Best Choice FBC Limited

DISCLOSURES IN ACCORDANCE WITH THE REGULATION FOR THE CAPITAL REQUIREMENTS OF INVESTMENT FIRMS FOR THE YEAR ENDED 31 DECEMBER 2015

APRIL 2016

CONTENTS

1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Requirements of the Regulation

The information below is disclosed in accordance with Regulation EU No. 575/2013 ("CRR") of the Cyprus Securities and Exchange Commission ("CySEC") for the Capital Requirements of Investment Firms ("the Regulation").

The information that Best Choice FBC Limited ('the Company") discloses herein relates to the year ended 31st December 2015.

Company Incorporation and Principal Activities

Best Choice FBC Limited was incorporated in Cyprus on 10th September 2012 as a limited liability company under the Companies Law, Cap. 113. It is a Cypriot Investment Firm ("CIF") regulated and licensed by CySEC under license number 234/14.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

<table>
<tr><th>Core Services</th><th>Ancillary Services</th><th>Financial Instruments</th></tr>
<tr><td>Reception and transmission of orders in relation to one or more financial instruments</td><td>Safekeeping and administration of financial instruments, including custodianship and related services</td><td rowspan="2">1. Transferable securities
2. Money market instruments
3. Units in Collective Investment Undertakings (CIUs)
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
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)
6. Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF
7. Options, futures, swaps and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III and not being for commercial purposes, which have the characteristics of other derivative</td></tr>
<tr><td>Execution of orders on behalf of clients</td><td>Investment research and financial analysis or other forms</td></tr>
</table>

Core Services	Ancillary Services	Financial Instruments
		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, 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 the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures, not otherwise mentioned in this Part, which have the characteristics of other financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses are subject to regular margin calls

Disclosure Policy

The current Disclosures report information with relation to the risk management organization and structure of the Company and the results of its capital adequacy calculations, and are based on the position of the Company as at 31st December 2015. They are prepared on an annual basis and are audited by the external auditors of the Company, as per the requirements of the CRR.

Scope of Disclosures

The present Disclosures relate solely to information regarding Best Choice FBC Limited.

According to its policy, Best Choice FBC Limited uploads these disclosures on its website.

2. RISK MANAGEMENT FRAMEWORK AND STRUCTURE

The Company allocates resources towards the management of its risks with the purpose of increasing the efficiency of its operations and its capital utilization, maximize income and maintain stability. The Company has developed a Risk Management framework through which its risk profile is controlled and monitored regularly. It is the duty of the Management to ensure that the Company has proper structure, policies and procedures to be able to identify, measure, monitor and report the risks that the Company is or can be exposed to.

The Risk Management Framework of Best Choice FBC Limited is continually adapted and enhanced as the market environment changes.

The Framework is set to establish, implement and maintain policies and procedures designed to manage any type of risk faced by the Company. In this way, it provides the means for Best Choice FBC Limited to identify, assess and report potential events that may affect its business and operations in general.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework.

The Risk Management policies are established to identify and analyze the risks faced by Best Choice FBC Limited, 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, as well as the Company's activities.

The Company has formed a Risk Management Committee with the view to ensure the efficient monitoring of the risks inherent in the provision of its services to clients, as well as the risks underlying the operation of the Company in general.

The Risk Management Committee consists of:

- The Chief Executive Officer ("CEO")
- A Non-Executive Director
- Head of Portfolio Management
- Head of Execution

The Risk Management Committee meets at least quarterly, unless the circumstances require extraordinary meetings.

Board of Directors
The Board of Directors consists of two Executive Directors and two non-Executive Directors, of which two are independent.

The Board of Directors is responsible for ensuring that the Company complies with its obligations under the applicable legislation. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with all applicable regulatory obligations, and takes appropriate measures to address any deficiencies. During 2015, three reviews took place. The Board ensures that it receives on a frequent basis, and at least annually, written reports regarding Compliance, Internal Audit, Anti-Money Laundering & Terrorist Financing and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies. The Board is responsible for the monitoring of the Company's internal control mechanisms with the purpose of preventing the undertaking of activities outside the scope and strategy of the Company and protecting against any unlawful transactions, as well as for identifying risks and ensuring the timely and adequate flow of information.

The Executive Directors take part in the day-to-day operations of the Company and, as appropriate, in supervising the provision of investment services. The Non-Executive (Independent) Directors monitor the operations of the Company through their participation in the Board Committees, as applicable, and in the meetings of the Board, and also request and have access to, as necessary, information and reports from the management of the Company.

The Board issued instructions specifying the parameters within which Senior Management may act without Board approval, as well as the matters which require Board approval.

Risk Manager

The Risk Manager is responsible for the practical implementation of procedures aimed at the identification, assessment and management of all financial and non-financial risks incurred by the Company. In this respect, the Risk Manager issues quarterly and ad hoc reports to the Board in support of any breach of the limits set out in the Board's instructions. These include:

- Reports on the Company's solvency ratios and counterparty risks at the end of the most recent quarterly financial reporting period
- Reports on the Company's compliance with the capital adequacy requirements set out in the CRR and in Directive DI2014-144-14 of 2014 for the large exposures of investment firms
- Reports with respect to any breaches of the limits set out in these instructions

Furthermore, at least on an annual basis the Risk Manager prepares and presents for approval to the Board the Internal Capital Adequacy Assessment Process ("ICAAP") documentation, which includes - among others - risk identification and assessment, capital planning, stress testing and Pillar 2 capital allocation.

Compliance Officer

The Company has in place policies and procedures to detect any risk of failure to comply with its obligations under the applicable legislation, as well as the associated risks, and aims at constantly maintaining adequate measures and procedures designed to minimize such risks. During 2015 the Compliance Function was outsourced.

The responsibilities of the Compliance Function are the following:

- Monitoring and assessing the adequacy and effectiveness of the measures and procedures put in place
- Addressing any deficiencies in the Company's compliance with its obligations under the applicable rules and regulations
- Advising and assisting the persons responsible for carrying out the investment and ancillary services and activities to comply with the Company's regulatory obligations
- Establishing and maintaining adequate Chinese Walls procedures

Audits performed

The internal auditor of the Company has performed an annual internal audit for 2015, the results of which were presented to the Board. The internal auditor is independent of the other functions and activities of the Company and is responsible for examining the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements, thus contributing to the mitigation of a number of risks, such as operational, legal, compliance, business and reputational. Its findings and recommendations are reported to the Board of Directors at least annually.

Back Office Manager

The Head of the Back Office Department reports to the CEO and bears the responsibility for supervising the department's staff and evaluating their performance. In addition, the Head of Back Office has the following duties:

- Assisting the AMLCO with the maintenance and updating of the customer account opening procedures
- Assisting with the conduct of the due diligence procedures at the account opening stage ("Know-Your-Client" procedures)
- Implementing the client classification procedure
- Following the approval of a client account and for the duration of the account operation, monitoring clients regarding suspicions transactions and immediately notifying the AMLCO where these do not match their investment profile
- Client record keeping and documentation filing of:
  - Client agreements and all the relevant documentation ("Know-Your-Client" procedure documents)
  - Client complaints or grievances
  - Employees/personnel files
- Cash management - depositing funds into trading platform upon receipt of funds within the financial institution. Initiating the fund withdrawal process back to the client's funding source, always adhering to the "4-Eyes" principle
- Preparing the Client Ad hoc safekeeping reports and transmitting them to clients, as per the provisions of the internal operations manual
- Interfacing with the Finance / Accounting Function
- Liaising with credit institutions and other custodians
- Ensuring the preparation and maintenance of the lists of clients categorised following a risk-based approach, which shall contain, inter alia, the names of clients, their account number and the dates of the commencement of the business relationship

3. OWN FUNDS

The primary objective of the Company's capital supervision is to ensure its compliance with the capital requirements imposed by CySEC and to maintain a healthy capital adequacy ratio in view of supporting its business and maximizing shareholders' value. Best Choice FBC Limited manages its capital structure and makes the necessary adjustments in light of changes in economic conditions and considering the risks inherent in its activities. The monitoring of capital is performed on an ongoing basis.

The Own Funds of the Company as at 31st December 2015 consisted solely of Tier 1 Capital and amounted to EUR 420.598. The composition of the Company's capital base is presented in Table 1 below which provides reconciliation between the balance sheet presented in the Financial Statements with the balance sheet prepared for prudential purposes:

Table 1: Composition of the capital base of Best Choice FBC Limited

CAPITAL FOR REGULATORY PURPOSES		**As at 31st Dec 2015**
COREP ref.	**Description**	**Amounts in EUR**
1.1	**Eligible Tier 1 Capital before solvency filters (*Original Own Funds*)**	
	Tier 1 positive items:	
1.1.1.1	- Share capital	102
1.1.1.3	- Share Premium	399.898
1.1.2.1	- Previous years retained earnings	(138.475)
1.1.1.2.2.1	-Audited profit for the year	159.073
1.1.1.12	- Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-
	Capital for regulatory purposes	**420.598**

4. CAPITAL REQUIREMENTS

The minimum regulatory capital requirements of the Company as at 31st December 2015 amounted to EUR 39.367 and are analyzed in Table 2:

Table 2: Minimum Capital Requirements

Type of Risk	**As at 31st December 2015 (EUR)**	
	RWA	**Minimum Capital Requirements**
Credit Risk	417.448	33.396
Market Risk	74.640	5.971
Total	**492.088**	**39.367**

The Capital Adequacy ratio of the Company as at 31st December 2015 was 85,47%.

4.1. Credit Risk

General

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's balances with banks. Best Choice FBC Limited has no significant concentration on credit risk. The Company has policies in place to ensure that sales of products and services are made to clients with an appropriate credit history and carries out regular analysis of the financial soundness of banks. In addition, the Company has policies to limit the amount of credit exposure to individual financial institutions.

Capital Requirements

The calculation of the minimum capital requirement for credit risk is performed using the Standardised Approach. As at 31st December 2015, the Company did not have any collaterals or guarantees, and therefore did not make use of Credit Risk Mitigation techniques.

Table 3 below presents the credit risk exposure, risk weighted assets and capital requirement broken down by exposure class**:**

Table 3: Exposure Amount, Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

Exposure Class	**As at 31st December 2015 (EUR)**		
	Exposure Amount	**RWA**	**Minimum Capital Requirement**
Institutions	100.303	100.308	8.025
Other Items	35.826	34.668	2.773
Retail	303.729	227.797	18.224
Public sector entity	54.675	54.675	4.374
Total	**494.533**	**417.448**	**33.396**

Risk Weighted Assets and Credit Quality Steps

Institutions
For the credit ratings of Institutions, all three credit rating agencies (Standard & Poor's, Fitch and Moody's) are used to rate the Company's exposures, matching the external rating of the government of the country where each institution is incorporated with the corresponding Credit Quality Step ("CQS"), according to the provisions of the Central Government Risk Weight based method of the Capital Requirements Regulation. As at 31 December 2015, all exposures to Institutions had original maturity less than 3 months and, as a result, a 20% and 150% risk weight was used for all such exposures accordingly.

A breakdown of the Company's exposures to Institutions by CQS is provided in Table 4 below:

Table 4: Exposures to Institutions by CQS

Exposure Class	**As at 31st December 2015 (EUR)**			
	CQS 1	**CQS 4**	**CQS 6**	**Total**
Institutions	9.495	75.606	15.202	**100.303**

Other Items
The Other Items category includes plant, property and equipment and other prepayments. As a result, a risk weight of 100% was applied to all exposures to Other Items.

Public Sector Entity
The Public Sector Entity category includes the contributions to Investors Compensation Fund. As a result, a risk weight of 100% was applied.

Retail
All retails exposures are assigned a risk weight of 75% as they relate to exposures to natural person(s) and low value of individual exposures.

Residual Maturity of exposures

Table 5 below displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2015:

Table 5: Residual Maturity per Exposure Class

Exposure Class	**As at 31st December 2015 (EUR)**		
	Residual Maturity ≤ 3 months	**Residual Maturity > 3 months**	**Total**
Institutions	100.303	-	**100.303**
Other Items	8.877	26.948	**35.825**
Retail	303.729	-	**303.729**
Public sector entity	-	54.675	**54.675**
Total	**412.909**	**81.623**	***494.533***

The following table presents the countries to which each exposure class is concentrated:

Table 6: Geographic distribution of exposures

Exposure Class	**As at 31st December 2015 (EUR)**			**Total**
	Cyprus	**Hungary**	**Latvia**	
Institutions	15.202	-	85.101	**100.303**
Other Items	35.826	-	-	**35.826**
Retail	-	19.427	284.302	**303.729**
Public Sector entity	54.675	-	-	**54.675**
Total	**105.703**	**19.427**	**369.403**	***494.533***

Table 7 below analyses the distribution of the Company's counterparties by industry:

Table 7: Distribution of exposures by industry type

Exposure Class	**As at 31st December 2015 (EUR)**		
	Financial / Banking Services	**Other**	**Total**
Institutions	100.303	-	**100.303**
Other Items	-	35.826	**35.826**
Retail	-	303.729	**303.729**
Public Sector entity	54.575	-	**54.575**
Total	**154.878**	**339.555**	***494.533***

4.2. Market and Liquidity Risk

4.2.1. 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).

Capital Requirements

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions and recognized assets and liabilities are denominated in a currency other than the Company's functional currency.

Currency risk is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair, as well as through the utilization of sensitivity analysis.

The Company's Market Risk arises from foreign exchange fluctuations which affect the Company's deposits in foreign currencies. The Company has policies to minimize its market risk exposures by following mitigation strategies such as active hedging strategy.

Table 10 below, shows the RWA and Capital Requirements for currency risk as at 31 December 2015.

Table 10: RWA and Capital Requirement for Currency Risk

Market FX risk	**As at 31st December 2015 (EUR)**	
	RWA	**Capital Requirement**
All assets & liabilities	74.640	**5.971**

Interest rate risk

Interest rate risk is the risk that arises from changes in the interest rates of interest-bearing assets and liabilities. The Company's assets and liabilities are not interest bearing, therefore the Company does not consider itself to be significantly exposed to interest rate risk or consequential cash flow risk.

4.2.2. Liquidity risk

Liquidity risk is the risk that arises 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.

The Company has procedures for minimizing such losses, such as maintaining sufficient cash and other highly liquid current assets.

4.3. 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.

5. REMUNERATION DISCLOSURES

The remuneration policy of Best Choice FBC Limited is set by the Senior Management and approved by the Board.

Decisions on the remuneration of Company staff are taken by the Senior Management, while the levels and increases in the remuneration of Senior Management are determined by the shareholder of the Company. Performance is measured based on a set of criteria which include the quality of the work performed and the achievement of the targets set.

During 2015, the remuneration structure included fixed monthly salaries for all executive directors and employees. No severance payments were made during the year.

Table 11 below provides a breakdown of aggregate remuneration by business area, for those categories of staff whose activities have a material impact on the risk profile of the Company:

Table 11: Aggregate remuneration by business area

Business Area	**As at 31st December 2015 (EUR)**
	Aggregate Remuneration
Control Functions	219.726
Front Office	21.852
Back Office	16.061
Total	**257.639**

The aggregate remuneration, broken down by Senior Management & Executive Directors and members of staff whose actions have a material impact on the risk profile of the Company, is as follows:

Table 12: Aggregate remuneration by Senior Management & Executive Directors and Other Staff

Personnel	**As at 31st December 2015 (EUR)**			
	Fixed - cash	**Variable - cash**	**Variable - Non-cash**	**Total**
Senior Management & Executive Directors and other staff	257.639	-	-	**257.639**

During the year 2015 two members of the senior management were also executive directors of the Company. These persons did not hold any other directorships during the year.