IFCM Cyprus Limited

DISCLOSURE AND MARKET DISCIPLINE IN ACCORDANCE WITH CAPITAL ADEQUACY AND REQUIREMENTS ON RISK MANAGEMENT

May 2013

Contents

1. Introduction

This report relates to Infin Markets Ltd ("the Company"), an investment firm licensed by the Cyprus Securities and Exchange Commission ("CySEC") in June 2011 under License No. 147/11.

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 information disclosed herein relates to the year ended 31st December, 2012. Infin Markets Ltd does not have any subsidiaries and therefore this report relates solely to the Company.

The risk management objectives and policies of Infin Markets Ltd are disclosed for each applicable category of risk, including the risks referred to under points 1 to 14 of Part 2 of Annex XII, Part C of CySEC's Directive 144-2007-05 of 2012, as these apply to the Company's current risk exposures. If risks referred to under points 1 to 14 do not apply, no reference is made.

The present disclosures are verified by the external auditor of Infin Markets 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and the financial instruments offered to clients, it should be noted that some or all of the disclosures need not be published more frequently than annually. The disclosures will be published on the Company's website at www.infinmarkets.com.

2. Management of Risks

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.

In addition, the Company has employed a Risk Manager to head the Risk Management function. The Risk Manager (outsourced) 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
- Monitoring on a daily basis the Company's foreign currency positions
- Screening the hedging process, whereby the Company effects transactions with its liquidity providers in order to hedge its positions against its clients
- Continuously monitoring client activity for any "unusual'' trading patterns
- Continuously checking published rates and ensuring they are aligned with market rates

The Company has established policies for 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).

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

3. Regulatory Capital

The Company's Capital Base as at 31st December 2012 comprised of both Original Own Funds (Tier 1 capital) and Additional Own Funds (Tier 2 capital) and is analyzed in Table 1 below:

Table 1: Capital Base as at 31 December 2012 (€'000)	
Tier 1 capital	
Ordinary Share Capital	2
Share Premium	998
Other Eligible Capital	608
Reserves	-510
Total Tier 1 Capital	***1,098***
Total Own Funds	**1,098**

Ordinary Share Capital

The Company's issued and fully paid share capital as at 31st December 2012 amounted to €2,000 divided into 2,000 ordinary shares of €1 each.

4. Capital Requirements

The minimum capital requirements of Infin Markets Ltd as at 31st December 2012, broken down by risk category, are presented in Table 2 below:

Table 2: Minimum Capital Requirements (€'000)		
Risk Category	**Approach**	**Capital requirements**
Credit Risk	Standardized Approach	25
Market Risk	Standardized Approach	15
Operational Risk	Basic Indicator Approach	64
Total Capital Requirements		**104**

Capital Adequacy Ratio

As at 31st December 2012, the capital adequacy ratio of Infin Markets Ltd stood at 84.79%.

5. 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 at the reporting date. The Company has no significant concentration on Credit Risk. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution. The Company also has policies to ensure that customers place sufficient funds prior to entering into new deals.

The Company uses the Standardized Approach for measuring Credit Risk. Table 3 below presents the allocation of Credit Risk by exposure class as at 31st December 2012:

Table 3: Exposure Value and Minimum Capital Requirements (€'000)

Exposure Class	Total Exposure Value	Minimum Capital Requirements
Institutions	1,068	17
Corporates	62	5
Other Items	32	3
Total	**1,162**	**25**

Institutions

For its exposures to institutions, the Company has used the ratings provided by Fitch Ratings to determine the applicable risk weight. Drawing on this, all exposures of the Company to institutions were assigned a 20% risk weight.

Corporates

Exposures to corporates were unrated. As a result, a 100% risk weight was used.

Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Company did not record any provisions or impairments as at 31st December 2012 with regards to any credit risk exposures.

6. 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. The Table below shows the Capital Requirements for Market Risk as at 31st December 2012:

Table 4: Minimum Capital Requirements for Market Risk (€'000)	
Type of Market Risk	**Minimum Capital Requirements**
Foreign Exchange Risk	15
Interest Rate Risk	0
Commodity Risk	0
Equity Risk	0
Total	**15**

Foreign Exchange Risk (or 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 other than the Company's reporting currency. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Commodity Risk arises from the firm's positions in derivative contracts for which the underlying instruments are silver and crude oil and which are booked in the trading book. The capital requirement for Market Commodity Risk was calculated using the Simplified Approach.

Interest Rate Risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to Market Interest Rate Risk through its positions in FX derivatives (rolling FX spots), which are booked in the trading book due to their short-term trading outlook. Nevertheless, no capital requirement arises from these positions, thanks to the characteristics of the instruments in question.

Equity Risk is the risk of loss resulting from fluctuations in the price of stocks or changes that relate to the issuer of a share or the stock market in general. The Company is exposed to Market Equity Risk through its positions in stock index derivative contracts which are booked in the trading book.

Liquidity Risk arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but it can also increase the risk of losses. The Company has procedures with the object of minimizing such losses, which consist of maintaining sufficient cash and other highly liquid current assets, and having available an adequate amount of committed credit facilities.

7. Operational Risk

Operational Risk is the risk of loss derived from the deficiencies relating to the Company's information technology, control systems, human error, natural disasters and unauthorized activities.

The Company uses the Basic Indicator Approach for measuring its minimum capital requirements for Operational Risk. As at 31st December 2012, the capital requirements for Operational Risk amounted to €64,000.

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 the Internal Audit function and by the continuous monitoring of operational risk incidents in order to ensure that past failures are not repeated.

8. Remuneration

The remuneration policy of Infin Markets Ltd is set by Senior Management and the Board of Directors. Decisions with regards to remuneration levels and salary increases of employees are taken by the CEO and the Managing Director, who are also Executive Directors, in consultation with the departmental heads.

Performance is assessed using a set of criteria that differ according to the position and responsibilities of the employee concerned. Specifically, dealing staff are evaluated based on the speed of order execution, the number of trade rejections and the quality of customer service, among others. Own account personnel is assessed based on their compliance with the own account trading mandate and the Company's hedging strategy.

In addition to examining these factors, the CEO and Managing Director hold discussions with each employee at the beginning of each year to discuss his/her performance during the preceding year, while they also take into consideration the recommendations received by the heads of departments with regards to the employees they propose for salary increase.

In 2012 remuneration consisted of fixed monthly salaries.

Table 5 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:

Table 5: Aggregate Remuneration by Business Area (€'000)	
Business Area	**Aggregate Remuneration**
Reception, Transmission & Execution	35
Dealing on Own Account	28
Sales & Customer Service	32
Back Office and Ancillary Services	27
Total	**122**

It should be noted that the legal function, Internal Audit, AML & Compliance and Risk Management Departments are outsourced, therefore not included in the table. The Company did not pay any non-cash remuneration during 2012.