IronFX Global Limited

Pillar 3 disclosures for the year ended

31 December 2015

May 2016

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1. Introduction

IronFX Global Ltd (hereinafter the "Company" or "IronFX") is an investment firm regulated by the Cyprus Securities and Exchange Commission (hereinafter the "CySEC) under the license number 125/10.

This Report has been prepared in accordance with the requirements of Part Eight of European Regulation (EU) 575/2013 ("the Regulation") and Directives DI144-2014-14 and DI144-2014-15 issued by CYSEC in the scope of exercising its powers pursuant to section 73 and 146 of the Investment Services, Activities and Regulated Markets Law ("the Law") and for the purpose of harmonization with the actions of the European Community titled: "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 and amending Regulation (EU) No 648/2012".

The Pillar III disclosures are made on a consolidated basis, incorporating the subsidiaries of the Cyprus entity (hereinafter called the "Group"). According to Part Eight of the Regulation, the Pillar III disclosures of information shall be published on an annual basis at a minimum and in conjunction with the date of publication of the Company's audited financial statements for the year ended 31 December 2015 which contain supplementary information relating to the requirements of the above mentioned Directive.

The CRD is the framework for implementing Basel II in the European Union. Basel II implements a risk sensitive framework for the calculation of regulatory capital. The CRD consists of three 'Pillars':

The Basel II framework is based on three mutually re-enforcing pillars:

- Pillar 1 has to do with the standards that set out the minimum regulatory capital requirements that are required for credit, market and operational risk. These requirements are covered by regulatory own funds, according to the rules and specifications of Pillar I.
- Pillar 2 covers the Supervisory Review Process which assesses the internal capital adequacy processes. Investment firms have to evaluate and assess whether they should hold additional capital against risks not covered in Pillar 1.
- Pillar 3 (Market discipline) covers transparency and the obligation of firm's to disclose meaningful information to the market related to their risks, capital and generally risk management.

On 9 January 2015, CYSEC has issued Circular C038 regarding Prudential supervision - Implementation of CRDIV package. In this respect CySEC has transposed Directive 2013/36/EU and the Regulation as follows:

a. The Investment Services and Activities and Regulated Markets Law (the “Law”), as in force, has been amended in order to accommodate a number of articles of the European Directive. The relevant amendments were published in the Official Gazette on December 19, 2014.

b. A new Directive with number DI2014-144-14 for the Prudential Supervision of Investment Firms (the ‘Directive 2014-144-14’) has been drafted in order to incorporate all the remaining relevant articles of the European Directive. The Directive DI2014-144-14 was published in the Official Gazette on December 19, 2014.

c. The Regulation is binding in its entirety and directly applicable in all Member States. However, a number of discretions are included in the Regulation and for this purpose, CySEC has also drafted a new Directive with number DI144-2014-15 on the discretions of the Regulation, which states how the Commission has exercised these discretions. The Directive DI2014-144-15 was published in the Official Gazette on December 19, 2014.

As a consequence of the above, CySEC’s Directives DI144-2007-05 on the capital adequacy of Investment Firms and DI144-2007-06 on large exposures of Investment Firms have been revoked.

The Group’s Disclosures below have been prepared using 31 December 2015 data in accordance with the Directive.

2. Governance Arrangements

The Company’s Board of Directors (hereinafter “the Board” or the “BoD”) constitutes the ultimate administrative body of IronFX Global Limited, and is responsible for monitoring and supervising the operations of the Company.

2.1. Recruitment Policy

Members of the board of directors shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the board of directors shall reflect an adequately broad range of experiences. Members of the board of directors shall fulfil the requirements set out in subsections (4) to (10) of the Law. The Board is responsible for the final approval on the recruitment of Board members.

2.2. Diversity policy

The Company embraces diversity as it recognises the benefits of having a Board which makes use of differences in the skills, experience, knowledge, background, race and gender between directors. When recruiting members for the Board, diversity in its members is seriously taken into account for forming the optimal composition of the Board.

2.3. Risk management committee

Risk management committee is an independent unit reporting directly to the Board of Directors and is responsible for assisting the Board of Directors in:

- Assessing and managing the Company's risks;
- Ensuring the adequacy and effectiveness of controls in place for managing the risks;
- Reviewing the applicable risk limits and recommending amendments, if required, to the Board;
- Identifying additional risks that the Company is exposed to;
- Addressing control failures and suggesting remedial action.

During the year 2015 the Risk management committee held eight meetings.

2.4. Reporting and Information flow

The management and Board of Directors of IronFX Global Limited recognize that risk is embedded in all of the Company's activities and recognises the need for the information flow regarding risk management to reach the Board and the appropriate regulatory body as illustrated below:

Report Name	Report description	Owner	Recipient	Frequency
Compliance Report	Annual Compliance review	Compliance Officer	BoD, CySEC	Annual
Internal Audit Report	Annual Internal Audit review	Internal Auditor	BoD, CySEC	Annual
Risk Management Report	Annual Risk Management report	Risk manager	BoD, CySEC	Annual
Pillar 3 Report	Disclosures regarding the risk management, capital structure, capital adequacy and risk exposures of the Firm	Risk manager	BoD, CySEC	Annual
Audited Financial Statements	Audited financial statements of the Company	Chief Financial Officer	BoD, CySEC	Annual
ICAAP Report	The Internal Capital Adequacy Assessment Process identifies the capital requirements to address current and future risks	Risk manager	BoD, CySEC	Annual
AML Report	Annual Money Laundering Compliance Officer Report	Money Laundering Compliance Officer	BoD, CySEC	Annual
Capital Adequacy Reports	Capital requirement calculation	Chief Financial Officer	Senior Management, CySEC	Quarterly

2.5. Number of Directorships held by members of the Board

As per article 12(5) of the Investment Law, the number of directorships which may be held by a member of the board of directors at the same time shall take into account individual circumstances and the nature, scale and complexity of the CIF's activities. Unless representing the republic, members of the board of directors of a CIF that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

a) one executive directorship with two non-executive directorships;
b) four non-executive directorships

For the purposes of the above, the following shall count as a single directorship:
a) executive or non-executive directorships held within the same group;
b) executive or non-executive directorships held within:
   i. institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
   ii. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

The Company's Board of Directors is consisted from two (2) Executive Directors and three (3) Non- Executive Directors, with the one (1) being dependent and the other two (2) independent.

3. Risk Management Objectives and Policies

Risk taking constitutes a major characteristic of the business of the Group, and the development of a robust risk management framework is considered of high importance. The identification and classification of risks begins from the definition of the vision and business objectives, which clearly provide guidance and direction, defining the approach that the Group adopts in order to successfully confront and respond to different risks inherent in its operations and functions.

3.1. Risk Management Policy

The Risk Management Policy aims to elucidate the approach taken by the Group towards the risk confronted by the Group and the principles guiding its approach. The analysis refers to the risks confronted by the Group and the strategies employed for their mitigation or elimination. Importantly, the approach of the Group's management and the resulting policy adopted regarding the issue of risk is exemplified throughout.

3.2. Risk management function and Organisational structure

The Company is governed by the Board of Directors and has also established the Risk Management Committee and the Audit Committee. In addition, the Company has a risk Manager who is responsible to monitor the Company's risk exposure and report to the risk management committee and Board of Directors.

The objective is to strengthen the Company's internal control system and reinforce a sound and robust corporate governance framework. Furthermore, in order to support the best oversight of the Internal Control System, IronFX has set up the functions listed below, as proposed by the Directive DI144-2007-01 of 2012 for the Authorization and Operating Conditions of the Cyprus Investment Firms:

- Risk Management Function
- Internal Audit Function
- Compliance and Anti-Money Laundering Function

Out of these functions, the Internal Audit is outsourced, while the rest are staffed with full-time employees.

3.3. Risk Management Arrangement Adequacy

The Board has the ultimate responsibility on the adequacy of risk management arrangements of the Company, internal controls, risk appetite and monitoring of risks versus the internal controls which are in place. The Board considers that that the risk management systems in place are adequate with regard to the company's profile and strategy and provide on a reasonable basis risk mitigation, thus avoiding any material loss and damages to the Company.

3.4. Risk Appetite Statement

The Board ensures that the Company manages to pursue its strategic and business objectives while monitoring the risks the Company is exposed to, so that they are within the predefined risk appetite/tolerance levels. The risk appetite of the Company is a result of the Company's internal adequacy assessment process. Each identified specific risk is classified into its general risk category and risk type and is given a risk profile (Low/Medium/High) based on the overall score received after quantification of the specific risk. The specific risk is quantified by taking into account the expected impact of a specific risk and its likelihood of occurrence.

This process is implemented in order to assure the Board that the Company currently operates and will continue to operate within its current and future aggregate risk limit as represented by its current and projected Internal Capital. In case that the aggregate risk limit is expected to exceed the Company's expected risk tolerance (as represented by its projected regulatory own funds) the Board plans ahead by securing the injection of additional capital and/or the establishment of additional risk controls.

Key figures are provided in the capital management section, providing external stakeholders with a comprehensive view of the company's management of risk.

3.5. Credit Risk Management

Credit Risk is defined as the risk that a counterparty will fail to discharge their obligation and cause the Group to incur a financial loss. Credit risk arises primarily on the Group's own funds deposited with institutions, amounts due from related parties and other receivables and derivative financial assets. The Group does not bear any credit risk in relation to the client money because it is not required to compensate clients from losses suffered due to the default of the bank at which the client money is deposited.

<u>Credit Risk Monitoring and Mitigation</u>

Credit risk is monitored by management and the risk committee on an ongoing basis.

The Group addresses credit risk in a number of ways including:

a. aiming to maintain a diversified client portfolio thus avoiding high concentration and exposure to a small number of clients. Most of clients' open positions are mostly offset between each other therefore the net exposure is at acceptable levels.
b. depositing the Group's own funds as well as client funds only in highly rated banking institutions in different jurisdictions.
c. ensuring that clients cannot begin to trade unless money has been deposited into clients' account.
d. has the right to close positions, at its discretion, at margin level equal or less than 20% starting from the less profitable.
e. The Group offers a negative protection balance policy that implies zero credit risk, because of:
    - the necessary margin is tied for any open positions;
    - the predefined stop-out levels where client's positions are automatically closed below a certain level. This does not allow the client to go below zero or lose more than the money already deposited into their account.
    - Additional in-house plugins for protection of negative balances
        - Leverage Monitoring every Friday between the hours of 21:00 to 24:00 and occasionally before the release of major economic news.
f. uses prime brokers and establishes agreements with counterparties that are considered highly rated, and in addition conducts its own research in those institutions to verify that they are indeed financially sound and healthy.

Furthermore, the credit risk that arises from client positions is further reduced by the Group's policies and tools, which include manual and automatic stop loss limits in order to prevent any open positions exceeding the Group's pre-set margin.

<u>Credit Risk calculation</u>

The Group follows the Standardised Approach for calculating the capital requirements for credit risk.

3.6. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors.

Operational risk is divided into the following sub-categories of risks relating among others to:

- Internal fraud; External fraud;
- Marketing & Advertising;
- Regulatory reporting;
- Internal procedures and controls;
- Client communication damage to physical assets business disruption & systems failures;
- Chinese walls;
- Employment practices and workplace safety;
- Conflicts of interest;
- Client & Business Practice;
- Legal risk.

<u>Operational risk mitigation</u>

The Group has established various techniques for the mitigation of operational risk. These techniques include the following:

- Maintaining a four eye structure and implementing board oversight. The Board of Directors reviews significant strategic decisions made by management and monitors their activities.
- The compliance officer must ensure the accuracy of any statements made during the marketing and advertising processes and ensure that the information addressed to the client is fair, clear and not misleading.
- The compliance officer ensures that proper information/reports are sent on time to CySEC.
- Management formally communicates duties and responsibilities to employees through regular meetings, seminars and trainings.
- Internal audit visits are implemented to ensure that employees comply with the Group's internal procedures.
- Several policies and procedures have been established and followed in an attempt to identify and minimize any fraudulent activities.
- An online web-based screening program called World-Check is used in an attempt to improve know your clients procedures and to minimize fraud activities;
- The Group uses third parties for the implementation of customer identification and due diligence procedures, which have access to governmental data for clients from specific countries and can verify the validity of client's information by providing, passport number and address.
- Instant online reporting is available to clients to minimize the risk of mismarking the clients' positions;

- The Group has a comprehensive and detailed business contingency plan in place with recovery procedures and actions to be followed in the case of damage to any vital of the Group's structure.
- The Group has a conflicts of interest policy.
- The Group obtains legal advice from its legal advisors for all its official documents and before it enters into new markets.
- Financial accounts are audited by one of the big four audit firms, eliminating the risk of Company statement manipulation or tax evasion;

Operational Risk calculation

For the calculation of the capital requirements of operational risk, the Group uses the Basic Indicator Approach.

3.7. Market Risk

The Group defines Market Risk as the risk of adverse movements in the level of interest rates, in the rate of exchange between currencies and the current prices of securities, commodities and other financial instruments. Accordingly, these movements may affect the Group's profitability.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fluctuations of market interest affect the prices of securities.

The Group's management monitors the interest rate fluctuations and acts accordingly however it does not consider interest risk as significant since it does not hold any material interest bearing assets and liabilities.

Foreign Exchange Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

As the Group's principal activity is trading in foreign currencies, it is exposed to foreign currency risk as a result of the existence of open currency positions in the currencies in which it performs transactions with its customers. The Group maintains position limits for its open positions for each currency, in order to mitigate these risks. The open positions up to a limit are monitored on a continuous basis by the Group's traders.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk). The Group is exposed to price risk with regards to its investment portfolio in equity shares which have been classified as available for sale. The management of the Group, the Risk Committee and the Group's Dealing Room continuously monitor market prices and act accordingly in order to maintain price risk at acceptable levels.

Market risk mitigation

Below are procedures that have been identified by the Group and are used for market risk mitigation purposes:

- The Group employs a risk manager who is responsible for the monitoring of the Group's risk exposure; any deviation ought to be reported to the risk management committee where appropriate action must be taken.
- Aggregate net exposures are monitored as they develop from the opening and/or closing of positions by clients. If risk exceeds desired levels, appropriate actions should be taken to hedge risk until intended levels are achieved.
- Hedging is also performed naturally from opposite positions that clients take.
- The Risk Management Committee and the Risk Manager developed a number of custom-made tools and plug-ins to detect risk exceeding the internally determined risk tolerance levels.
- The Group maintains trading accounts with other regulated companies for engaging in proprietary positions in financial instruments for its own account as a hedging measure and in order to minimize market risk, if and when this is needed.
- An Agency model (Straight Through Processing or "STP") has been implemented which acts as a hedging measure. Under this model no risk on clients' trades arises since all trades are fully offset by the liquidity provider.

  Under the Agency model, every order which the Group may take is accepted and executed on the basis that the Group is acting on its own account. When a customer executes a trade with the Group on the quoted price, the Group enters simultaneously into a trade with its liquidity providers. This results to hedging of the Group's market price risk and decreasing net exposure to various instruments. This model applies to clients who elect this specific service but also to certain clients upon the Group's own judgment taking into account the trading profile of the client.
- Trading with thousands of clients from multiple locations achieves a natural diversification of its risk benefiting from a significant degree of natural hedging between the clients.
- The Risk Management Committee monitors the Trading Book in regards to risk exposures undertaken and assesses the effectiveness of its hedging strategy. The trading activity is recorded so as to allow the risk committee to review and monitor the Group's exposure in real time. The hedging of the Own Account portfolio in performed in liaison with the Head of Dealing on own Account/Execution Department.

Market Risk calculation

The Group uses the Standardised Approach to calculate the capital requirements of market risk.

3.8. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting payment obligations and potential payment obligations as and when they fall due without incurring unacceptable losses. Liquidity risk also arises from the inability to find buyers on the terms desired. Infrequently traded securities/assets bear higher liquidity risk. The imbalance between the number of buyers and sellers or because the securities/assets are not traded very often cause this liquidity risk. The liquidity risk is usually reflected in a wide bid-ask spread or large price movements.

Liquidity Risk Mitigation

- The Group prepares monthly budgets to ensure that it meets its obligations on time;
- The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of its financial obligations;
- The finance department monitors rolling forecasts of the Group's liquidity requirements based on expected cash flows in order to ensure that it has sufficient cash to meet its operational needs, under normal and abnormal (stressed) market conditions.

The Group does not consider liquidity risk to be significant as it maintains bank balances which are adequate to cover its liquidity needs or potential broker margin requirements.

3.9. Regulatory Risk

Regulatory risk is the risk that the Company may fail to report on time certain information/reports to any local or regulatory body, including but not limited to the Commission.

Regulatory Risk Mitigation

- 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.
- Each person (i.e. Compliance Officer, Risk Manager, Internal and External Auditor, etc.) is responsible to timely prepare and send the reports to the Commission or any other local authority;
- The Compliance Officer acts as a second eye to ensure that all the Company's reports are sent by the relevant persons to the Commission on time.

3.10. Legal and Compliance Risk

The Company is exposed to Legal Risk which can be defined as the risk arising out of legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulation. In other words, the legal and compliance risk may arise as a result of breaches or non-compliance with legislation, regulations or practices or the imposition of possible penalties from CySEC.

Legal and compliance Risk Mitigation

- The Company employs lawyers on a full-time basis responsible for the preparation of an agreements and documentation, e.g. marketing material, prone to legal risk. Outsourcing legal experts is also common practice depending on the materiality of the issue and the location the legal opinion is addressed to due to the international operations of the Company.
- The Company has an in-house Compliance department that ensures compliance with the applicable laws and regulations through its monitoring controls and policies.
- An Anti-Money Laundering Officer has been appointed by IronFX with the responsibility to address all issues regarding anti-money laundering while communicating with the relevant law enforcement agencies

3.11. Reputational Risk

The Company is exposed to Reputational Risk which can be defined as the possibility that negative publicity concerning the Company’s practices or relations result in a loss in its quality of service, its integrity or its financial solidity, causing substantive losses (i.e. deposits, customers) or valuation losses (i.e. prices of its tradable securities) that can potentially undermine its existence. In particular, reputation risk can materialize in the case of non-compliance with regulations, a breach of ethical values or the perception by the customer of an unfavourable discrepancy between the commercial offering and the reality of staff’s practices.

Reputational risk mitigation

In order to manage its Reputational Risk, the Company acknowledges that it is responsible to market changes (including regulatory changes) and ensures that policies and procedures are adhered to.

- The Company controls all marketing communication that goes out to the public and stays up to date with new regulatory requirements and obligations in an effort to maintain a strong reputation. In addition, it obtains legal opinions on new jurisdictions in which it wants to operate to ensure that it doesn't violate any laws. According to the third country's requirements, it adjusts its marketing material accordingly.
- Furthermore, employees are bound by confidentiality policies and there are several controls to minimize the risk of internal fraudulent activity not being spotted/prevented.
- In addition, the management ensures that the Company is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

4. Own Funds

4.1. Reconciliation of regulatory capital with consolidated audited financial statements

The following table provides a reconciliation between the Group statements of financial position presented in the Financial Statements with the statement of financial position prepared for prudential purposes:

	31/12/15
	US$000
Own Funds/Tier 1 Capital	
Share Capital	2,690
Share based payment reserve	807
Retained earnings	11,417
Intangible Assets	(1,627)
Total Own Funds/Tier 1 Capital	**13,287**

4.2. Share Capital

There were no changes in the share capital of the Group during the year.

As at 31/12/2015 and 31/12/2014, the share capital of the Group comprised 2.000.000 ordinary shares with a nominal value of €1 each.

4.3. Share based payment reserve

Share based payment reserve refers to share awards granted to directors and to selected employees directly by the Group's co-founding shareholders.

4.4. Intangible assets

Intangible assets are carried at cost, less accumulated amortization and any impairment in value. Amortization is calculated from the month that the asset has been put to use on a straight line basis over the estimated useful lives of the respective assets. Intangible assets relate to trademarks and computer software with amortisation rates of 10% and 20% respectively.

4.5. Main terms and conditions of regulatory capital

As at 31 December 2015, the Company maintained only Tier 1 capital as eligible own funds and nil Additional Tier 1 Capital and Tier 2 Capital. The Company's Tier 1 Capital is comprised of the aforementioned components in section 4.1 above. They also meet the conditions of Article 28 of CRR (EU) 575/2013.

4.6. Internal Capital Adequacy Assessment Process (ICAAP)

The Company decided that the Minimum Capital Requirement Approach is the most appropriate approach to be used for the planning and design of its ICAAP. As its name indicates, the Internal Capital Adequacy Assessment Process is an internal tool, which allows IronFX to assess its position and hold the internal capital that it considers appropriate in order to cover all the risks it is facing or to which it could be exposed in the future thereby having the ability to support its current and future activities

.
The ICAAP falls under the scope of Pillar 2 which is described as a set of relationships between the Commission and the investment firm, the objective of which are to enhance the link between a CIF's risk profile, its risk management and risk mitigation systems, and its capital.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1, by promoting an active dialogue between the Commission and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICAAP is an important part of the process through which IronFX's Board:

- is informed of the ongoing assessment of the Company's risks,
- sets mitigation measures and controls for those risks, and
- identifies and measures current and future capital needs having considered the above

The ICAAP is clearly owned and approved by the Company's Board of Directors. IronFX considers the ICAAP as a key element of its day to day governance process and its strategic management initiatives.

The ICAAP Report:
The ICAAP Report is a document submitted to the Board and to CySEC, upon request by the latter, explaining:

- how the CIF has implemented and embedded the ICAAP process within its business
- the risk profile and the extent of risk appetite that the CIF is prepared to accept
- the capital that it considers as adequate to be held against all the risks that the CIF is exposed to in accordance with its assessment

This report reflects the reality of IronFX's ICAAP as a discipline embedded within its business. The report will be submitted to the CySEC, upon request, in accordance with the Directive 2013/36/EU and Directive 144-2014-14 of CySEC for the Prudential Supervision of Investment Firms.

5. Minimum Required Own Funds for Credit, Market and Operational risk

The different methods used to assess the adequacy of the capital for the different categories of risks are described above.

The Pillar I regulatory capital of the Company is calculated on the basis of account balances computed and derived based on the adoption by the Company of the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap 113.

The available regulatory capital is classified under two main categories:

- Tier 1 capital (Common Equity Tier 1 Capital plus Additional Tier 1 Capital);
- Tier 2 capital

The table below represents the risk weighted exposures and the capital adequacy ratio as at 31 December 2015.

5.1. Capital Adequacy Ratio

	Risk Weighted Exposures 31/12/2015
	US$000
Credit Risk	
Standardised approach	**38,278**
Market Risk	
Standardised approach	**39,120**
Operational Risk	
Basic Indicator Approach	**Nil**
Additional risk exposure amount due to Fixed Overheads	**42,612**
Total	**120,010**
Capital Adequacy Ratio	**11,07%**
Minimum Capital Adequacy Ratio Requirement	**8%**

5.2. Capital Ratios and Capital Levels as at 31/12/2015

Item	**Amount ($000)/%**
CET1 Capital ratio	11.1%
Surplus(+)/Deficit(-) of CET1 capital	7,887
T1 Capital ratio	11.1%
Surplus(+)/Deficit(-) of T1 capital	6,087
Total capital ratio	11.1%
Surplus(+)/Deficit(-) of total capital	3,687

Further to the above, it should be noted that the Company has maintained own funds more than the required minimum in all subsidiaries.

The Company uses the following credit assessments of ECAIs recognised as eligible by the CySEC:

- Moody’s
- Standard & Poor's

The Company follows the mapping of each credit assessment of the eligible ECAIs into the credit quality steps as denoted by the CRR.

5.3. Credit Risk capital requirements and weighted exposures

The Company uses the Standardized Approach for measuring Credit Risk. The table below presents the allocation of Credit Risk by exposure class and by industry/counterparty type as at 31st December 2015.

Credit Risk: Exposure by asset class and by industry/counterparty type	Capital requirements 31/12/2015	Risk Weighted Exposures 31/12/2015
	US$000	US$000
Public Sector Entities (Tax & Regulatory services)	49	613
Institutions (Banking services)	282	3,526
Corporates (Retail industry)	77	965
Retail (Financial services)	756	9,455
Other (Related parties and other)	1,898	23,719
Total	**3,062**	**38,278**

5.4. Market Risk capital requirements and weighted exposures

The Company uses the Standardized Approach for measuring Market Risk. The table below shows the Capital Requirements for Market Risk as at 31st December 2015.

Market Risk	Capital requirements 31/12/2015	Risk Weighted Exposures 31/12/2015
	US$000	US$000
Equity	177	2,214
Foreign Exchange	2,405	30,060
Commodities	548	6,846
Total	**3,130**	**39,120**

5.5. Operational Risk capital requirements and weighted exposures

The Company recognises additional risk exposure amount due to fixed overheads for measuring Operational Risk. The capital requirements for operational risk amount to USD3.4 million and its risk weighted exposures amount to USD42.6 million as at 31st December 2015.

5.6. Geographical Break down

Domestic original exposures (in thousands)	**20,806**
Non-domestic original exposures (in thousands)	**34,729**
Non-domestic / Total original exposures	**62,54%**

Country	**Risk Weighted Exposure Amount (in thousands)**					
	Institutions	**Corporates**	**Public Sector**	**Retail**	**Other Exposures**	**Total**
CY	249	965	613	9,455	5,374	**16,656**
PL	8	-	-	-	-	**8**
HU	36	-	-	-	-	36
AZ	1	-	-	-	-	**1**
GB	2,829	-	-	-	779	**3,608**
ES	6	-	-	-	-	**6**
CH	5	-	-	-	-	**5**
PT	4	-	-	-	-	**4**
AU	232	-	-	-	457	**689**
HK	18	-	-	-	-	**18**
JP	-	-	-	-	-	**-**
RU	22	-	-	-	-	**22**
UY	-	-	-	-	-	**-**
AE	2	-	-	-	-	**2**
PE	-	-	-	-	62	**62**
EG	1	-	-	-	-	**1**
IM	110	-	-	-	-	**110**
ID	2	-	-	-	-	**2**
VG	-	-	-	-	16,884	**16,884**
CN	-	-	-	-	4	**4**
UA	-	-	-	-	29	**29**
ZA	-	-	-	-	129	**129**
Total	**3,525**	**965**	**613**	**9,455**	**23,718**	**38,276**

5.7. Maturity Table

Credit Risk	Risk Weighted Exposures ≤ 3 months	Risk Weighted Exposures ≥ 3 months	Total
	US$000	**US$000**	**US$000**
Public Sector Entities	0	613	**613**
Institutions	3,526	0	**3,526**
Corporates	965	0	**965**
Retail	9,455	0	**9,455**
Other	17,124	6,595	**23,719**
Total	**31,070**	**7,208**	**38,278**

6. Counterparty Credit Risk

As at 31 December 2015, the Group did not have any outstanding securities or commodities lending or borrowing transactions, long settlement transactions, margin lending transactions or derivative instruments transactions.

7. Exposure to Credit Risk and Impairment

'Past due' and 'Impaired' Receivables

Impaired financial assets: The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Past due financial assets: A financial assets is past due when a counterparty fails to make a payment that is contractually due i.e. a delayed payment or in the event of an excess of the authorised credit limits.

8. Exposure in Equities not included in the Trading Book

Non-trading equity risk is defined as the potential variation in the Group's non-trading income and reserves arising from changes in equity prices. The risk may crystallise during the course of normal business activities or in stressed market conditions.

During 2015 the Group held no Equities not included in the Trading Book.

9. Leverage

The Company, in accordance with Article 96 (1) (a) of CRR, is not required to provide any disclosures relating to leverage.

10. Remuneration Disclosures

In accordance with the requirements of the Directive, the Group publicly discloses information regarding the remuneration policy and practices for those categories of staff whose professional activities have a material impact on the risk profile of the investment firm. The Group Remuneration Policy captures provisions from the Regulation and relevant Guidelines of CySEC and aims to align the remuneration of Directors, Senior Management, officers and staff with the business strategy, objectives and long-term interests of the Group. It is consistent with the effective management of risks and does not encourage excessive risk taking.

The remuneration of staff is dependent on various elements such as jurisdiction legal and regulatory requirements, employment law requirements, market and industry practices and competition analysis. The remuneration of the Group's Senior Management and employees are decided with reference to the above elements by the Human Resources Department and the Board of Directors. The Board ensures that all remuneration decisions are in line with the stated risk appetite and framework of the Group and its current and future financial position.

The Group does not retain external consultants although external consultants are used from time to time to provide advice on specific issues. The Board also seeks advice from the HR Department and Senior Management, who may provide relevant information and advice to the Board.

The setting of remuneration supports the business objectives and corporate values of IronFX and is aimed at promoting prudent risk management and to avoid excessive risk taking by attracting, retaining and motivating the key talent needed to achieve these outcomes.

10.1. Performance Related Pay

The Group's remuneration arrangements represent a combination of salary, bonuses and long term incentive schemes that are designed to align the interest of the Group and its employees with those of its clients and other stakeholders to ensure the Group's continued long term profitability. Non-salary remuneration plans are completely variable, based on the Group's performance and individual performance.

The Group ensures that the variable remuneration bonus pool is a conservative percentage of its net income. This means that staff remuneration is dependent upon IronFX's profitability and it allows the Group to manage its capital prudently.

10.2. Design and structure of Remuneration

Members of the Board of Directors received a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that is aligned with the rest of the market and reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of board meetings,

Senior Management is independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Other benefits provided to the Directors and Senior Management include other benefits provided to staff, medical fund contributions and life insurance.

During the year ended 31 December 2015 the total remuneration of Executive Directors and key management personnel was US$622,334, with the share based payment expenses amounting to US$70,152 and employer's contributions of USD61,002. No variable remuneration was provided during the year. In addition, directors' fees for non-executive directors amounted to USD30,759.