ANNUAL REPORT

SWISSQUOTE LTD

FOR THE YEAR ENDED 31 DECEMBER 2020

REGISTERED NUMBER 07710095

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

Directors	Marc Bürki - Chairman Gilles Chantrier - Non Executive Director Jude Bahnan - Non Executive Director Federico Cirulli - Executive Director & CEO
Secretary	
Registered office	Boston House 63-64 New Broad Street London EC2M 1JJ
Business Address	Boston House 63-64 New Broad Street London EC2M 1JJ
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Bankers	Coutts & Co 440 Strand London WC2R 0QS Barclays Bank PLC 1 Churchill Place London E14 5HP Swissquote Bank Ltd 33 Chemin de la Crétaux 1196 Gland Switzerland

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Swissquote Ltd (the "Company") is incorporated and domiciled in the UK as a private company with limited liability under the UK Company Law. Its registered office is at Boston House, 63-64 New Broad Street, London EC2M 1JJ, UK.

The Company is authorised and regulated by the Financial Conduct Authority (FCA Register number 562170) as a matched principal broker and provides online trading in foreign exchange, contracts for difference, and precious metals, to private and corporate clients.

The Company trades with its clients as principal, with all trades being matched back-to-back with offsetting trades with the parent company, Swissquote Bank Ltd, therefore, the Company takes no market trading risk. The Company's revenue is generated primarily from mark-ups and commissions applied to market spreads less prime broker fees charged by Swissquote Bank Ltd. Swissquote bank Ltd is the only liquidity provider to the Company.

2. BUSINESS ACTIVITIES

2.1 Volumes in millions GBP

The Company summarises the business as being the provision of a trading platform for clients to enter into derivative transactions in foreign exchange (FX) and Contracts for Differences (CFDs).

The Company's activities can be summarised as principal trading with retail and professional clients, with matching back-to-back trades with its parent company.

The Company's revenue is primarily earned from the mark-up applied to clients on market prices received from the parent's liquidity providers. Therefore, the company is dependent upon transaction volumes, regardless of whether clients' trading is profitable or not (except that profitable clients are likely to generate sustained trading volumes).

The trading volumes have been impacted in recent years due to ESMA, MIFID 2 and Brexit. This pattern did not change in 2020 and the decline in business continued, although there are signs that the decline has slowed down.

In addition to the reasons listed above, Covid 19 and global economic downturn had an impact on clients' trading behaviours. Therefore, the main revenue generator, trading volumes followed a pattern of slow decline during the year, which affected overall income of the company.

In 2020 the total trading volumes in mln is; GBP 49,312 (2019: GBP 55,910)

2.2 New Client Accounts

The Company also relies on the number of new clients on boarded during the year. For the reasons outlined above, including Brexit, the business was affected in 2020. From March onwards, Covid 19 has been the most powerful force on the UK and Global Economy that also affected FX and CFDs business.

Global economic uncertainty due to Covid 19, including global interest rate hikes followed by interest cuts and trade war worries reduced the number of new clients on boarded in 2020.

Total new clients' accounts in 2020 is; 1520 (2019: 1698).

2.3 Client Assets – Active Clients

The Company is a "medium size" firm under FCA categorisation as it holds more than £1 million of client assets.

The Company does not hold any other client assets apart from client money; in 2020, amount of client money reached to its highest level in the history of the Company.

Despite the high levels of client money held in the period, this has not translated into increased trading volumes due Covid 19 and Brexit. Additionally, ESMA rules and client leverage constrains; clients do not seem to be motivated to trade even though they have funds in their trading accounts. Number of average active clients dropped from 1,831 in 2019 to 1,466 in 2020.

3. FINANCIAL STANDING

The Company has closed the year with a loss of £132,863, of which, operating losses being at £131,739

Even though revenue has slightly increased from £2,589,165 in 2019 to £2,746,682 in 2020, expenses and other losses also increased and resulted with losses at the year-end.

Overall, the Company has very strong balance sheet with net equity standing around £6 million as at 31 December 2020.

The slowdown in the business also had a slight impact on the number of employees working for the Company. The number of employees as at 31 December 2020 is 19 (2019: 22).

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

4. BUSINESS STRATEGY

The Company offers online trading accounts and provides execution-only trading services on different products. The company has robust policies in place to meet regulatory requirements to ensure that its products are distributed in the best interest of its clients.

The Company's mission is to provide superior liquidity and execution on FX and CFDs for retail and professional clients on currencies, indices, commodities and bonds. After leaving the EU, from 1st January 2021, the UK lost passporting rights within the European Union jurisdictions. The Company is reviewing different business strategies to mitigate the possible negative effects.

The Company's key strategies are:

- Strength of brand - The Company is focused on developing the strength of its brand, and increasing product awareness in new, as well as established, markets outside of the European Union along with product awareness in its established markets, still aiming to take place amongst market leader for beginners and, most importantly, advanced traders.
- Growth - The Company will continue to monitor opportunities in new regions and products, to generate further revenue growth, while leveraging the scalability of the business, to do so at marginal additional cost.

The Company's intention to offer other appropriate products is still within the plans and the Board of Directors constantly review possible post-Brexit business strategies.

5. RISKS and UNCERTAINTIES

5.1 Risks

Areas of business risk that have emerged over the past 12 months include those associated with political and regulatory change as well as Covid 19 pandemic. Swissquote Ltd places emphasis on identifying emerging regulatory and reputational issues. This is in part driven by the maturing legislative guidance on Governance and the Senior Managers' Regime.

All the events in 2020 including Covid 19 had some level of effect on the business but none of which have resulted in significant impact on Swissquote Ltd`s financial statements or capital position.

The composition of internal capital requirements is laid out in the Company's Internal Capital Adequacy Assessment Process.. The most material risks identified are:

Operational risk
Counterparty risk
Market risk
Group / outsourcing risk
Liquidity risk
Business/Strategic risk
Brexit
AML/Regulatory risks

5.2 Operational Risks

Clients trade Over the Counter (OTC) products with the Company as the counterparty, which are traded back-to-back by Swissquote Ltd with the parent company. Clients benefit from any gains in the value of investments in the products, and bear any falls in value.

However, if clients suffer losses because of operational failings by Swissquote Ltd. then under certain circumstances, the Company could be liable to clients for these losses as well as any potential regulatory actions and it may include monetary fines. This, in turn, may lead to additional costs in improving systems and controls to prevent failures and loss of business due to reputational damage.

Swissquote Ltd. holds internal capital against the risk of operational failings that pose the greatest risk to the company's ability to provide proper services to clients and meet fiduciary and regulatory obligations.

5.3 Credit Risk

The risk of clients or counterparties failing to fulfil contractual obligations and/or settlements resulting in financial loss. As the nature of its business strategy, Swissquote Ltd does not take any risk and all trades being matched back-to-back with offsetting trades with parent company, Swissquote Bank Ltd.

Back-to-back trades incur counterparty credit risk on both sides of the trade. While market risk is flat, counterparty credit risk can become sizeable on increasing volumes of trades. Different underlying securities incur different levels of potential future exposure on derivative trades. These characteristics make this type of risk particularly relevant to Swissquote Ltd.

5.4 Group / Outsourcing Risk

The Company's liquidity provider for the market side of all trades is the company's parent, Swissquote Bank Ltd. The Bank is also the outsourced provider of IT systems, marketing support and certain back office functions.

The comprehensive relationship between Swissquote Ltd. and Swissquote Bank Ltd make the company vulnerable to Group risk, particularly in times of stress. The company has paid detailed attention to this risk, as demonstrated in the consideration of Pillar 2 capital and a capital-planning buffer, and as the most severe reverse stress resulting in wind down.

5.5 Commodity and Market Risk

The Company makes prices in foreign currency, commodity, equity and interest rate products, which could give rise to market risk exposures. The company also has non-trading book exposures to foreign currencies, due to non-sterling bank balances and other non-sterling balance sheet exposures. Commodity risk is calculated under the CRR Article 357. Positions are fully matched, leaving a nil net position. Gross positions produce an exposure amount and capital charge.

5.6 Other Market Risk

The Company's positions in equity and traded debt products are fully matched. The only situation where a Pillar 1 charge would materialise in equity or traded debt instruments would be due to a trade break or other error-giving rise to an unmatched position. Such situations are extremely rare, and as at 31 December 2020 reference date, there was no net equity or traded debt exposure to be treated for market risk.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

5.7 Brexit

After 4 years of negotiating, the UK and the EU have agreed on a trade deal but financial services have not been included in the agreement, therefore, the Company lost its passporting rights throughout EU jurisdictions. This means the Company will not be able to perform any marketing activities or direct solicitation to on board clients from any jurisdictions within the European Union. This will have a significant impact on revenue.

From 1 January 2021, the Company has stopped all marketing activities within the European Union. Where possible, the Company will rely on existing arrangements with certain jurisdictions within the European Union, as well as identifying other target markets to expand it's client base outside the European Union. The Company will also expand it's product offering to bring it into line with the Group. The Company will also increase its cooperation with Swissquote Europe, domiciled in Luxembourg, during 2021 as legislative arrangements are finalised. The details of the cooperation model are still being finalised at a Group level.

5.8 Section 172 (1) statement

Under the Companies Act, a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term,
b. the interests of the company's employees,
c. the need to foster the company's business relationships with suppliers, customers and others,
d. the impact of the company's operations on the community and the environment,
e. the desirability of the company maintaining a reputation for high standards of business conduct, and
f. the need to act fairly as between members of the company.

To comply with section 172, the company is in constant observation of its internal systems and controls over major policies and code of conduct rules as well as the business principles. It is needless to say, the company has robust control mechanism over protecting its clients and client assets. Regardless, it is best execution, TCF or client money segregation, directors maintained good level of standards on these activities.

The Company has proven that its strong structure could perform with minimal affect during the hardship of Covid 19 Pandemic. Having a strong co-operation with the parent company in Switzerland, all employees have been supported to continue with their daily operations without any interruption.

The Audit, Risk and Compliance Committee also met in 2020 and reviewed the policies and control mechanisms that are already robust. The company also took new steps to implement Senior Management and Certification Regime (SMCR) in the Code of Conduct Policy and making necessary changes among senior members of staff.

The company also continues to protect client money it holds in segregated client money bank accounts. The internal and external client money reconciliations are processed on a daily basis.

Approved by the board of directors and signed on behalf of the board by:

Federico Cirulli
Director
27/04/2021

Boston House
63-64 New Broad Street
London
EC2M 1JJ

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their directors' report and audited financial statements for the year ended 31 December 2020.

Principal Activities

Swissquote Ltd (the "Company") is authorised and regulated by the Financial Conduct Authority as a matched principal broker and provides online trading in foreign exchange, contracts for difference, and precious metals, to private and corporate clients. The Company trades with its clients as principal, with all trades being matched with offsetting trades with the parent, Swissquote Bank Ltd, hence the Company takes no market trading risk. Turnover consists of commission and mark-up earned from trading foreign exchange, precious metals, and contracts for differences, net of rebates paid to introducing brokers and net of prime broker fees paid to Swissquote Bank Ltd.

Review of the Business

2020 has been a year that the Company closed, with a loss of £132,863 after 7 years of profit making. The combination of Brexit uncertainty and Covid 19 outbreak as well as higher operational expenses have caused the loss making in 2020. The number of new clients and trading volumes have also dropped slightly. Trading volumes dropped by 13% in 2020, compare to 2019.
1,520 new clients were on boarded and £2,746,682 revenue was generated in 2020. The revenues increased by 6% compared to 2019 (£2,589,165). Operating expenses have been £2,879,545 and the year has ended with a loss of £132,863, which was a profit of £18,886 in 2019. At year-end, the statement of financial position showed that the total net assets balance was £5,831,145.

The Company's turnover for the year ended 31 December 2020 is shown in Note 4.

Future Developments of the Company

After the transition period ended on 31 December 2020, the UK left the European Union with a deal excluding financial services industry. Therefore, as a UK company, Swissquote Ltd lost its passporting rights, resulted losing its biggest target market.
The Board of Directors intends to expand the activities of the Company to different jurisdictions and include additional asset classes and services to bring it in line with the product offering of the parent, Swissquote Bank Ltd. This aims to diversify the income stream of the Company and provide resilience against any further changes in the regulatory environment.
Management has been monitoring the developments of Brexit and COVID-19 outbreak that affected the business as well as uncertainty in local and global financial environment.
The common risks continue to exist as the Company is exposed to a number of financial, operational, business, market, credit, liquidity and regulatory risks. Each principal risk and how it is assessed and managed is outlined in Note 3 of the financial statements. Financial risk management and disclosures are also disclosed in Note 3 of the financial statements.

Brexit

After 4 years of negotiating, the UK and the EU have agreed on a trade deal but financial services have not been included in the agreement, therefore, the Company lost its passporting rights throughout EU jurisdictions. This means the Company will not be able to perform any marketing activities or direct solicitation to on board clients from any jurisdictions within the European Union. This will have a significant impact on revenue.
From 1 January 2021, the Company has stopped all marketing activities within the European Union. Where possible, the Company will rely on existing arrangements with certain jurisdictions within the European Union, as well as identifying other target markets to expand it's client base outside the European Union. The Company will also expand it's product offering to bring it into line with the Group. The Company will also increase its cooperation with Swissquote Europe, domiciled in Luxembourg, during 2021 as legislative arrangements are finalised. The details of the cooperation model are still being finalised at a Group level.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Results and dividends

The Company's turnover for the year ended 31 December 2020 is shown in Note 4.
No dividends were paid or proposed during the year (2019: nil).

Directors

The directors in office during the year and at the date of signing this report were as follows:

Marc Bürki
Gilles Chantrier
Jude Bahnan
Federico Cirulli

Employees

The number of employees as at 31 December 2020 is 19 (2019: 22).

Political and Charitable Contributions

The company made no political or charitable donations or incurred any political expenditure during the year of 2020, (2019: nil).

Going Concern

Brexit still is the major concern for the Company. Post-Brexit agreement did not include financial services sector, which resulted Swissquote Ltd losing its biggest market. Executive management is closely monitoring further talks between the UK and the EU as well as any other development that may affect the Business. As outlined, the Board of Directors are reviewing various strategies to mitigate the negative impact this will have on revenue and results. Nevertheless, the Company continues to have a strong financial position, with significant cash and capital reserves in place. The Company does not have any external debt and continues to have a strong liquidity position. In addition, the Group has confirmed it's intention to continue to support the Company, if necessary, given it's strategic importance to the overall Group. The Board of Directors are, therefore, satisfied that the Company remains a going concern, and thus have adopted the going concern basis of preparation for the financial statements.

The Company's strong balance sheet and financial position continues to be an assurance for any unexpected wave of sudden changes. In line with the "Letter of Support" signed by our parent company, the directors have satisfied themselves that possible impact of Brexit would not create any significant doubt about the ability or willingness of the parent to continue with the current financing arrangements. Having satisfied themselves on the financial security of the Company, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the near future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.
The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review and the Principal risks and uncertainties sections of the Directors' Report on pages 1 to 3.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' Confirmations

In the case of each director in office at the date the directors' report is approved:
• so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
• they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

Independent auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and therefore PricewaterhouseCoopers LLP will continue in office.

Approved by the board of directors and signed on behalf of the board by:

Federico Cirulli
Director
27/04/2021

Boston House
63-64 New Broad Street
London
EC2M 1JJ

Independent auditors' report to the members of Swissquote Ltd

Report on the audit of the financial statements

Opinion

In our opinion, Swissquote Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of Financial Position as at 31 December 2020; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's Handbook and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the recording of journals. Audit procedures performed included:

- Enquiries of management in relation to known or suspected instances of non-compliance with laws and regulation and fraud;
- Identifying and, where relevant, testing journal entries;
- Review of correspondence with regulators in so far as it was related to the financial statements; and
- Incorporated unpredictability into the nature, timing and/or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Craig McSherry

Craig McSherry (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 April 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year to 31 Dec 2020 £	Year to 31 Dec 2019 £
Turnover	4	2,740,598	2,589,165
Administrative expenses	5	(2,872,337)	(2,573,685)
Operating (loss)/profit		(131,739)	15,480
Interest receivable and similar income		6,084	13,184
Interest payable and similar expenses		(7,208)	(9,778)
(Loss) / profit before taxation		(132,863)	18,886
Tax on (Loss) / profit	14	-	-
(Loss) / profit and total comprehensive (expense) / income for the year		(132,863)	18,886

All the results shown in the above statement of comprehensive income are from continuing operations.

The Company has no recognised gains and losses other than the profit/(loss) above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 12 to 24 form part of the financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	As at 31 Dec 2020	As at 31 Dec 2019
ASSETS		£	£
Right of use assets	2	325,817	465,453
		325,817	465,453
Current Assets			
Trade and Other Receivables	10	650,337	714,751
Cash and Cash Equivalents	12	11,958,600	13,237,651
		12,608,937	13,952,402
Total Assets		12,934,754	14,417,855
CAPITAL RESERVES AND LIABILITIES			
Capital and Reserves			
Called up Share Capital	15	4,260,100	4,260,100
Other Reserves		2,000,000	2,000,000
Profit and Loss Account		(428,955)	(296,092)
Total shareholders' funds		5,831,145	5,964,008
Current Liabilities			
Trade and Other Payables	13	6,771,658	7,984,042
Lease Liabilities	2	331,951	469,805
Total Liabilities		7,103,609	8,453,847
Total Liabilities and Shareholders' Funds		12,934,754	14,417,855

The financial statements on pages 12 to 24 were approved by the board of directors on and authorised for issue on 27/04/2021 and were signed on its behalf by:

Federico Cirulli
Director
27/04/2021

The notes on pages 12 to 24 form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Other reserves £	Profit and Loss account £	Total Shareholders` funds £
Balance at 1 January 2019	4,260,100	2,000,000	(314,978)	5,945,122
Proft and total comprehensive income for the year	-	-	18,886	18,886
Balance at 31 December 2019	4,260,100	2,000,000	(296,092)	5,964,008
Loss and total comprehensive expense for the year	-	-	(132,863)	(132,863)
Balance at 31 December 2020	4,260,100	2,000,000	(428,955)	5,831,145

The notes on pages 12 to 24 form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. General Information

Swissquote Ltd (the "Company") is incorporated and domiciled in the UK as a private Company with limited liability under the UK Company Law. Its registered office is at Boston House, 63-64 New Broad Street, London EC2M 1JJ, UK.

The Company is authorised and regulated by the Financial Conduct Authority (FCA Register number 562170) as a matched principal broker and provides online trading in foreign exchange, contracts for difference, and precious metals, to private and corporate clients.

The Company trades with its clients as principal, with all trades being matched with offsetting trades with parent, Swissquote Bank Ltd, hence the Company takes no market trading risk. The Company's revenue is generated primarily from mark-ups and commissions applied to market spreads less prime broker fees charged by Swissquote Bank Ltd.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

These financial statements were prepared on a going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. They were also prepared in accordance with the Companies Act 2006 and under the historical cost convention, as has been modified by the revaluation of derivative financial instruments at fair value.
Under FRS 101 the Company is exempt from the certain requirements on the grounds that it adopted IFRS but makes amendments requirements where necessary in order to comply with the Act and the Regulations, and the financial statements summarise (in narrative form) the exemptions applied and identify the consolidated financial statements in which the entity is consolidated.
The following exemptions from the requirements of IFRS as adopted, have been applied in the preparation of these financial statements, in accordance with FRS 101:
• paragraph 73(e) of IAS 16 Property, Plant and Equipment
• the requirements of IAS 7 Statement of Cash Flows
• the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
• the requirements of paragraph 17 of IAS 24 Related Party Disclosures
• the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group
• the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

• The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 111 (statement of cash flows information); and
• IAS 7, 'Statement of cash flows'
• Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

The Company is a wholly owned subsidiary of Swissquote Bank Ltd, which heads the smallest group for which consolidated financial statements are produced. The ultimate parent and controlling party is Swissquote Group Holding Ltd, and which heads the largest group for which consolidated financial statements are produced. Those consolidated financial statements can be obtained from Swissquote's website: http://www.swissquote.ch/sqw-group/investor/reporting.jsp

As per paragraphs 2 and 8 of the Application Guidance to FRS 100, it was considered that the consolidated financial statements of the ultimate parent (Swissquote Group Holding Ltd) presented in accordance with IFRS provide disclosures that meet the basic disclosure requirements of the relevant standard. The accounting policies described above have been applied consistently.

Prior period restatements

Certain reclassifications and restatements have been made to the comparative notes to the Financial Statements of the Swissquote Ltd as at 31 December 2019 in the point 3.1. The prior period adjustments were made to conform to the current period's presentation or to correct certain errors identified during the current period. The adjustments had no net effect on the revenues, losses for the period or shareholder's equity.

2.2 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

As at 31 December 2020 there have been no accounting estimates that have significantly impacted the financial statements.

2.3 Adoption of New and Revised IFRSs

Under FRS101 the Company is exempt from certain disclosure requirements as permitted by the Standard. The following exemptions from the requirements of IFRS as adopted, have been applied in the preparation of these financial statements, in accordance with FRS 101:

Standards / Interpretation Content	Applicable for financial years beginning
Amendments to References to the Conceptual Framework in IFRS Standards	01-Jan-20
Definition of a Business (Amendments to IFRS 3)	01-Jan-20
Definition of Material (Amendments to IAS 1 and IAS 8)	01-Jan-20
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	01-Jan-20

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2.4 Turnover

Turnover consists of commission and mark-up earned from trading foreign exchange, precious metals, and contracts for differences, net of commission paid to introducing brokers and net of prime broker fees paid to Swissquote Bank Ltd.

2.5 Foreign Currency Translation

(i) Functional and Presentation Currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Sterling Pound (£ or GBP), which is the Company's functional and presentation currency.

(ii) Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency translation	2020 Closing rates	2019 Closing rates
EUR	0.8934	0.8402
USD	0.7313	0.7573

2.6 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise, the asset and settle the liability simultaneously.

2.7 Financial Assets

(i) Financial Assets at fair value through profit or loss
This category includes financial assets that are acquired principally for the purpose of selling them in the near future or holding them as part of a portfolio that is managed together for short-term profits or position taking. Derivative financial instruments are also categorised as financial assets at fair value through profit or loss (unless designated as hedge accounting).

(ii) Financial assets at amortised cost
Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets.
The Company's financial asset at amortised cost comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

(iii) Financial Assets Classification
Since the adoption of IFRS 9, the classification and measurement of debt instruments depend on (1) the business models of the entity for managing the assets and (2) the cash flow characteristics of the asset. Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:
- Amortised cost;
- Fair value through profit or loss (FVTPL).

Impairment
The Company provides for expected credit losses across applicable financial assets based on whether there has been a significant increase in credit risk since the asset's origination. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. Loss allowances for expected credit losses are recognised on all financial assets held at amortised cost with the impact recognised the Statement of Comprehensive income

IFRS 9 outlines a 3-stage model for impairment based on changes in credit quality since initial recognition.
Stage 1 All financial instruments at initial recognition (except if already credit-impaired at acquisition).
Stage 2 A financial instrument is moved to stage 2 if there is a significant increase in credit risk since initial recognition.
Stage 3 Any financial instrument that is credit-impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2.8 Impairment of Financial Assets carried at amortised cost (continued)

The Group first assesses whether objective evidence of impairment exists.
If there is objective evidence that an impairment loss on financial asset at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced with an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment based on an instrument's fair value using an observable market price.

At each reporting date, an entity measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. At each reporting date, an entity assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2.9 Derivative Financial Instruments

Derivative financial instruments include contracts for difference on foreign currency pairs, gold, indices and commodities that are initially recognised in the statement of financial position at fair value on the date a derivative contract is entered into and that are subsequently remeasured at their fair value. Fair values are determined by the prices quoted by the Company, which are derived from directly observable exchange rates and quoted prices obtained from stock exchanges. Derivative financial instruments are recognised on the statement of financial position as current assets when fair value is positive and as current liabilities when fair value is negative. Derivative financial instruments form part of the Company's operating activities.

2.10 Tangible Assets

Tangible assets are stated at historical cost less depreciation. Historical cost includes expenses that are directly attributable to the acquisition of the items. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Furniture and equipment	Over 3 years at 33% per annum on a straight line basis
Computer hardware	Over 3 years at 33% per annum on a straight line basis

Subsequent costs are included in the asset's carrying amount or are recognised as separate assets, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The cost of acquisition and accumulated depreciation of an item is derecognised when no future economic benefits are expected from its use or disposal.

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

The Company has depreciated all of its tangible assets and recorded "zero" assets at the end of 31 December 2020. However, as per IFRS 16 impact, the right-of-use asset on the lease is reflected on the Company's assets. The year end 2020 value of RoU is added under fixed assets.

2.11 Leases

From 1 January 2020, Swissquote Ltd has continued to apply the accounting policies set by IFRS 16 for only one lease it holds. The company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured as the lease liability adjusted for any initial direct cost incurred by lessee. This right-of-use asset is subsequently depreciated using the straight-line method over the lease term.

The lease liability is initially measured based on present value of the future lease payment using implicit lease rate or incremental borrowing rate (IBR) where not available. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

Opening net book amounts	2020	2019
Right-of-use asset	465,453	605,089
Lease liability	(469,805)	(605,089)
IFRS 16 Implementation as at 31 December 2020 (subsequent measurement)		
Depreciation	139,636	139,636
Right-of-use asset	(139,636)	(139,636)
Lease liability	(137,854)	(135,284)
Interest expense	(7,208)	(9,778)
Total Cash Outflows for lease	145,062	145,062
Total Closing net book amounts		
Total Right-of-use asset	325,817	(465,453)
Total Lease Liability	(331,951)	469,805
Impact on Statement of Comprehensive Income	(6,134)	(4,352)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

2.12 Impairment of Tangible Assets

Assets that have an indefinite useful life - for example, goodwill - are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.13 Current and Deferred Tax

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.
Deferred income taxes are provided, using the assest-liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rate (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred income tax assets are recognised only to the extent that the Company has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the Company. No Deferred Tax Asset (DTA) has been recognised as at 31 December 2020. (2019: nil)

2.14 Post-Retirement Benefits

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, if it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date. Where a provision is measured using cash flow estimates to settle the present obligation, its carrying amount is the present value of those cash flows.
When some or all of the economic benefit required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

2.16 Share Capital

Ordinary shares are classified as equity. Share premium includes any premium received on the issuing of new shares.
Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Fiduciary Activity

The Company holds money on behalf of clients in a fiduciary capacity and in accordance with the Client Money Rules of the Financial Conduct Authority. Such monies and the corresponding amounts due to clients are excluded from these financial statements as the Company is not beneficially entitled thereto. As at 31 December 2020 the Company held £18,356,067 in segregated client money accounts (£14,075,639 as at 31 December 2019).

2.18 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash at bank and deposits held at call with banks. Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3 **Financial Risk Management**

The Company is exposed to a number of financial risks including business risk, market risk, credit risk, operational risk, liquidity risk, and regulatory risk. The board of directors has direct responsibility for the Company's risk management and control framework, which includes the preparation of a quarterly risk report presented to the Company's board of directors and to the parent Company's risk management function. The Company also reviews at least annually its Internal Capital Adequacy Assessment Process ("ICAAP"), which includes an assessment and quantification of the risks that the Company is exposed to.

3.1 **Credit Risk**

Credit risk is defined as the possibility of a loss being incurred as the result of a counterparty failing to meet its financial obligations.

Credit risk arises from derivative financial instruments and deposits with banks and financial institutions, as well as from credit exposure to customers, including outstanding receivables. Client's cash is managed in accordance with the FCA's Client Money rules, and is held in bank accounts with authorised institutions. Under these rules and safeguard its security, client's cash is segregated from the Company's cash. All financial institutions used for investment of both customer and corporate cash are evaluated for credit worthiness.

The credit risk in respect of customers arises from a customer's trading position going into deficit through incurring a loss in excess of the required margin deposit. The trading platform provided to customers compares in real time client margin deposits with potential losses, and where margin deposits are insufficient, will close out immediately all open positions to avoid a debtor position occurring (in normal market conditions). Given the liquidity in the markets in which the Company operates, the likelihood of this resulting in a loss to the Company is low. Given that the client's positions are all covered by margin held at the year-end date, the credit risk exposure is nil. In exceptional situations where the market prices move very rapidly the closing of positions might result in a loss.

(i) Maximum Exposure to Credit Risk

	31 Dec 2020	31 Dec 2019
Credit risk exposure relating to on balance sheet assets are as follows:	£	£
Derivative financial instruments - with customers	-	-
Cash at bank (excluding cash in hand)	11,978,600	13,247,651
Trade debtors	161,181	100,945
Other receivables	392,886	484,404
Total credit exposure on financial assets (gross amount)	12,532,667	13,833,000
ECL Provision	(20,000)	(10,000)
Total credit exposure on financial assets (net amount)	12,512,667	13,823,000

(ii) Credit Quality of Financial Assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

Cash at bank (excluding cash in hand)

	31 Dec 2020	31 Dec 2019
	£	£
A+ to A-	7,931,047	6,220,542
BBB+ to BBB-	552,585	491,883
Not externally rated	3,474,968	6,525,226
	11,958,600	13,237,651
Trade debtors and Other receivables		
Unrated	554,067	585,349

In the prior year disclosure, £6.5mn was incorrectly classified as "AAA to AA-" and has now been reclassified as "Not externally rated". In addition, the £3.9mn balance with A rated financial institution has now been reclassified from "BBB+ to BBB-" to "A+ to A-.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3.1 **Credit Risk (Continued)**

(iii) Offsetting

Offsetting and related rights to set-off are risk management tools that the Group uses among others to reduce counterparty credit risk.

The following table presents the recognised financial instruments that are subject to enforceable matter netting arrangements or other similar agreements.

	Owed from Group - Gross amounts of Financial Liabilities	Owed to Group - Gross amounts of Financial Assets	Open derivatives with clients	Margin Received from client	Net amount after offsetting in the balance sheet
	£	£	£	£	£
Amounts owed to/from Group	65,498,332	(69,055,990)	(2,784,874)	-	(6,342,532)
Advances of Net Unrealised Revenue	-	-	2,784,874	(2,784,874)	-
Balance at 31 December 2020	65,498,332	(69,055,990)	-	(2,784,874)	(6,342,532)

	Owed from Group - Gross amounts of Financial Liabilities	Owed to Group - Gross amounts of Financial Assets	Open derivatives with clients	Margin Received from client	Net amount after offsetting in the balance sheet
	£	£	£	£	£
Amounts owed to/from Group	44,819,630	(50,314,148)	(2,106,472)	-	(7,600,990)
Advances of Net Unrealised Revenue	-	-	2,106,472	(2,106,472)	-
Balance at 31 December 2019	44,819,630	(50,314,148)	-	(2,106,472)	(7,600,990)

The Company has a contractual agreement with Swissquote Bank Ltd to enter into a back to back trade in respect of derivative positions with clients. Net trading gains and losses between the Company and Swissquote Bank Ltd are settled daily. Therefore, there are no open derivatives positions with Swissquote bank as at 31 December 2020.

The Company sets off unrealised losses incurred in respect of an open position against any of the client margin that is held by the Company.

This arrangement meets the criteria for offsetting and therefore no derivatives are presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3.2 **Liquidity Risk**

This risk arises primarily from funding client open positions. All trades are on a matched-principal basis with parent Company, Swissquote Bank Ltd, which provides funding for the Company. Liquidity risk also arises from the risk of not being able to liquidate investments in a timely manner. To mitigate this risk, the Company maintains sufficient liquid cash resources.

The table below presents the balances payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Total
31 December 2020	£	£	£
Trade and Other Payables	6,771,658	-	6,771,658
31 December 2019			
Trade and Other Payables	7,984,042	-	7,984,042

Financial commitments

At the year end, the Company was committed to make the following payments in respect of lease with expiry date on 29th April 2023.

	Less than 1 year	Between 2 and 5 years	Total
31 December 2020	£	£	£
Land and buildings	241,987	322,649	564,636
31 December 2019			
Land and buildings	145,062	483,540	628,602

The lease term expires on 29 April 2023. The above figure does not include the return of the rent deposit of £139,260.

3.3 **Market Risk**

(i) Price Risk

The Company trades on a matched-principal basis with its parent Company and takes no proprietary positions, and hence is not exposed to direct market risk.

(ii) Foreign Exchange Risk

The functional currency is Sterling Pound, but the Company operates on a cross-border basis, hence has assets and liabilities denominated in other currencies, and is exposed to movements in foreign exchange rates. The Company seeks to mitigate this exposure by minimising the exposure in foreign currencies.

The foreign exchange risk arises primarily with respect to the Euro and US dollar.

At 31 December 2020, if the Sterling Pound (£) had weakened/strengthened by 10% against the Euro with all other variables held constant the pre-tax loss for the year would have been £507,100 (2019: £315,757) lower (2019: lower), mainly as a result of foreign exchange losses/gains on the translation of Euro denominated balances.

At 31 December 2020, if the Sterling Pound (£) had weakened/strengthened by 10% against the US dollar with all other variables held constant the pre-tax loss for the year would have been £38,163 (2019: £44,603) higher (2019: higher), mainly as a result of foreign exchange losses/gains on the translation of US dollar denominated balances.

(iii) Market liquidity risk

Market liquidity risk represents the risk that the level of expected market activity changes dramatically and, in certain cases, may even cease to exist. This situation resulting in the inability for a market participant to liquidate a position in a timely manner at a reasonable price. The effects of market liquidity risk can result into a price impact of trading activity and/or a postponed trading execution. This exposes the Company to the risk that it will not be able to transact business and execute trades in an orderly manner which may affect the results and/or client account balances.

(iv) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

As the Company does not hold any material assets/liabilities subject to interest rates, this risk is considered insignificant.

No sensitivity analysis is presented for interest rate risk as the impact of reasonably possible market movements on the Company's pre-tax profit are not significant to the Company's financial performance and position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3.4 **Operational Risk**

Operational risk is defined as the risk of direct or indirect losses resulting from an inadequacy or failure attributable to procedures resulting from human, systems, or external factors. Due to the dynamic operations of the Parent Company and expansion within the Group, Swissquote Ltd is exposed to greater operational risk. This risk is mitigated by the Company's systems of internal controls, policies and procedures.

3.5 **Business Risk**

The principal business risk for the Company is to acquire sufficient customers and generate revenue that cover the fixed overheads of the business. Thereafter, the Company will have a dependency upon the trading volumes of its customer base, which are to a significant extent driven by volatility in the market. The impact of reduced volatility can be mitigated by reducing the level of marketing spend.

3.6 **Regulatory Risk**

Regulatory risk is the risk of non-compliance with, and future changes to, regulatory rules potentially impacting our business in the markets in which we operate. The Company's products make them higher risk when compared to traditional forms of trading. They are leveraged, derivative products, not listed on an exchange. Consequently, the Company's regulatory licenses, especially those which enable trading with retail clients, are subject to a large number of rules. The Company mitigates the risk of non-compliance by ensuring it has adequate and experienced compliance professionals and associated policies and procedures.

3.7 **Capital Management**

The Company manages its capital resources on the basis of regulatory capital requirements and through its own assessment of capital required to cover all material financial risks. The Company manages its regulatory capital through an Internal Capital Adequacy Assessment Process (known as the ICAAP) in accordance with guidelines and rules implemented by the FCA. The Company's capital is equal to Total Shareholders' Funds. The Company has complied with all externally imposed capital requirements to which it is subject.

3.8 **Financial Assets and Liabilities Categorisation**

IFRS 7 requires presenting all financial assets and liabilities of the Company by category and by class of instruments.

31 December 2020

Classes of Financial Assets	Amoitised cost	Fair value through profit or loss	Total
	£	£	£
Trade and Other Receivables	554,067	-	554,067
Cash and Cash Equivalents	11,958,600	-	11,958,600
Total Financial Assets	12,512,667	-	12,512,667

Classes of Financial Liabilities	Other liabilities	Fair value through profit or loss	Total
	£	£	£
Trade and Other Payables	6,771,658	-	6,771,658
Lease liabilities	331,951		334,951
Total Financial Liabilities	7,103,609	-	7,106,609

31 December 2019

Classes of Financial Assets	Amoitised cost	Fair value through profit or loss	Total
	£	£	£
Trade and Other Receivables	585,349	-	585,349
Cash and Cash Equivalents	13,237,651	-	13,237,651
Total Financial Assets	13,823,000	-	13,823,000

Classes of Financial Liabilities	Other liabilities	Fair value through profit or loss	Total
	£	£	£
Trade and Other Payables	7,984,042	-	7,984,042
Lease liabilities	469,805		469,805
Total Financial Liabilities	8,453,847	-	8,453,847

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

3.9 **Fair Value of Financial Assets and Liabilities**

The table below analyses financial instruments carried at fair value by major product category and fair value hierarchy. The different levels have been defined as follows:

• Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

• Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair value and classified as Level 2.

• Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The following table presents the Company's financial assets and liabilities that are measured at fair value:

31 December 2020	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial Assets				
Derivative financial instruments (Note 3.1 (iii))	- -	2,784,874	- -	2,784,874
Total Financial Assets	- -	2,784,874	- -	2,784,874
Financial Liabilities				
Derivative financial instruments (Note 3.1 (iii))	-	2,784,874	-	2,784,874
Total Financial Liabilities	-	2,784,874	-	2,784,874

31 December 2019	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial Assets				
Derivative financial instruments (Note 3.1 (iii))	- -	2,106,472	- -	2,106,472
Total Financial Assets	- -	2,106,472	- -	2,106,472
Financial Liabilities				
Derivative financial instruments (Note 3.1 (iii))	-	2,106,472	-	2,106,472
Total Financial Liabilities	-	2,106,472	-	2,106,472

The fair value of financial instruments that are not traded in an active market (i.e. over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The Company uses mainly estimated discounted cash flow models to determine the fair value for the financial instruments, which are not traded in an active market. If all significant inputs required to fair value of an instrument are observable, the instrument are included in level 2.

The carrying value less impairment provision of trade receivables and payables is assumed to approximate their fair value.

4. **Turnover**	Year to 31 Dec 2020	Year to 31 Dec 2019
	£	£
Mark-up earned on foreign exchange and CFDs (net of fees paid to the Bank)	3,050,266	3,059,011
Comission payable to introducing brokers	(309,668)	(469,846)
	2,740,598	2,589,165

5. **Administrative expenses**	Year to 31 Dec 2020	Year to 31 Dec 2019
	£	£
Staff costs (shown in note 6)	1,648,098	1,392,353
Depreciation*	139,636	144,664
Auditors' remuneration:		
Auditors' - audit of these financial statements	32,550	31,000
Auditors' - other assurance services required by law or regulation	23,100	22,000
Other service fees - accounting and tax	1,838	1,750
Other expenses (shown in note 7)	1,027,115	981,918
	2,872,337	2,573,685

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

6. **Staff Costs**

	Year to 31 Dec 2020	Year to 31 Dec 2019
	£	£
Wages and salaries	1,396,433	1,164,866
Other pension costs	86,311	80,830
Social security costs	165,354	146,657
	1,648,098	1,392,353

The average monthly number of employees during the year was 19 (2019: 22).

7. **Other Expenses**

	Year to 31 Dec 2020	Year to 31 Dec 2019
	£	£
Bank fees	102,850	73,024
Staff related expenses	37,231	96,241
Marketing	230,078	313,701
Occupancy	112,998	114,611
Communication & I.T	98,422	75,106
Legal	73,621	11,891
Insurance	1,930	1,975
Consultancy/ Other Professional	230,983	194,487
Travel & Entertaining	9,410	38,802
Office General	9,596	9,714
VAT	85,843	52,366
Other	34,153	-
	1,027,115	981,918

8. **Remuneration of Directors**

	Year to 31 Dec 2020	Year to 31 Dec 2019
	£	£
Directors' emoluments	456,950	359,000
Amounts receivable under long term incentive schemes	-	-
Company contributions to money purchase pension schemes	30,000	30,578
Amounts paid to third parties in respect of directors' services	-	-
	486,950	389,578

The aggregate of emoluments and Company pension contributions to a money purchase scheme of the highest paid director during 2020 is £444,950 and 2019 was £347,578. The amount of £444,950 is included in the staff costs stated in Note 6. (2019: £347,578). The Board of Swissquote Group Holding Ltd has decided to grant 2,125 sare options on the 14th August 2020. The strike price per option is equal to CHF 95.

9. **Pension Costs**

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounts to £86,311 (2019: £80,830).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

10. **Trade and Other Receivables**

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Amounts due from customers	1,893,846	1,833,610
Prepayments	96,270	129,402
Rent deposit	139,260	139,260
Other receivables	253,626	345,144
Total - Gross	2,383,002	2,447,416
The loss allowance for the impaired balance due from customers	(1,732,665)	(1,732,665)
	650,337	714,751

At 31 December 2020, the balance of amounts due from customers of GBP 1.9 million (2019: 1.8 million) includes a provision of GBP 1.7 million related to the removal of the 1.20 floor on EUR/CHF by Swiss National Bank in 2015.
The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Pound sterling	489,155	613,806
Other currencies	161,182	100,945
	650,337	714,751

11. **Derivative Financial Instruments**

Derivative financial instruments are primarily open positions on contracts for difference (CFDs) in which the Company acts as the counterparty to positions held by the Company's customers at the year end. These instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and in fluctuations of the quoted prices of the underlying indices, commodities and precious metals. The aggregate contractual or notional amount of these financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate from time to time. The fair value measurement of these derivative financial instruments is based on the prices quoted by the Company, which are derived from directly observable exchange rates and quoted prices obtained from stock exchanges.

The Company has a service level agreement with Swissquote Bank Ltd according to which all trades between the Company and its clients are hedged by entering into off-set trades between the Company and Swissquote Bank Ltd and are settled on a daily basis. Therefore, there are no open derivatives positions with Swissquote bank as at 31 Dec 2020.

31 December 2020	Fair value		Notional
	Assets	Liabilities	
	£	£	£
Currency forwards	2,235,892	-	363,473,402
Precious metals forwards	-	13,834	1,162,984
Indicies / other commodities	562,816	-	18,288,666
Total derivatives	2,798,708	13,834	382,925,052

31 December 2019	Fair value		Notional
	Assets	Liabilities	
	£	£	£
Currency forwards	1,540,436	-	343,822,808
Precious metals forwards	-	4,068	499,648
Indicies / other commodities	570,104	-	40,616,443
Total Derivatives	2,110,540	4,068	384,938,899

The Company has a contractual agreement with Swissquote Bank Ltd to enter into a back to back trade in respect of derivative positions with clients. Net trading gains and losses between the Company and Swissquote Bank Ltd are settled daily, due to this agreement no derivatives are presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020 .

12. **Cash and Cash Equivalents**

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Corporate bank accounts	11,978,600	13,247,651
ECL provision	(20,000)	(10,000)
	11,958,600	13,237,651

As explained in Note 2.17, the Company excludes from the face of its balance sheet cash held in segregated client money bank accounts on behalf of clients; as at 31 December 2020 this amounted to £18,356,067 (2019: £14,075,639).

The cash and cash equivalents are analysed in the following currencies:

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Pound sterling	1,027,058	3,409,424
Euro	7,114,137	6,469,657
US dollar	866,368	1,028,347
Other currencies	2,951,037	2,330,223

13. **Trade and Other Payables**

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Accrued Administrative expenses	325,057	250,728
Trade creditors	104,069	132,324
Amounts owed to group undertaking	6,342,532	7,600,990
	6,771,658	7,984,042

The fair values of trade and other payables as of 31 December 2019 and 31 December 2020 approximate their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Tax on (Loss) / profit

	As at 31 Dec 2020	As at 31 Dec 2019
Analysis of charge in year	£	£
UK corporation tax:	-	-
Total current tax	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax	-	-
Tax on ordinary activities	-	-

Factors affecting the tax charge for the current year
The average rate of current tax for year, based on the UK standard rate of corporation tax, is 19% (2019: 19%).

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
(Loss) / profit before taxation	(132,863)	18,886
Tax on (loss) at average rate	25,244	(3,588)
Factors affecting charge for the year:		
Tax losses not recognised	(25,244)	3,588
Total actual amount of tax	-	-

Factors that may affect future current and total tax charges:

As at 31 December 2020 there are £152,697 (2019: £177,941) potential tax credits available to the Company to set off against future profits of the same trade. These have not been recognised as a deferred tax asset due to the uncertainty of the timing of the future profit stream of the Company.
The effective rate for the year ended 31 December 2020 is 19% (2019: 19%).

15. Called up Share Capital

	As at 31 Dec 2020	As at 31 Dec 2019
	£	£
Allotted, called up and fully paid:		
Brought forward	4,260,100	4,260,100
Ordinary shares of £1 each issued during the year	-	-
As at end of year	4,260,100	4,260,100

16. Related Party Transactions and Ultimate Controlling Party

The Company is a subsidiary of Swissquote Bank Ltd, a Company incorporated in Switzerland, whose address is Chemin de la Crêtaux 33, 1196 Gland, Switzerland, and which is regulated by the Swiss Financial Market Supervisory Authority (FINMA), and which heads the smallest group for which consolidated financial statements are produced.

17. Subsequent Events

There were no post statement of financial position events that require adjustments or disclosure in these financial statements with the exception of COVID-19 coronavirus outbreak and losing the "passporting rights" within the European Union as a result of Brexit. Management has been monitoring the situation in financial markets and its possible impact on the Company itself. Therefore, the management has been in very close cooperation with the parent Company throughout assessing the options available. The Company is focusing on identifying new target markets and working on new marketing strategies. Therefore, In March 2021, the Board of Swissquote Ltd agreed to set up an entity in Cyprus that will target EU Market. The Company's URL has also been changed from swissquote.eu to swissquote.co.uk in accordance with post Brexit arrangements.

The Company is also about to extend its current lease for another 5 years to maintain its office space in the City.
In regards to pandemic, in line with BCP, each employee has been working remotely during 1st quarter of 2021 as well. The regular operations have not been interrupted and the Company's KPIs do not show any alarming signals. In fact, the trading volumes increased during the month of January and February 2021, which shows the global market turmoil, started to drive overall risk appetite. The management has full control and oversight on the business activities and internal control over financial reporting

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF SWISSQUOTE LTD

Report on the audit of the country-by-country information

Opinion

In our opinion, Swissquote Ltd's country-by-country information for the year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2020 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the schedule of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation statement in the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the country-by-country information

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's Handbook and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to misstatement in disclosures of the country-by-country information. Audit procedures performed included:

- Determine whether the presentation and classification by country is in accordance with the applicable financial reporting framework;
- Obtain client schedules and other information used to prepare country-by-country disclosures and agree to audit work performed and audit evidence; and
- Audit the disclosure to determine whether information has been appropriately disclosed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27-Apr-21

ADDITIONAL DISCLOSURES AS PER ARTICLE 89 OF THE DIRECTIVE 2013/36/EU

Swissquote Ltd - Country by Country report

Basis of preparation

The Capital Requirements (Country By Country Reporting) ('CBCR') Regulations 2013 (the 'Regulations') came into effect on 1 January 2014 and have been transposed into UK law and impose certain reporting obligations on institutions within the UK within the scope of Article 89 of the EU Capital Requirements Directive IV. The Directors are responsible for the preparation of CBCR in accordance with the Regulations.
The country by country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country by Country Reporting) Regulations 2013.

The Directors consider the accounting policies used to calculate Country By Country Reporting information presented are appropriate to the Company`s circumstances and have been applied consistently with those used in the companys financial statements for the year ended 31 December 2020.

Turnover, profit before tax and accounting tax charge are consistent with those presented in the financial statements.

Average number of employees is calculated by taking the average of the total number of employees at the end of each month through 2020. Directors of the company who held office are included in the calculation.

Cash tax paid is calculated as all cash payments made to HMRC between 1 January 2020 to 31 December 2020.

Country by country reporting

Swissquote Ltd (the '"Company") hereby sets out the required CBCR information for the Company for the year ended 31 December 2020. The Company also confirms that the following information relates only to the United Kingdom, as the Company operates solely within this jurisdiction.

a) name, nature of activities and geographical location	Swissquote Ltd The Company is authorised and regulated by the Financial Conduct Authority as a matched principal broker and provides online trading in foreign exchange, contracts for difference, and precious metals, to private and corporate clients domiciled in EU and non-EU countries. The Company is located in the United Kingdom at the address of 63-64 New Broad Street, Boston House, London, EC2M 1JJ
b) turnover	Turnover for the year ended 31 December 2020 is £2,740,598 (2019: £2,589,165).
c) number of employees on a full time equivalent basis	As at 31 December 2020, the number of employees on a full time equivalent basis was 19 (31 December 2019: 22).
d) profit or loss before tax	Loss for the year ended 31 December 2020 is £132,863 (2019: profit of £18,886).
e) corporation tax paid	The Company did not incur or pay any tax for the year ended December 2020 (2019: nil).
f) public subsidies received	The Company did not receive any subsidies in the year ended December 2020 (2019: nil)