



Pulp International Business LTD

Regulated By Cyprus Securities and Exchange Commission License No. 095/08
P.O. Box 53834, Limassol CY-3318, Cyprus, Tel: +357 25 366324, Fax: +357 25 366326

Disclosure Report

2010

INTRODUCTION

Incorporation and principal activities

Pulp International Business Limited (the «Company») was incorporated in Cyprus on 21 June 2008 as a Limited Liability Company under the Companies Law, Cap. 113. Its registered office is at Georgiou Katsounotou 3, KYTALLIDES Court, 3rd floor, Office 3A, 3036 Limassol, Cyprus.

Change of Company name

On 3 March 2009, the Company changed its name from Prime Forex Financial Gateway Limited to Pulp International Business Limited.

Principal activities

The Company is a licensed Investment Firm in Cyprus under license number 095/08 dated 6 November 2008 granted by the Cyprus Securities and Exchange Commission (CySEC).

The Company is licensed to provide the following investment services and activities:

- Reception and transmission of orders.
- Execution of orders on behalf of clients.
- Dealing on own account in relation to one or more financial instrument.
- Portfolio Management.
- Investment Advice.

The company is also licensed to provide the ancillary service of safekeeping and administration of financial instruments, including custodianship and related services.

PULP International Business Limited (hereinafter “FxPulp”) is regulated and licensed by The Cyprus Securities and Exchange Commission (CYSEC), under license reference: 095/08 is an Investment Firm Following the implementation of the Markets in Financial Instruments Directive (MiFID) in the European Union and in accordance with the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007) in Cyprus.

This document has been prepared by PULP International Business Ltd. PULP International Business got its license from CySEC (Cyprus Security and Exchange Commission) at 6th of November 2008 and the disclosures below were in place as at 31st of December 2010.

PULP International Business Limited in line with its internal policies and CySEC requirements has prepared the following disclosures in order to comply with CySEC’s rules and regulations that are required by the EU Directive DI144-2007-05 (Disclosures and Market Discipline – Pillar 3).

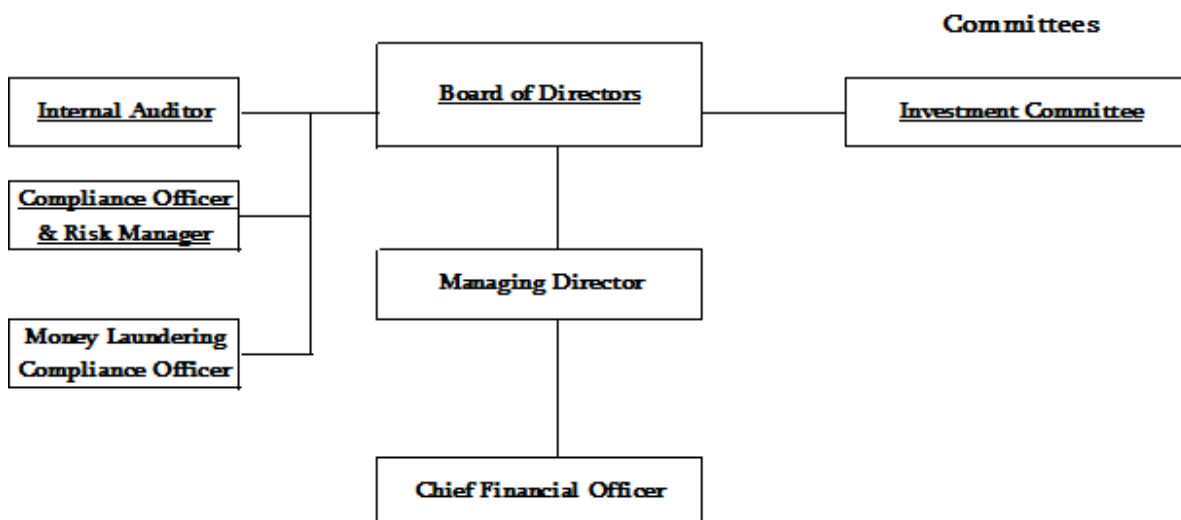
Basel II is based on three mutually reinforcing pillars:

- New and considerably more sophisticated minimum capital requirements, including specific capital charges for operational risk (Pillar 1);
- Institutions’ own assessments of their capital adequacy and enhanced supervision of capital management (Pillar 2); and
- Materially increased disclosure requirements (Pillar 3).

RISK MANAGEMENT

The Company’s risk management is focused on the key areas of credit risk, market risk and operational risk.

The following diagram shows the risk management structure of the company:



MARKET RISK MANAGEMENT

The Company is exposed to market risk, operational risk, credit risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

Market Risk

Market risk is the risk of loss arising from adverse movements in the level or volatility of the exchange rate in which the company and its clients hold positions. The company considers market risk to consist of credit, financial and liquidity risk.

Credit risk refers to the risk of financial loss due to the default of a counterparty to pay money owed to the company.

Financial and liquidity risk refers to the risk of suffering financial loss or loss of permission to operate due to improper financial reporting, poor management of revenues, costs and liquidity, and / or due to financial crime.

Credit risk

FxPulp is using the Standardized Approach for Credit risk. The company defines credit risk as the risk of financial loss resulting from the failure of a counterparty or Customer to honor its obligations to the company as its falls due. The company’s credit risk requirement consists of its credit risk and counterparty risk capital components. The credit risk capital component is arrived at by taking our non trading book debtors, applying risk weightings to these exposures and then calculating 8% of the total risk weighted exposures. The counterparty risk capital component takes 8% of the company’s total risk weighted exposure amounts and unsettled transactions in the trading book.

FxPulp makes margin calls and occasionally holds collateral in order to mitigate its exposure to counterparty risk in the trading book. Margin calls comprise both initial and variation margins

and take account of any minimum call facility or credit line which may apply to the account. Netting agreements are in place with the majority of our clients giving us right of set off and this substantially reduces our credit exposure in this area.

Operational Risk

Operational risk is the inherent risk to the business of financial loss or loss of reputation arising from failures in the internal processes, systems and controls of the company. This includes errors, omissions, disasters and deliberate acts such as fraud.

Management of operational risk Systems and internal processes

Customer limits and positions are monitored on a daily and intra-day basis by the risk managers and the managing director to prevent unacceptable exposure to market movement.

Systems for recording trades are such that disputes and errors are identified, and where possible resolved, before the start of the next business day. There is a daily reconciliation of trades on client and broker accounts and all errors must be reported immediately to the managing director. All trades are confirmed to clients daily.

All IT systems are monitored daily with maintenance carried out daily, weekly, monthly and ad hoc where needed. All servers are backed up overnight and the data stored off site. The network has Firewall protection.

Employee access to all areas of the network is password protected.

FxPulp has a disaster recovery site in place which the company could operate out of in the event of a disaster occurring in London, thus ensuring business continuity at all times. All senior management and staff are aware of the procedures to follow should such an event occur.

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.

INTERNAL CAPITAL ADEQUACY

The company’s internal capital levels and future requirements are managed by the board of directors and the compliance officer. Any increase in the capital requirements of the company due to unforeseen circumstances or due to a change in the company’s forecasts or business plan must be assessed and approved by the board of directors. The capital resources model is then updated by the finance department to reflect such changes.

CAPITAL RESOURCES

A summary of the Company’s total capital as at 31st of December 2010 is shown below:

EQUITY & RESERVES

Share Capital	€ 1,430,000
Accumulated Losses	€ (380,343)
Total Capital Resources	€ 1,049,657

Capital Adequacy Ratio (CAR)

A measure of an investment firm's capital. It is expressed as a percentage of an Investment Firm's risk weighted credit exposures as:

$$\text{CAR} = \frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$$

Tier One Capital: a term used to describe the capital adequacy of a bank. Tier I capital is core capital; this includes equity capital and disclosed reserves.

Tier Two Capital: a term used to describe the capital adequacy of an investment firm. Tier II capital is secondary bank capital that includes items such as undisclosed reserves, general loss reserves, subordinated term debt, etc.

The minimum Capital Adequacy Ratio is 8%.

Our Company's regulatory own funds and capital adequacy ratio as at 31st December 2010 were as follow:

<u>DESCRIPTION</u>	<u>Amounts in Thousands</u>
TOTAL ELIGIBLE OWN FUNDS	€1.028
<i>CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES CAPITAL REQUIREMENTS</i>	€156
<i>POSITION, FOREIGN EXCHANGE AND COMMODITIES CAPITAL REQUIREMENTS</i>	€633
<i>OPERATIONAL RISK CAPITAL REQUIREMENTS</i>	€11
TOTAL CAPITAL REQUIREMENTS	<u>€800</u>
CAPITAL ADEQUACY RATIO	<u>10.28 %</u>

Location of Publication

This report will be published on the Firm's website www.fxulp.com