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UNITED WORLD CAPITAL LTD

**RISK MANAGEMENT OBJECTIVES & POLICIES DISCLOSURES
IN ACCORDANCE WITH THE DIRECTIVE D1144-2007-05,
ANNEX XII**

31 DECEMBER 2009

APRIL 2010



UNITED WORLD CAPITAL LTD

**RISK MANAGEMENT OBJECTIVES & POLICIES DISCLOSURES IN ACCORDANCE WITH THE DIRECTIVE DI144-2007-05, ANNEX XII
31 DECEMBER 2009**

TABLE OF CONTENTS

1. SCOPE OF APPLICATION
2. CAPITAL BASE
3. GROUP RISK MANAGEMENT
4. CAPITAL REQUIREMENTS
5. CREDIT RISK MANAGEMENT
 - 5.1 Definition of Credit Risk
 - 5.2 Risk Management Department
 - 5.3 Risk Management Procedures
6. OPERATIONAL RISK MANAGEMENT
 - 6.1 Definition of Operational Risk
 - 6.2 Operational Risk Requirement as at 31 December 2009
 - 6.3 Risk Management Department
 - 6.4 Operational Risk Management Procedures
 - 6.5 Reporting Systems
7. INTERNAL AUDIT



1. SCOPE OF APPLICATION

The following information is disclosed in accordance with the Directive DI144-2007-05, ANNEX XII.

The United World Capital Ltd (UWC), an independent international financial markets participant and leading provider of on-line trading services for retail and institutional investors.

The company is registered as a Cyprus Investment Firm under the registration number HE230122 and licensed by CySEC (Cyprus Securities and Exchange Commission) under the license number 093/08 in accordance with new MiFID. UWC Ltd is the full SWIFT member.

The main investment services in company's portfolio are:

- Reception and transmission of orders in relation to one or more financial instruments,
- Execution of orders on behalf of clients,
- Dealing on own account,
- Portfolio management.

There are also other ancillary services.



2. CAPITAL BASE

The UWC regulatory capital based on the Directive is analysed as follows:

- Original own funds, which include share capital, reserves less losses for the financial period.

| | Share Capital Euro | Non refundable advances Euro | Retained earnings Euro | Total Euro |
|---|--------------------------|---------------------------------------|------------------------------|---------------|
| Issue of share capital | 1,000,000 | - | - | 1,000,000 |
| Loss for the period | - | - | (437,140) | (437,140) |
| Balance at 31 December 2008/ 1 January 2009 | 1,000,000 | - | (437,140) | 562,860 |
| Loss for the year | - | - | (894,335) | (894,335) |
| Shareholder credit balances written off (forgiven) | - | 500,000 | - | 500,000 |
| Balance at 31 December 2009 | 1,000,000 | 500,000 | (1,331,475) | 168,525 |



3. GROUP RISK MANAGEMENT

The Board of Directors (BoD) has the ultimate responsibility for the risk appetite of the UWC and the monitoring of risks on a regular basis. Additionally, the BoD is responsible for monitoring the capital adequacy of the company on a solo and consolidated basis.

The BoD has appointed a sub committee . the BoD Risk Management Committee, with the following mandate:

- (a) the formation of the UWC's policy in respect of the limits and the pricing terms for the undertaking of risks,
- (b) to ensure that the company has sufficient capital and reserves to support the risks undertaken,
- (c) the continuous review of the adequacy of the limits set for the undertaking of risks, stop-loss mechanisms or other mitigating factors.

The UWC's Risk Management Department (RMD) is responsible to monitor all risks of the company.

The RMD is responsible for assessing risk and quantifying the extra capital required. The calculations due to their nature, in certain cases, are based on the use of expert judgment.

The process followed is analysed in three steps:

- Identification/assessment of the risk (both current and anticipated),
- Existing (or intended) measures of limitation/mitigation of the risk,
- Calculation of the need for extra capital (or not).

RMD reports to the CEO and Managing Director as well as directly to the Board of Directors.



4. CAPITAL REQUIREMENTS

The UWC follows the Standardised Approach for the calculation of the capital requirement for credit risk, market risk and operational risk.

The capital deemed necessary to be maintained by the company at the end of 2009 was:

| Regulatory Own Funds and Capital Adequacy Ratio | 2009 |
|--|------------|
| | Euro, ths |
| Eligible Own Funds | 289 |
| Credit, counterparty credit and Dilution Risk and Free Deliveries Capital Requirements | 148 |
| Position, foreign exchange and commodities capital requirements | 1 |
| Operational Risk Capital Requirements | 34 |
| Total Capital Requirements | 183 |
| Capital Adequacy Ratio | 12,59% |

Asset classes and risk weighted amounts as at 31 December 2009 are presented below. Rating of Moody's have been used:

| Asset class | Risk Weighted Amount, ths Euro | Minimum Capital Requirement, ths Euro |
|--------------|--------------------------------|---------------------------------------|
| Institutions | 1,129 | 90 |
| Other | 724 | 58 |
| TOTAL | 1,853 | 148 |



5. CREDIT RISK MANAGEMENT

5.1 Definition of Credit Risk

Credit risk is the risk the UWC suffers losses as a result of customers and/or counterparties defaulting on their contractual obligations. This risk primarily arises from trade finance activities and treasury operations. It may also arise as a result of a downgrade in the credit ratings of banks.

5.2 Risk Management Department

RMD establishes procedures for identifying, evaluating and measuring risks, in line with the strategic goals of the company, as defined by the Board of Directors.

Credit risk management in the Banking and Trading Book is centralized and performed by the RMD.

5.3 Risk Management Procedures

For the purposes of better management of credit risk there is an ongoing review of the UWC's credit policies and the monitoring of compliance with these policies by the relevant business lines. RMD is also responsible for issuing directions to the various business lines based on the risk appetite for specific market segments, operations and specific financial products. Where necessary, RMD may impose restrictions on new operations, based on the assessment of the risk undertaken and the evolving economic conditions.

RMD informs and advises the various company's business lines of the credit risks that may arise, it organizes seminars for the training of personnel and applies the appropriate systems for measuring and monitoring credit risk. In addition, RMD closely co-operates with international credit rating agencies, as well as with the supervising authorities on matters pertaining to the management of credit risk.



6. OPERATIONAL RISKS MANAGEMENT

6.1 Definition of Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal procedures, human behaviour and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risk.

6.2. Operational Risk Requirement as at 31 December 2009

The operational risk capital requirement was calculated to Euro 34,000 which was based on the projections made as follows:

| | 2011 ths Euro | 2010 ths Euro | 2009 ths Euro |
|---|------------------|------------------|------------------|
| Commission and income from portfolio management | 10 | 5 | 0 |
| Income from dividends from equities in the banking book | 20 | 10 | 0 |
| Income from dividends from equities in the trading book | 300 | 200 | 100 |
| Other income | 10 | 5 | 1 |
| Profit from sale of assets held for trading | 20 | 0 | 0 |
| Total | 360 | 220 | 101 |
| Average | | 227 | |
| Capital Requirement | | 34 | |

6.3 Risks Management Department

RMD is responsible for the identification, measurement, assessment, monitoring and mitigation of operational risks. It provides guidance and advice to the company's business lines, Head Office departments and acts as a means of communication to and from the business lines and the Board of Directors.

6.4 Operational Risks Management Procedures

The procedures applied by the UWC Risks Management Department include the identification, measurement, assessment, monitoring, control, mitigation and reporting of the operational risks assumed or to be assumed by the company.

The RMD uses the following for the identification and management of risks:

- Workshops
- Checklists
- Internal audit reports
- External audit reports
- Key Risk Indicators (KRIs)
- Register of recording and monitoring of risks

6.5 Reporting Systems

All the information, including existing data, is included in the annual reports of the department. The report covers the following:

- System failures and interruptions
- Losses/errors/near misses
- Events that may affect the Group's reputation
- Key Risk Indicators
- Assessment reports from the business lines
- Cases handled by the Compliance Officer who operational risks have been identified.



7. INTERNAL AUDIT

The Internal Audit advises the Board of Directors and the Chief Executive Officer on the suitability of the company Operational Risk Management procedures. Internal Audit also monitors the implementation of the strategy and policy for the management of the UWC's Operational Risks.