Leverate Financial Services Ltd

Regulated by the Cyprus Securities and Exchange Commission License no. 160/11

DISCLOSURE AND MARKET DISCIPLINE

April 2017

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INTRODUCTION

LEVERATE FINANCIAL SERVICES LIMITED (hereafter the

- Regulation (EU) No. 648/2012 regarding the OCT derivatives, central counterparties and trade repositories

- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms

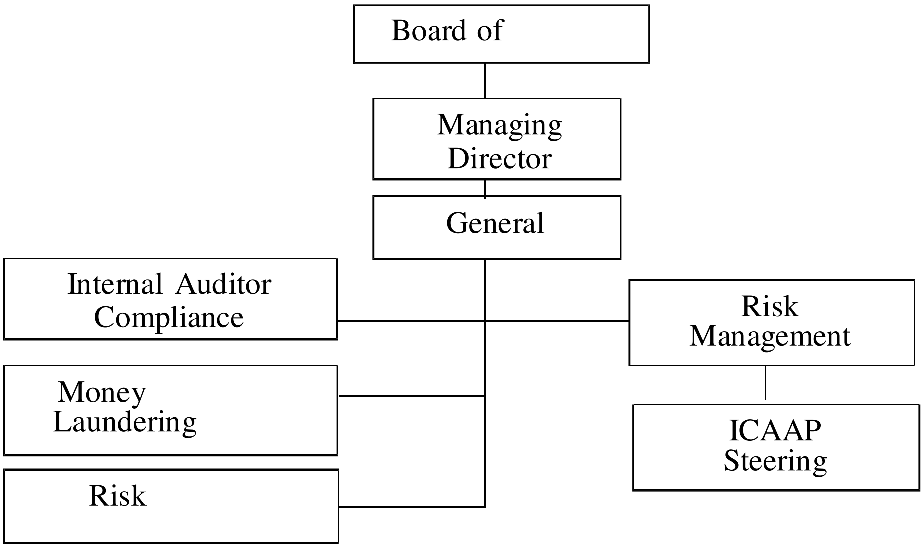
- Directive 2002/87/EC regarding the supplementary6 supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate

The Basel II Accord has been implemented in the European Union through the Capital Requirements Directive (hereafter the

The Risk Management Committee, composed of the Managing Director, the Risk Manager and two non-executive directors, has responsibility for overseeing risk management within the Company as a whole. The Risk Manager and the Managing Director will support, advice and implement policies approved by the Risk Management Committee, the Company would make conservative and prudent recognition and disclosure of the financial implications of risk and the responsibility for encouraging good risk management practices within their teams and department would be on the Head of each respective Company

The Company accepts risks considered as immaterial while risks interpreted as material would fall outside the Company

RISK MANAGEMENT STRUCTURE OF THE COMPANY



Definition of Risk Management

Risk Management is defined as the identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks. An organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies) in proper management of future events.

Risk management objectives

The main objectives of the risk management function are summarized below:

overview of the potential adverse outcomes of exceptional but possible events and their impact on:

- the Company

CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

Capital Resources: Equity & Reserves as at 31st December 2016

Capital Adequacy ratio (CAR)

The Company prepares and submits to the CySEC on a quarterly basis the capital adequacy reports, as required by the Law. The CAR is prepared on a solo basis and the reporting currency is Euro.

Total Capital Requirements	**1,389**	**1,463**	**1,551**	**2,000**	**2,789**
Capital Adequacy Ratio	**46,42%**	**40.11%**	**29.06%**	**28.38%**	**13,10%**

Leverage Ratio

The Leverage Ratio of the Company as at 31/12/2016 is 17%, according to Article 429 of CRR (Capital Requirements Regulation) and is calculated as per below:

USD

- Total exposure
- Industry exposure
- Residual Maturity

The credit ratings were made based on Moody

Operational Risk & Fixed Overhead requirements

The Company follows the **Basic Indicator Approach** for operational risk.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external factors. Operational risk can be further divided into the following sub-categories:

Internal Fraud Risk; External Fraud Risk; Marketing and Advertising Risk; Regulatory Reporting Risk; Internal Procedures and Controls Risk; Damage to Physical Asset, Business Disruption & System Failures Risk; Legal Risk etc.

Mitigation Strategies

Some of the mitigation strategies that the Company follows are the following:

- The Company has a four eyes structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a financial services director and a separate director of operations. The board further reviews any decisions made by management and monitors its activities

- Several detection methods are in place by the accounting department in order to detect discrepancies or other fraudulent activities

- The Compliance Officer ensures the accuracy of any statements made during the marketing and advertising processes. The Officer also ensures that the information addressed to the client is fair, clear and not misleading,

- To mitigate this risk, the Company ensures that one of the responsibilities of the Compliance Officer is to ensure that proper information/reports are sent on time to CySEC.

- The Company outsources the Internal Audit function. The internal audit visits are to ensure that employees comply with the Company

- Aggregate net exposures, as they develop from the opening and/or closing of positions by clients are monitored by the Company

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses through its overdraft facility, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Money laundering and Terrorist Financing Risk

The probability of risk is low as the Company has adequate procedures in place and has overall high level of compliance. In addition, the Company provides internal and external AML and CTF training to its employees several times a year. The Compliance Officer ensures that any updates on the regulation are distributed to the relevant personnel and carries out checks to ensure that the disseminated material have been read and understood by the respective personnel.

The adopted risk-based approach that is followed by the Company has the following general characteristics:

- recognises that the money laundering or terrorist financing threat varies across Clients, countries, services and financial instruments
- allows the Board to differentiate between Clients of the Company in a way that matches the risk of their particular business
- allows the Board to apply its own approach in the formulation of policies, procedures and controls in response to the Company

CORPORATE GOVERNANCE

The Company has established a Risk Management Committee since 2013 for the determination of what types of risk is acceptable and which are not, determine the appropriate risk appetite or level of exposure and monitor the management of fundamental risks for reducing the like hood of unwelcome surprises. The Risk Management Committee has the responsibility of reviewing the Company of business requirements under the Law in the area of remunerations. The principles employed within the Company's Remuneration Policy are appropriate to its size, internal organization and the nature, the scope and the complexity of its activities whilst adhering to the provisions of the Directive DI144-2007-05 of 2012 of the Cyprus Securities and Exchange Commission for the Capital Requirements of Financial Firms which was introduced with effect from November 26, 2012.

Remuneration System

During 2016, the following was applicable with regards to the Company

b. Variable remuneration is designed to ensure that the total remuneration remains at competitive levels and to reward the staff for its performance whilst remaining aligned with the department

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

Remuneration of Key Management Personnel and Directors

The remuneration of the key management personnel of the Company, including Board of Directors, in 2016, was as shown in the following tables:

Broken down by Management area	Number of Beneficiaries	Fixed Remuneration	Variable Remuneration	2016
		$000	$000	$000
Board of Directors	3	49,6	-	49,6
Senior Management	1	37	-	37
Heads of Departments	4	112,8	-	112,8
Total	8	199,4	0	199,4

Any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

FINANCIAL INFORMATION

Regulatory Capital

	31 December 2016
	$
Total Equity as per Financial Statements	440,804
Share Capital	396,424
Share Premium	304,692
Intangible Assets	(260.312)
Total Common Equity Tier 1	440,804
Additional Tier 1 Capital	0
Total Tier 1 Capital	440,804
Tier 2	0
Total Own Funds	440,804

Balance Sheet

	31 December 2016
	$
Assets	2,050,821
Liabilities	1,610,017
Equity	440,804
Total Liabilities and Equity	2,050,821

Capital Requirements under Pillar I

Capital Requirements Pillar 1	**31 December 2016**
	$'000
Core Equity Tier 1 (CET 1)	365
Additional Tier 1 Capital (AT 1)	0
Total Tier 1 Capital	365
Tier 2	0
Total Own Funds	365
Risk Weighted Assets	0
Credit Risk	2,141
Market Risk	648
Operation Risk	0
Fixed Overhead Requirement	0
Total Risk Exposure Amount	2,789
CET1 Capital Ratio	**13.10%**
T1 Capital Ratio	**13.10%**
Total Capital Ratio	**13.10%**