Risk Management Policy

TECH-FX

1. INTRODUCTION

[**TECH-FX**] ("the Company") aims to achieve internal control process of high standards and implementation of risk management strategies in order for the Company to be able to handle and mitigate specific types of risk it potentially may be exposed to. The following analysis refers to the risks confronted by the Company and the strategies employed for their mitigation or elimination.

The Risk Management is a continuous process with the aim on identification of key risks that may impact the Company, assess them and apply risk controls, where relevant, and monitor and communicate them to the Management and Board of Directors:

2. RISK IDENTIFICATION AND ASSESSMENT

The Company will perform a risk identification and assessment for all risks faced by the Company on an ongoing basis. The Company will create a risk register and evaluate each risk separately.

Risk Register

- The risk identification and assessment exercise will be performed using a risk register which includes all the risks inherent in the Company's operations and functions that are considered possible for adversely impacting its performance.

- The risk register shall contain the following information:
    - The risk type (e.g. credit risk)
    - The general risk within the specified risk type
    - Description and examples of the general risk
    - Description of the specific risks and their impact on the Company

- The risk profile of each specific risk prior any mitigation control in place
- Specific mitigation control to be followed by the Company
- The revised risk profile after considering the mitigation control to be followed by the Company

Risk Profile & Quantifying Risk

- The risk profile is described by three levels (Low / Medium / High). There would be a specific procedure and components to be considered for the assessment of each risk profile based on probability and financial impact that could have on the Company.

- Based on the likelihood / probability that the specific risk can occur then the respective risk level can be determined

- Based on the expected financial impact that the specific risk can have on the Company's profitability the respective risk level will be also determined

3. COMPANY RISKS

Below, we state possible risks that the Company may be exposed to:

4. OPERATIONAL RISK

The risk of loss resulting from inadequate or failed internal processes, people, and systems or from external factors. Below, we provide sub-categories of operational risks that the Company may be exposed to:

4.1 Internal Fraud

Loss due to acts of a type intended to defraud misappropriate property or circumvent regulations, the law or company policy, excluding diversity / discrimination events which involves at least one internal party. Specific risks include:

- Misuse or misappropriation of resources, or corruption
- Tax evasion and other improper practices
- Mismarking of positions (intentionally)

Mitigation of Risk

- The Company must maintain adequate management controls. The Board of Directors should further review any decisions made by management and monitor their activities.
- Implementation of updated technological equipment, trading platform, mirror servers/ back up servers would insure the accuracy and authenticity of processing of requests from clients.
- Company uses external auditors for the preparation of its financial accounts.
- Clients must be able to monitor their accounts online in order to eliminate the risk of mismarking of positions.

4.2 External Fraud

The risk of losses due to acts of a type intended to defraud, misappropriate property or hacking damage by a third-party theft (e.g. robbery, forgery and damage from computer hacking).

Mitigation of Risk

- The Company will set up strong access controls as well as firewalls so that to avoid any hacking and data theft.

- Provide continues education to its personnel so that can keep up with new techniques applied by fraudsters and invest on IT to update its systems.

4.3 Regulatory Reporting

The risk that the Company fails to meet its responsibilities to report certain information/reports to the regulator or other bodies.

Mitigation of Risk

- The Company should employ a full time Compliance Officer responsible, among others, to ensure that proper information/reports are sent on time to the regulator and/or other bodies (if needed).

4.4 Internal Procedures and Controls

The risk that activities conducted by the employees are not appropriate and in accordance with the Company's procedure manuals and/or are not appropriately supervised on a day to day basis.

Mitigation of Risk

- Company's operations manual should be provided to all employees.
- Training programs should be provided to Company's employees.
- Management should formally communicate duties and responsibilities to employees.
- Continuous assessment must be performed by department heads of the

competency of their employees.

- Compliance visits should be implemented to ensure that employees comply with the Company's internal procedures.

4.5 Client Communication

The risk that the Company will fail to observe communication protocols under the required and applicable regulations when dealing with clients. This may include:

- Failure to send a communication when require;
- Sending an inappropriate or ineligible communication;
- Failure to provide satisfactory responses to clients' complaints; or
- Failure to include or meet minimum requirements in a communication.

Mitigation of Risk

- A system should be created by the Company, which automatically sends all required documents that need to be read and accepted by the client before they can open an account with the Company; this will ensure that clients are well informed before they enter into the agreement. Furthermore, the Company should employ a compliance reporting officer making sure that such actions, responses to clients etc. will comply with the internal control procedures or any other applicable regulations.

4.6 Conflicts of Interest

The Company has a duty to ensure that conflicts of interest arising from business activities are identified and resolved in a consistent and appropriate manner. This includes conflicts of interest arising from:

- The Company is acting as a counterparty on client's transactions;
- Client's complaints;
- Misleading statements

TECH-FX

- Abuse of position

Mitigation of Risk

- The Company should establish and maintain a conflicts of interest policy where it lists all possible conflicts that may arise. The said policy should be provided to Clients before any investment service is provided to them.

- Where a potential conflict of interest' situation is unavoidable, the management establishes the necessary checks and controls to limit any adverse consequences.

5. CREDIT RISK

Credit Risk is defined as the risk that a counterparty will fail to discharge their obligation and cause the Company to incur a financial loss. Credit risk arises primarily on the following cases:

- Company's own funds and client funds deposited with bank institutions
- Client positions opened against the Company
- Company's deposited funds in prime broker's accounts
- Prime broker's failure to pay for profitable trades

Mitigation of Risk

Below are the procedures that the Company has adopted and shall follow for monitoring, controlling and evaluating credit risk:

- The Company shall maintain a diversified client portfolio thus avoiding high concentration and exposure to a small number of clients. Most of clients' open positions are expected to be offset between each other therefore the Company's net exposure will be easily controlled;
- Company's own funds as well as clients' funds will be deposited in highly rated

banking institutions in different jurisdictions. Also, the Company assesses the credit quality of its counterparty taking into account its financial position, past experience and other related factors (in case there is no independent credit rating by a rating agency);

- Clients cannot begin to trade unless money has been deposited into clients' accounts;
- The Company will apply a margin level where client's positions will be closed, starting from the less profitable. This is a strong measure to avoid possible credit risk by clients and very common in the industry;
- Period reviews shall be performed by the Company on its credit institutions to ensure that its financial position is sound;
- Where applicable, the Company shall use 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

6. MARKET RISK

The Company defines Market Risk as the risk that the value of an investment will decrease due to moves in market factors (the net aggregate client's exposure). Accordingly, these movements may affect the Company's profitability. The Company could be exposed to the following sub-categories of market risk:

- *Currency risk* - the risk that foreign exchange (currency pairs) rates will change.
- *Equity risk* - the risk that stock prices will change.
- *Commodity risk* - the risk that commodity prices (e.g. oil, natural gas, wheat) will change.
- *Interest rate risk* - the risk that interest rates will change.

Mitigation of Risk

Below are the procedures that the Company has adopted and follows for monitoring, controlling and evaluating market risk:

- The trading activity should be recorded so as to allow the Company to review and monitor the Company's exposure.

- Aggregate net exposures must be 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.
- The Company must maintain 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.
- The Company shall apply certain leverage allowance cap levels, depending on the client's equity amount as well as the client's risk profile in an attempt to avoid excessive risk. Shall levels shall be monitored and adjusted depending on the Company's overall exposure.

7. OTHER RISKS

The Company could also be exposed to the following additional risks:

7.1 Reputational

The risk that the Company's business practice will lead to negative publicity resulting in litigation, financial loss, or a decline in its customer base. It is the risk that business undertaken by the Company, which is conducted in line with the Law, is not appropriate given the business models and risk appetite, resulting in damage of the Company's value.

This may result from factors including:

- Not meeting client's expectations regarding the delivery of service by the Company
- Continuous operational failures
- Conducting business in jurisdictions that are subject to scrutiny even where no legal restriction exists

Mitigation of Risk

- Management must ensure that the Company is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

- Management should foster a sound culture that is well supported throughout the Company and monitor its effectiveness over time.
- Internal procedures should be fully effective.
- The Company structure must ensure that decisions or controversial choices are scrutinized.

7.2 Strategic

The risk that the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Mitigation of Risk

- The Company's strategic direction is to be decided by the Board of Directors and to be reassessed on an annual basis ensuring the relevance of chosen objectives.
- Management should establish business plans and budgets with realistic goals, which should be presented to the Board of Directors for final approval.
- A four eyes structure and board oversight should exist to ensure the existence of sufficient scrutiny of decisions and to ensure that those decisions contribute the Company's overall strategic intent.

7.3 Regulatory Change

Investing and trading in CFDs sector, may be subject to regulatory change. The future regulatory changes which may result from these developments are unclear. This process could result in new regulations or restrictions having a material adverse impact on the operations of the Company.

Mitigation of Risk

- Keep abreast of regulatory developments;
- Compliance function to provide advice to the Company's Board of Directors and Management on such matters on an ongoing basis;
- External legal advice to be obtained on new regulations affecting the Company's business.

7.4 Legal

The risk that a legal contract or financial transaction will not be fulfilled because it breaks the law or there is a regulatory conflict. It is also the risk that contacts are not legally enforceable or documented correctly.

Mitigation of Risk

- The Company should review and where applicable obtain legal advice from its legal advisors for all its official documents.

7.5 Liquidity Risk

Liquidity risk is the risk that the Company will encounter in discharging payment obligations and potential payment obligations as and when they fall due without incurring any 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 Company shall prepare budgets to ensure that it meets its obligations on time;
- The Company shall ensure 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 Company'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.

8. RECORD KEEPING

The Company shall maintain a record of all the risks, as well as the preventing actions and/or mitigation techniques and/or restoration procedures put in place for the management of those risks.

Managing the Company's risks in the ever-changing business environment the Company operates in, requires a strong risk management culture. In this regard, the Company shall establish an effective risk oversight structure and the necessary internal organizational controls to ensure that the Company identifies and controls its risks effectively and in a timely fashion.

9. MONITORING

The Company will monitor the effectiveness of the policy and relevant risk mitigation procedures on an on-going basis in order to identify and implement any appropriate enhancements. In addition, the Company will regularly review (at least annually) the policy in an attempt to be further enhanced and to be unique to the Company's operations.