



MGT Capital Investments, Inc. Anti-Fraud Policy

Adopted by the Board of Directors on June 25, 2012

Table of Contents

1	Introduction	3
2	Purpose	3
3	Background.....	3
4	Scope	4
5	Confidentiality	4
6	Fraud Risk Management.....	5
7	Responsibilities	5
8	Whistleblowing.....	7
9	Policy Approval and Review.....	8
10	Disciplinary Action.....	8
11	Media Relations	8
12	Legal Counsel.....	8
	Appendix A – Illustration of Fraud	9
	Appendix B – Criteria Against Which Fraud Risks can be Measured	10
	QUESTIONS.....	13

1 Introduction

A company's anti-fraud programme is an integral part of its corporate governance process and is fundamental to protecting tangible and intangible enterprise value and preserving the reliability of public reporting. With the Audit Committee providing oversight, management is tasked with establishing, validating and monitoring effective internal controls to prevent, detect and deter fraud on a timely basis. When focused on proactively evaluating, mitigating and monitoring fraud risk (versus a passive, complacent and hands-off belief that the controls in place are satisfactory), an anti-fraud programme helps management meet the challenge of reducing the opportunity for material fraud to occur.

2 Purpose

The purpose of this policy is to document clearly the attitude of MGT Capital Investments Inc and its associated subsidiary companies (MGT) to and stance on fraud. It aims to demonstrate to external and internal stakeholders that the group deals with fraud in a robust but appropriate manner. It also sets out how the MGT aims to manage fraud risk and deal with suspected or actual instances of fraud and misconduct.

3 Background

Fraud can be defined as deception by an individual(s) to obtain unjust benefit or deception causing harm or loss to the company.

This loss can be financial or non-financial in nature. The deception does not necessarily lead to personal gain for the individual.

MGT values its reputation for financial probity and reliability. It recognises that over and above any financial damage suffered, fraud and other misconduct may reflect adversely on its image and reputation. Its aim therefore is to limit its exposure to fraud and misconduct by:

- Instituting and maintaining cost effective measures and procedures to deter fraud.
- Taking firm and vigorous action against any individual or group perpetrating fraud against MGT, its shareholders or its customers.
- Encouraging MGT's employees to be vigilant and to report any suspicion of fraud, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged fraud and pursuing perpetrators to seek restitution of any assets fraudulently obtained and the recovery of costs.
- Assisting the police and other appropriate authorities in the investigation and prosecution of those suspected of fraud.

The prevention and reporting of fraud is now the contractual responsibility of all employees throughout MGT and the failure to report suspicions and concerns may result in disciplinary action being taken.

Recruitment Screening

MGT's Recruitment Policy underpins fraud prevention. All staff and Heads of Departments must support the Human Resource recruitment strategies aimed at fraud prevention, which include, for certain roles:

- Applicants to provide a Police Clearance Certificate, where required in relation to the inherent requirements of the position, and as guided by Human Resources Department;
- Contacting previous employers, and referees; and
- Verifying transcripts, qualifications, publications and other certifications or documentation; and
- Declaration of any private business owned by the employees and/or any relatives currently and/or previously working for the Group or Group Company.

4 Scope

This policy applies to all MGT Group Companies and will be applied globally. It should be read in conjunction with MGT's Whistleblowing Policy and, for those charged with responding to allegations of fraud and misconduct, with MGT's Fraud Response Plan.

The following actions are among those considered to fall within the definition of fraud, but are not limited to:

- Theft of company property, including information and intellectual property;
- Forgery or alteration of company documents;
- Wilful destruction or removal of company records;
- Falsification of expense claims;
- Unauthorised disclosure of confidential information to outside parties;
- Misappropriation or use of company assets for personal gain;
- Undertaking or assisting in illegal activity including money laundering;
- Acceptance of bribes or gifts to favour third parties;
- Unauthorised premium discounting; and
- Knowingly generating or paying false claims or invoices.
- All aspects of deception, deliberate misstatement and attempts to conceal the truth about matters relating to MGT, whether there are financial implications or otherwise.

5 Confidentiality

MGT's Board of Directors is absolutely committed to maintaining an honest, open and well-intentioned atmosphere within the organisation. The Board is also committed to the

elimination of fraud within the organisation, and to the rigorous investigation of any such cases arising.

MGT's Board encourages anyone having reasonable suspicions of fraud and misconduct that affect MGT to report their concerns in accordance with the Whistleblowing Policy. The Board will endeavour to protect whistleblowers so that employees will not suffer as a result of reporting reasonably held suspicions.

For these purposes "reasonably held suspicions," shall mean any suspicions other than those which are raised maliciously and found to be groundless.

Measures exist in MGT's Whistleblowing Policy for staff to be able to report their concerns anonymously.

The results of investigations conducted by MGT's HR & Legal Director (appointed to act on behalf of MGT's Audit Committee in respect of administering MGT's fraud policies and anti-fraud measures) will not be disclosed or discussed with anyone other than those persons associated with the company who have a legitimate need to know in order to perform their duties and responsibilities. This is important in order to avoid damaging the reputations of persons suspected, but subsequently found innocent of wrongful conduct, and to protect the company from potential civil liability.

6 Fraud Risk Management

MGT is committed to minimising fraud risk; to ensure this is carried out effectively, MGT will put in place processes for:

- Promoting an anti-fraud culture;
- Providing adequate mechanisms for MGT personnel to report their concerns safely, in confidence and, if necessary, anonymously;
- Following agreed best practice processes and procedures to ensure consistency and efficiency when carrying out investigations; and
- Proactively and regularly identifying key fraud risks and implementing steps to counter or mitigate the risks identified.

7 Responsibilities

MGT's Board of Directors and the Audit Committee are responsible for:

- Promoting an anti-fraud culture within MGT. The tone and attitude towards risk and fraud management is set at this level and filters through to the rest of the organisation.
- Acting in accordance with MGT values and principles.
- The Board decides on procedures to be put in place that will reduce the likelihood of fraud occurring. These include documented procedures and documented systems of internal control and risk assessment designed to reduce the risk of fraud.

- The Board encourages anyone who has reasonable suspicions of fraud and misconduct to report their concerns using the procedures set out in MGT's Whistleblowing Policy. It is also the Board's policy to protect, to the extent reasonably possible, any employee reporting reasonably held suspicions of fraud or misconduct.
- The Audit Committee will be responsible for directing the investigation of fraud cases where members of senior management are involved. For all other cases the Audit Committee has to be kept informed periodically by the Board of Directors of any fraud reported and actions taken.

The HR & Legal Director is responsible for:

- Maintenance of this policy together with MGT's Whistleblowing Policy and Fraud Response Policy.
- Provision of fraud risk management and investigation services to business units, including policy development, contingency planning, staff awareness training and the use of external advisors, when considered appropriate.
- Investigation into all known or suspected instances of fraud or misconduct in accordance with MGT's Fraud Response Policy.
- The HR & Legal Director has the primary responsibility for investigations. If an investigation reveals that fraudulent activities have occurred, a report has to be issued to the Board or if a Board member is suspected, the report will be issued directly to the Audit Committee.
- Decisions to prosecute or turn matters over to appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, the MGT Board and the Audit Committee.
- Assisting business units with the implementation of this policy, and regular reporting on the effectiveness of the policy globally.
- Global sharing of best practice and provision of fraud and investigation services to Business units on request.
- Regular reporting on fraud risk to the Audit Committee.
- Management of any third parties employed and ensuring their adherence to this and associated policies.

Business Units are responsible for:

- Ensuring compliance with this policy throughout their operations. The Chief Finance Officer ("CFO") has specific responsibility for its implementation and monitoring in the Finance function.

- Considering their exposure to fraud risk and introducing preventative controls into new and existing systems and processes. The CFO and Group Financial Controller should form a forum to identify and manage fraud risk in the Finance department.
- Encouraging an open and ethical culture amongst staff and management.
- Developing pro-active methods of fraud detection, such as data mining and analysis.
- Reporting all suspected cases of fraud or theft by an employee to the director of HR & Legal.
- Allocating sufficient and appropriate resources to implement this policy effectively.
- Implementing initiatives that enhance fraud risk management effectiveness, including procedures that enable employees to inform management of suspected fraud, theft and wrongdoing.

Employees are responsible for reporting known or suspected fraud and misconduct, or instances of unethical or illegal behaviour within the company, as per the Company Code of Business Conduct and Ethics and using the processes set out in MGT's Whistleblowing Policy.

8 Whistleblowing

- Employees can report their concerns over suspected fraudulent activities or other misconduct via a variety of whistle-blowing routes made available and set out in MGT's Whistleblowing Policy.
- The HR & Legal Director has a duty of care towards the company and any allegation or reported fraud is therefore assessed for seriousness. He will verify the facts of the allegation with line management and he will start gathering evidence if there is reasonable suspicion that fraud against the Company has taken place.
- The Company is entitled to investigate the matter thoroughly using recognised and legitimate investigative techniques and by assessing the individual circumstances of the case. The action taken will depend on the need for a proactive or reactive approach. The primary objective for an ongoing incident is to safeguard assets and immediate action is required in most circumstances. The primary objective of a one-off incident is to gather supporting evidence and build the case.
- All investigations will be carried out objectively and confidentially, and independently of the line management for the area in which the fraud has occurred or is suspected.

External Reporting

- MGT reserves the right to report all known or suspected criminal activity to the police for investigation. The timing of police involvement will be at the discretion of the HR & Legal Director, in conjunction with the appropriate line and group directors.
- The Company will report other breaches discovered in the course of investigations

to the relevant authorities, including HM Revenue & Customs and other relevant regulators. The timing of such involvement will be at the discretion of the HR & Legal Director, in conjunction with the appropriate line and group directors.

9 Policy Approval and Review

Authority for Approving Amendments to the Policy

MGT's Board is responsible for the approval of this policy. Once approved by the Board, MGT's Anti-Fraud Policy will be included into MGT's policies and procedures.

Effective Date

The Anti-Fraud Policy shall come into effect immediately upon approval by MGT's Board.

Review of Policy

In the interest of maintaining best practices, the Anti-Fraud Policy shall be reviewed and audited for effectiveness every two years. This will include an audit on the underpinning fraud policies and procedures. The outcome of the review shall be reported to the Board & Audit Committee.

Where a fraud has occurred, management must make any necessary changes to systems and procedures to ensure that similar frauds will not recur. The investigation may highlight where there has been a failure of supervision or a breakdown / absence of control.

10 Disciplinary Action

On conclusion of any investigation, MGT may take legal and disciplinary action where appropriate, in accordance with MGT's disciplinary and grievance procedures. A civil action against the perpetrator may be appropriate to recover losses resulting from any fraud against MGT. The investigation will also consider whether there has been any failure of supervision, and if so, appropriate disciplinary action may be taken against those responsible.

If an investigation results in a recommendation to terminate an employee's contract, the recommendation will be reviewed by the Chief Executive Officer and external counsel before final action is taken.

11 Media Relations

In order to minimise the possibility of adverse media publicity in respect of suspected or alleged fraud, the HR & Legal Director may consult with MGT's Public Relations representatives as soon as he believes a risk of adverse publicity exists. Any media enquiries should be directed to MGT's PR representative.

12 Legal Counsel

Where considered appropriate, the HR & Legal Director will seek legal advice from MGT's external legal counsel, before taking investigative action.

Appendix A – Illustration of Fraud

APPENDIX A**ILLUSTRATION of FRAUD**

The following illustrations are provided as a guide:

- Evasion, by deception, of payments owed to the Group or Group Company by omission or false statement;
- Obtaining, by deception, benefits or documents to which the recipient is not entitled;
- Forgery - for example, of a document, signature on a document or check, submission of falsified receipts or invoices, forged certificates of competency or qualifications;
- Charging the Group or Group Company, by deception, for goods and services not delivered or only delivered in part - for example, fraud in procurement, specifications not met, substandard materials used, false invoices, collusive tendering, skimming or under delivery of product or service;
- Theft or unlawful removal of Authority property - for example, stealing equipment such as computers, other technical devices, stores, furniture, property which should have been officially disposed of, forms or certificates, cash, or other valuable assets.
- Theft of information for financial or other advantage - for example, unlawful disclosure of information to contractors, the media or others including for use by a third party;
- Bribery, corruption, blackmail, secret commissions, and extortion involving the Group or Group Company Officer in the performance of his/her duties - for example, abuse of discretions, accepting a bribe, or award a contract. Accepting payments to ignore non-performance of obligation, or as an inducement to grant favours including access to confidential information;
- Abuse of Authority facilities, for example, using the Group or Group Company vehicle for unauthorized personal or business use;
- Obtaining property by deception and obtaining financial advantage by deception - for example, the use of false or multiple identities to obtain benefits to which there is no lawful right; or
- The matter is an offence involving a particular false statement provision of a specific Authority rules and regulation.

Appendix B – Criteria Against Which Fraud Risks can be Measured

APPENDIX B

Criteria against which Fraud Risks can be measured

The criteria set down below are indicative of the criteria Departments/Sections are expected to take into account in assessing risk. **They are not intended to be exhaustive.**

- Inherent Risks
- Internal Control Risks

INHERENT RISKS

BUSINESS / FOCUS

- Nature of business - The extent to which the business creates a risk (e.g., service delivery would be of higher risk than policy advice).
- Policies and strategies - The extent to which the policies, procedures, and strategies have been developed, which recognize the importance of fraud control and the attitude of management.
- Reputation - The extent to which the Group or Group Company is perceived to be an easy target for fraud.

RESOURCES

- Cash - Handling of cash or other instruments, electronic transfers, etc., which can be readily negotiated for cash.
- Attractive assets - The extent to which the Group or Group Company handles assets that can be easily stolen or misused.
- Intellectual property - The extent to which the Group or Group Company holds information that can be traded, or has a cash value.
- Services - The potential for the misuse of facilities (i.e., undertaking private work in the Group or Group Company's time, abuse of motor vehicles, telephones, computers, publishing facilities, etc.)

COMPLEXITY

- Computerization - Sophisticated information technology systems present an opportunity for fraudulent behaviour. (Of course, they may at the same time be a part of the control mechanism).

- Skill - The degree to which judgment, or technical skills are required to undertake functions.
- Diversity - The extent to which tasks in the Group or Group Company (and the management systems needed to perform those tasks) are diverse.

PUBLIC CONTACT/SENSITIVITY

- Client relations - The extent to which exposure to client groups involves a fraud risk.
- Business relations - The extent to which exposure to business community and pressure groups involves a fraud risk.
- Human relations - The degree to which the influence of the public/government expectations may involve a fraud risk.

STABILITY

- Procedures - The impact of any changes to procedures or system redevelopment.
- Personnel - Continuity in personnel involved in control systems.
- Organization - Effectiveness of reporting arrangements.

SIZE

- Number of Departmental staff - Multiple locations.
- Projects - Cost of projects undertaken by the Group.
- Volume of transactions
- Assets/Liabilities - Magnitude of the assets or liabilities controlled by the Group or Group Company.

INTERNAL CONTROL RISKS

GENERAL CONTROL ENVIRONMENT

- Corporate framework - Where the Group or Group Company is going, and how it is going to get there.
- Information Management - Ensuring management has reliable information, to make appropriate, timely and informed decisions.
- Organizational vulnerability - Reducing the exposure to fraud risk.

INFORMATION TECHNOLOGY

- Processing and operations - Having the computer power the Group or Group Company needs and when it needs it.

- Security - The right information in the hands of the right people.
- Development environment - Maintaining the leading edge without excess cost.

PURCHASES/PAYMENTS

- Ordering of goods and services - The right quality/quantity at the right time.
- Commitment of funds to clients - Approval of funding to the right people at the correct rate.
- Accepting charge - Ensuring the Group or Group Company only pays for what it gets.
- Controlling payments - Payment of the right amount at the right time to the right people.
- Overall control and management - Assurance that expenditure is under control and properly reflects results.

REVENUE RECEIVABLES

- Billing - Ensuring that any products and services provided are billed on time, for the right amount and to the correct staff.
- Credit control and cash management - Ensuring that monies owed are collected.

PAYROLL/PERSONNEL

- Employment strategies - Selecting and keeping the right staff and minimizing the impact of mistakes.
- Payment - Ensuring staff are paid what they are due and when they expect it.
- Performance - Ensuring the Group or Group Company environment is conducive to efficient operations and staff morale.
- Reward for effort - Providing the right remuneration package for each employee.

FINANCE AND CASH FLOWS

- Cash balances - Monitoring and control of all cash collection centres and balances.

ASSET AND INFORMATION MANAGEMENT

- Acquisition, protection, and disposal of assets - Ensuring all acquisitions and disposals are properly authorized and recorded, reducing loss, theft, and deterioration.
- Depreciation, utilization, valuation, and disclosure - Ensuring assets are efficiently and properly utilized, valued, and depreciated appropriately, and disclosed accurately in financial statements.

QUESTIONS

If you have any questions about this policy as it relates to MGT Capital Investments Inc., please contact:

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