on payment, severance payment or deferred remuneration.

Appendices

Appendix I: Risk statement

A. Financial Risk:

1. 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. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and takes the necessary measures to limit its credit risk exposure to any single financial institution or to groups of connected institutions or counterparties in general.

2. Market Risk

Market risk is the risk that the value of an investment will decrease due to movements in market prices and in particular, due to changes in interest rates, foreign exchange rates and equity and commodity prices. The associated market risk factors are the interest rate risk, the currency risk, the equity risk and the commodity risk.

3. Liquidity Risk Management

Liquidity risk is the risk that arises when due to the different maturity of assets and liabilities the Company is short of liquid funds to meet its obligations to counterparties.

The Company employs various automated exposure limits to manage exposure to liquidity risk as well as balancing the assets and liabilities open at any given time. Therefore the Company considers liquidity risk to be significantly low.

B. Reputational Risk:

1. Legal, Compliance and Regulatory risk

Compliance risk is the risk of financial loss (including fines and other penalties) which could arise as a result of direct breach or non-compliance with current legislation, agreements with third parties or ethical standards of business. The risk is limited to a significant extent due to the supervision applied by the Compliance officer as well as other monitoring controls applied such as regular review by the internal auditors.

2. Reputational risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false), which may result in a reduction of its client base, reduction in revenue and possible legal actions against the Company. Reputational risk can derive from financial or operational activities or have an effect or outcome with financial or operational consequences. It is generally connected with hazard that has a social or ethical dimension, rather than purely a financial or operational one. For example, poor customer service, fraud or theft, customer claims and legal action. Reputation is the most valuable asset, one that distinguishes the Company among the rest. Therefore the Company has applied policies and procedures to minimize this risk. Reputation is protected, sustained and enhanced through the active management of issues and relationships, both at high level and as routine contacts, for example possible customer complaints. In addition, the Company's Board of Directors is made up of high-calibre professionals.

C. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, mechanisms, people and systems or from external events and it includes legal risk as well. It is inherent in all Company's business functions and can occur from a variety of circumstances such as fraud, error, omission or system failure. For this reason the Company has in place a business continuity policy that in case of business interruption, it enables the preservation or at least the timely recovery and continuation of essential operations and functions. In addition, the exposure it has to its data providers is mitigated by ensuring the daily back up of its data and the maintenance, monitoring and update of its servers and networks.

D. Technology Risk:

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has in place business continuity procedures and policies which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component. Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that, where possible, multiple providers and data routes are utilized. To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Appendix II: Transitional Own Funds Disclosure

At 31 December 2017	Transitional Definition	Full - phased in Definition
	€'000	**€'000**
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	480	480
Retained earnings	(150)	(150)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**330**	**330**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	**(24)**	(24)
Deferred tax assets	**-**	-
Addition deductions of CET Capital due to Article 3 CRR	**(68)**	(68)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(92)**	**(92)**
Common Equity Tier 1 (CET1) capital	**238**	**238**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**238**	**238**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**238**	**238**
Total risk weighted assets	**5.702**	**5.702**
Capital ratios and buffers		
Common Equity Tier 1	4,18%	4,18%
Tier 1	4,18%	4,18%
Total capital	**4,18%**	**4,18%**

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.

Appendix III: Balance Sheet Reconciliation

Balance Sheet Description (as per published financial statements)	(€'000)
Share Capital	3
Share Premium	476
Previous years retained earnings	106
Audited income / (loss) for the year	(255)
Total Equity as per Audited Financial statements	**330**
Less: Investors Compensation Fund (ICF)	(68)
Less: Intangible assets	(24)
Total Own Funds as per CoRep	**238**