



Argus Stockbrokers Ltd

PILLAR III DISCLOSURES

YEAR ENDED 31 DECEMBER 2021

JULY 2022

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

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**Independent Auditors' Report to the Board of Directors of Argus Stockbrokers Ltd
for the year ended 31 December 2021 pursuant to Part Six of Regulation (EU)
2019/2033 concerning disclosure requirements of investment firms**

1. We report in relation to the fair presentation of the disclosures of Argus Stockbrokers Ltd (the "Company") for the year ended 31 December 2021, pursuant to our Engagement Letter for the provision of Pillar 3 services under the IFR/IFD framework, dated 8/05/2022. The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialled for identification purposes.

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 (the "IFR"). Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the IFR.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the IFR. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of Part Six of the IFR, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

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4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2021 are not fairly presented, in all material aspects, in accordance with the requirements of the IFR.

6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing, other than to the Cyprus Securities and Exchange Commission to which we acknowledge that our report will be provided. This report relates only to the Disclosures required pursuant to Part Six of the IFR and does not extend to any financial statements or other financial information of the Company.

A handwritten signature in blue ink, appearing to read 'Marios Lazarou', with a horizontal line extending to the right.

Marios Lazarou
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 July 2022



Argus Stockbrokers Ltd

PILLAR III DISCLOSURES

YEAR ENDED 31 DECEMBER 2021

APPENDIX

JULY 2022

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

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1. Scope of application

Argus Stockbrokers Ltd (hereinafter the “Company”), is an investment firm incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) under license number 010/03 and which has a LEI Code of 213800WY7LMNUUCB3P93 for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions.

Under its license the Company offers the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Portfolio Management	Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
Provision of Investment Advice	Foreign exchange services where these are connected to the provision of investment services

The Company is a CIF authorized and licensed by CySEC and may accept Tied Agents.

The Company's principal activity during the year were in line to the Laws and Regulations of CySEC and includes:

- Stock exchange services in Cyprus and Greece (CSE and ATHEX)
- Custodian services provided to professional and retail investors in Cyprus and overseas
- Stock exchange services in international stock exchanges
- Portfolio management
- Investment and other consulting services

Furthermore, it is noted that the Company does not hold any real crypto assets.



We note that the Company is not considered significant as specified in the CySEC Circular No C487 in the financial year covered by these Disclosures.

The Company is making the disclosures on an individual (solo) basis.

1.1. Regulatory Context

As of the 26th of June 2021, the capital adequacy and overall risk management requirements that applied to the Company, as well as the majority of EU investment firms, under the Capital Requirements Regulation & Directive (“CRR & CRDIV”) prudential framework, have been replaced by amended prudential rules. In particular, EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”) – harmonized through the issuance of the Cyprus Law on the Prudential Supervision of CIFs of 2021 (165(I)/2021) – have been developed to address the specific vulnerabilities and risks inherent to investment firms by means of proportionate and appropriate prudential arrangements.

The new rules introduce several changes to the methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy Assessment Process (“ICAAP”) which is replaced by the Internal Capital & Risk Assessment (“ICARA”) Process, a newly introduced Liquidity Requirement according to which they are required to maintain liquidity levels equal to at least one third of their Fixed Overhead Requirement and many more.

The Company is a Class 2 CIF and is required to hold €150.000 as at 31st of December 2021 of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

The IFR/IFD framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three (3) Pillars and their applicability to the Company, are summarized below and further analysis is presented in section 3:

- Pillar I - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and

procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

1.2. Implications of Russian Invasion to Ukraine

On 24 February 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies both in Cyprus but globally as well, with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time. The conflict may have serious consequences on the Cyprus economy and also worldwide, which are difficult to precisely estimate. The main concern at the moment is the rise of inflation, the uncertainty mainly about tourism and financial services and the increase in the price of fuel, which will affect household Incomes and business operating costs.

This operating environment may have a significant impact on the Company's operations and financial position.

Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and Management's current expectations and estimates could differ from actual results.

1.3. Implications of COVID-19

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life.

Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year. In Cyprus, on 15 March 2020, the Council of Ministers in an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year, taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in significant operational disruption for the Company.

In parallel, governments, including the Republic of Cyprus, Introduced various financial support schemes in response to the economic impacts of the COVID-19 coronavirus pandemic. The Company has applied for such government assistance. The details of all the arrangements that might be available to the Company and the period throughout which they will remain available are continuing to evolve and remain subject to uncertainty. The Company is continuing to assess the implications for its business when these arrangements are no longer available and has reflected their impact in its stress-scenarios for going concern purposes. The event is reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021.

The Company's management has assessed:

- (1) whether any impairment allowances are deemed necessary for the Company's financial assets, non-financial assets (e.g., property, plant & equipment, goodwill, intangible assets), lease receivables, contract assets, loan commitments or financial guarantee contracts, investments in subsidiaries, associates and joint ventures by considering the economic situation and outlook at the end of the reporting period.
- (2) whether the net realizable value for the Company's inventory exceeds cost.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the event did not have an immediate material impact on the business operations. The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

2. Governance – Board and Committees

2.1. The Board

The Company's Board of Directors (the "Board" or "BoD") is required to assess and review the effectiveness of the policies, arrangements and procedures put in place for the Company to comply with its obligations under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the "Law"), as well as the relevant CySEC Directives and the IFR and to take appropriate measures to address any deficiencies.

The Board has the overall responsibility of the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework which is designed to enable risk to be assessed and managed.

In particular the Board of Directors shall collectively be responsible for the following, among other:

- Define, oversee and is responsible for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties within the Company and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and the interest of clients.
- Have the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk prevention strategy and internal governance.
- Ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the legislation and relevant standards.
- Oversee the process of disclosure and announcements.
- Responsible for providing effective supervision of senior management.
- Define, approve and oversee the organisation of the Company for the provision of investment services and activities and ancillary services, including the skills, knowledge and expertise required by personnel, the resources, the procedures and the arrangements for the provision of services and activities by the Company, taking into account the nature, scale and complexity of its business and all the requirements the Company has to comply with.
- Monitor and periodically assess the adequacy and the implementation of the Company's strategic objectives in the provision of investment services and activities and ancillary services, the effectiveness of the Company's governance arrangements and the adequacy of the policies relating to the provision of services to clients and take appropriate steps to address any deficiencies.

The Board comprises of 2 executive directors, 2 independent non-executive directors and 2 non-executive directors.

2.2. Diversity in the selection of members of the management body

In selecting the members of its Board, the Company aims at achieving a diverse pool of members, with a broad set of qualities, competencies and skills, to achieve a variety of views and experiences and to facilitate independent opinions, so as to be able to apply a well-rounded approach to the issues facing the Company, understand the risks arising from its various activities and operations and take proper strategic decisions, in a manner that promotes the integrity of the market and the interest of clients.

2.3. Number of directorships held by members of the Board

The table below provides the number of directorships a member of the management body of the Company holds at the same time in other entities. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

Directorships within the same group are treated as single directorship, as specified in the CySEC Circular CI144-2014-23. The Directorships in table below does not include the position of each director in the Company.

Table 1: Number of directorships held by the Company's Board members excluding position in Argus

Name of Director	Position within Argus	Directorships Executive	Directorships Non-Executive
Christos Akkelides	Executive Director	-	-
Andri Tringidou	Executive Director	-	-
Neoclis Nicolaou	Independent Non – Executive Director	-	2
Soteris Kyriacou	Independent Non – Executive Director	-	-
Savvas Theofilou ¹	Non – Executive Director	-	-
Themis Papadopoulos ²	Non – Executive Director	-	-
Yiannos Mouzouris	Non – Executive Director	-	-

Notes: 1. Appointed on 16 April 2021

2. Resigned on 16 April 2021

The information in this table is based only on representations made by the Company

2.4. Risk Management Function

The Board of the Directors has the overall responsibility for establishing and overseeing the risk management framework of the Company.

The Company established, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. Such policies and procedures are reviewed regularly to reflect changes in market conditions and the Company's activities.

Furthermore, the Risk Management Function of the Company bears the responsibility to supervise the construction of Company's "ICARA", including the formation of the subjective decisions/ policies on the relevant risks applicable to the Company, as well as to plan and organize the implementation and embedment of the "ICARA" within the Company, on an operational level. Further, the Risk Management Function is responsible to review, re-run, as well as present the Company's "ICARA" Report to the Board, on an annual basis.

It is noted that previously issued report; Internal Capital Adequacy Assessment Process ("ICAAP") is replaced by the Internal Capital & Risk Assessment ("ICARA") which is in the process of planning for its preparation for 2021.

2.5. Compliance Function

The Company's Compliance Function is permanent in nature and is independent from the provision of the investment services and the performance of investment activities by the Company and/or any Relevant Person. The main duties of the Compliance Function include inter alia the efficient monitoring of any possible deviation from the Company's internal policies and procedures, the separate supervision of Relevant Persons whose principal functions involve carrying out activities on behalf of, or providing services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company.

The company has appointed a Compliance Officer who is responsible, inter alia, for the following:

- Liaising with all relevant business and support areas within the Company;
- Monitoring the adequacy and effectiveness of the measures and procedures of the Company;
- Advising and assisting the relevant persons responsible for carrying out the investment services to be in compliance with the Law.
- Drafting written reports to the senior management making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any

deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually.

- Working on related changes to the Company's documentation.
- Training and educating the staff of the in respect with the compliance function according to the Law.

2.6. Internal Audit Function

The Company has appointed an Internal Auditor which shall ensure that the Company maintains appropriate systems and controls and shall report its findings to the Board of Directors of the Company.

The Internal Auditor is responsible for the following:

- Independently reviewing and providing objective assurance of the compliance of all activities and units of the Company, including the outsourced activities, with the Company's policies and procedures and with external requirements.
- Assess whether the Company's internal control framework is effective and efficient.
- Assess the appropriateness of the institution's governance framework.
- Assess whether existing policies and procedures remain adequate and comply with legal and regulatory requirements and with the risk appetite and strategy of the institution.
- Assess the compliance of the procedures with the applicable laws and regulations and with decisions of the management body.
- Assess whether the procedures are correctly and effectively implemented

2.7. Governance Committees

CAR (Compliance, Audit and Risk) Committee

The Company established a Compliance, Audit and Risk Committee (CAR Committee).

In accordance with the requirements of the applicable laws and regulations, members of the Compliance, Audit and Risk Committee have individually and collectively, appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Company.

The CAR Committee role among others is to:

- Advise and support the Board regarding the monitoring of the Company's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Company.
- Monitor the effectiveness of the Company's internal quality control and risk management systems, and where applicable, the internal audit function, with regard to the financial reporting of the Company, without breaching its independence.

As at year end, the Compliance, Audit and Risk Committee was composed of two Executive Directors, one Non-Executive Director, the Compliance officer and the Risk Manager. During 2021 the Committee met 4 times in 2021.

Investment Committee

The Company operates an Investment Committee. The Investment Committee meets and takes decisions always under the Articles of Association and is oriented to serve the interest of investors.

The decisions of the Investment Committee are based on the provisions of the code of business conduct for investment firms and CySEC. It is responsible for formulating the overall investment policy, and for providing guidance to the Company's managers to move to a specified range of options. The Investment Committee has an advisory and supervisory character in relation to the desired and lawful structure of the portfolio, down under management.

The Investment Committee tasks include:

- The formation of the investment policy of the Company with respect to market developments, in terms of both the company's portfolio and customer portfolios of which the company is managed on a discretionary or advisory basis.
- The monitoring of market developments and the adjustment of the investment policy where necessary.
- Monitoring the evolution of the institutional framework of operation and provides proposals to the Company's Management for the necessary adjustments to the policy followed.
- Exploring the possibilities and makes proposals to provide new services/products to customers of the company.
- Establishing classes of customer allocation criteria per credibility and financial position.
- Defining the pricing policy of the company.
- Selecting Stock markets and individual financial instruments to which the company will turn on.
- Pursuing or avoiding specific investment movements.
- Any other matter directly or indirectly related to the investment activities carried out by the company.

Anti-Money Laundering compliance Officer

The Company retain a person as its Anti-Money Compliance Officer (“AMLCO”). The AMLCO reports directly to the Board and is responsible, among others, for the following:

- To design, based on the general policy principles of the Company, the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing.
- Explicitly allocate the limits of responsibility of each department of the Company.
- The establishment of policies and procedures to prevent the abuse of new technologies and systems for the purposes of money laundering and terrorist financing.
- To develop and establish the Client Acceptance Policy of the Company, outlining the requirements of simplified and enhanced due diligence when entering into a relationship with a client and how to deal with suspicious transactions.
- To review and update the policies and procedures as may be required from time to time, and communicate any updates to the Board of Directors for approval.

2.8. Board Risk Statement

The Risk Appetite Statement defines the level of risk the Board is willing to take in pursuit of its business objectives and strategic goals. It defines the parameters within which the Company can operate and the relevant risks it can assume, both on an individual as well as on an aggregated basis.

The Risk Appetite Statement includes some high-level principles and key risk indicators to alert Management and the Board of Directors of any risk concerns and triggering appropriate responsive actions. Specific limits are in place, which are embedded in the risk monitoring systems and reporting, to cap the amount of risk the Company will take.

The Company’s risk statement is provided in the Appendix 1.

3. Capital Management

The IFR/IFD framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three (3) Pillars and their applicability to the Company, are summarised below:

- Pillar I - Minimum capital requirements
- Pillar II - Supervisory review process
- Pillar III - Market discipline

3.1. Pillar I – Minimum Capital Requirements

The new IFR & IFD framework introduces a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to each investment firm.

3.2. Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

The new framework introduces the concept of the Internal Capital and Risk Assessment (“ICARA”) process, which is similar in some respects to the current Internal Capital Adequacy Assessment Process (“ICAAP”), with some key differences, to determine the Pillar II capital requirements.

Further to the above, the Company needs to keep additional capital to cover its Pillar II risks. The amount of this capital is determined internally by the Company through the performance of the new ICARA, and upon CySEC’s request, the ICARA is collected by the CySEC and undergoes the Supervisory Review and Evaluation Process (“SREP”). Following the SREP, the final Pillar II capital deemed as necessary by the CySEC is communicated to the Company and considered as an additional requirement affecting the minimum required Capital Adequacy Ratio.

Currently, the company is in the process of planning the preparation of the ICARA Report for the year 2021, through which it will ensure full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs.

The new ICARA report will present the main business background aspects and developments of the Company, summary of the Company’s business economic environment, the Company’s financial

summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward looking capital and liquidity planning.

The Company recognises the importance of the ICARA and appreciates that it enables the firm to justify its business strategy and risk assessments in such a way to be more diligent in the inclusion of risk factors in the business design process and also to hold less capital than the gross risks to which it is exposed. The Board is committed to continuously update the ICARA at least annually to reflect the latest strategic plans and updates.

The new methodologies of K-Factors and Liquidity Stress tests will be incorporated into the new ICARA process, as well as the updated risk register which will focus on a harm-pose approach identifying different potential risk events that may affect the Company's overall capital adequacy position.

3.3.Pillar III – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of Own Funds.

The Company's Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2021. This Report should be read in conjunction with the audited financial statements of the Company. The disclosures are made on a solo basis and are published annually. Where in this Report there are references to "reference date" this is the 31st of December 2021.

The Company's Pillar III disclosures are published on the Company's website through the 'Legal and Regulation' section. Please refer to the following link: <https://www.argus.com.cy/>

Unless stated otherwise, all amounts are in thousands of Euros ("€").

4. Fixed Overheads Requirement (“FOR”)

The Company calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31 December 2021 amounted to €379K. The Company monitors its expenses and calculates the projected fixed overheads requirement for every year. In case of a material change (increase by 30% or €2m), the Company should recalculate its fixed overheads requirement based on the projected figures and assess whether the appropriate capital resources are in place to comply with the provisions of the IFR.

5. Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €150k, which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD.

6. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. Capital requirement from applying K-factors formula is the sum of Risk to Client (‘RtC’), Risk to Market (‘RtM’) and Risk to Firm (‘RtF’). Further to the above and since the Company is a Class 2 IF all RtC, RtM and RtF proxies are applicable for the Company.

In the following sections all Risk Proxies are described with a reference to the relevant K-factors requirements.

6.1.Risk to Client

Risk to Client (“RtC”) is the risk that an investment firm poses to its clients in the event where it fails to properly carry out the services being offered to them. It reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors through which some of the core aspects of RtC are being captured and measured, and which act as proxies that cover the specific business areas that are referred to above. These K-factors consist of the following:

- **K-AUM (Assets Under Management)** – K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.
- **K-CMH (Client Money Held)** – K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and whether arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to the client money via a third-party mandate.
- **K-ASA (Assets Safeguarded and Administered)** – K-ASA captures the risk of safeguarding and administering client assets, and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.
- **K-COH (Client Orders Handled)** – K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain of client orders. The Company is not subject to K-COH since it does not execute orders in the name of the client, on an agency basis (i.e. all client orders are executed on a principal basis).

6.1.1. K-AUM (Assets Under Management)

The Company provides the service of portfolio management for clients and thus, is subject to the specific risk.

Mitigation Measures:

- a. Regular reviews of the outstanding balances by the Head of Accounting and management body.
- b. Action is taken for long outstanding balances.
- c. Monitoring and assessment of the portfolios and investment products on a regular basis in order to ensure consistency with the risk appetite and profile of each client. It is noted that credit granting is minor.
- d. Each investment strategy and products invested under the portfolio management services are subject to clients' approval, risk appetite and risk profile.
- e. The Company has well-established policies and procedures in relation to the provision of portfolio management services. The abovementioned policies and procedures are subject to

regular review by the Internal Auditor and the Compliance Officer considers them to be sufficient.

6.1.2. K-CMH (Client Money Held)

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. The Company calculates its K-CMH based on the provisions of Articles 15 and 18 of the IFR.

Mitigation Measures:

- a. The employees could not execute orders for amounts higher than the amount available in the clients' statement. The financial controller can only approve a credit limit for a client, upon approval of a director.
- b. The accounting department performs clients' money reconciliations monthly and any discrepancies are promptly investigated and resolved.
- c. Credit risk is managed on a group basis. For banks and financial Institutions, the Company has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of 'C'.

6.1.3. K-ASA (Assets Safeguarded and Administered)

The Company provides the service of safekeeping and administration of financial instruments for clients, including custodian services provided to professional and retail investors.

Mitigation Actions:

The Company has selected a reputable sub-custodian, and neither it nor its general creditors have any right to sell, attach, or create a security interest in any financial instruments held, neither in case of sub-custodians insolvency nor otherwise. Furthermore, the Company safeguards the equity positions of its clients in accordance with the MiFID II safeguarding rules as well as CySEC's Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Additionally, the capital requirements for ASA, are calculated and monitored on an ongoing basis and capital adequacy reports that calculate and monitor this K-factor, are being reported by the Risk Department on a quarterly basis to the BoD as well as the CySEC.

6.2. Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors that capture the principal risks under RtM:

- **K-NPR (Net Position Risk)** – This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) No. 575/2013 (“CRR”).
- **K-CMG (Clearing Margin Given)** -This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Based on the reference year, the Company is not subject to k-CMG as it does not provide the service of clearing as described in the definition.

6.2.1. K-NPR (Net Position Risk)

The Company is not particularly exposed to significant FX losses, since it does not trade on own account. Also, the Company has a low exposure to other currencies. Mainly trading is in EUR currency. In addition, the Company carefully examined the amended CySEC’s Circular C462 “Prudential Treatment of Crypto Assets and Enhancement of Risk Management Procedures Associated with Crypto Assets” and informed its employees accordingly, although it does not offer any cryptos.

Market risk originates from:

- a. Change in interest rates, both in local and foreign currency, causing losses from this adverse interest rate movement.
- b. Change in market prices of securities or funds as a result of a stock market downfall.
- c. Equity investments of the IF failing to achieve expected returns.
- d. Losses arising from adverse price movements (debt securities, gold, commodity prices etc.)

The Company is not exposed to Market Risk originated from the above factors as it does not have any own investments.

Mitigation Measures:

The Management of the Company monitors its holdings of foreign currencies and ensures that the Company doesn't keep high amounts of money in different currencies for too long, in an effort to minimize its exposure to adverse FX fluctuations. This is carried out in the daily reconciliation and monitoring of customer's assets (per currency).

6.3.Risk to Firm

The Risk to Firm captures the risk that could be inflicted on the Company itself. The K-factors under RtF capture an investment firm's exposure to their trading counterparties, the concentration risk in an investment firm's large exposures and the operational risk from an investment firm's daily trading flow:

K-factors for K-TCD and K-CON under RtF constitute a simplified application of the rules laid down in the CRR on counterparty credit risk and large exposures risk, respectively.

The Company is required to calculate the following K-Factors requirement as part of the RtF:

- **K-TCD (Trading Counterparty Default)** – K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fails to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, accounting for the mitigating effects of effective netting and the exchange of collateral. The Company is not subject to K-TCD because as at 31 December 2021, it did not carry out dealing on own account in instruments subject to K-TCD.
- **K-DTF (Daily Trading Flow)** – K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account in the scope of client orders handled. For the year under review, the Company was subject to this risk since it had been executing multiple types of transactions on its own account or on behalf of clients in its own name.

- **K-CON (Concentration Risk)** – K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their own funds, or specific alternative thresholds in relation to credit institutions or other investment firms, by imposing a capital add-on in line with CRR for excess exposures above those limits. All IFs should monitor and control their concentration risk. However only Investment Firms which are

subject to a minimum own funds requirement under the K-Factors should report the concentration risk. This K-factor does not apply to the Company since for the referenced financial year 2021, the Company did not have a Trading Book, as it did not carry out dealing on own account activities.

6.3.1. K-DTF (Daily Trading Flow)

For the year under review, the Company was subject to this risk since it has been executing multiple types of transactions on its own account or on behalf of clients in its own name.

Mitigation Measures:

- a. The Company has implemented procedures for daily monitoring of all the transaction activities done by all members of the staff.
- b. It also implements the four eyes principle before executing any transaction (i.e. deposits/withdrawals).
- c. Daily reconciliations are done in order to detect any mistakes/errors and to prevent fraudulent activities.
- d. High security tools are in place to prevent fraudulent activities by staff. In regard to the Company's trading platform, this is highly automated hence not allowing much flexibility for manipulation by the staff without this being detected (since it also has an audit trail).
- e. In addition, internal audits are performed in regular intervals.
- f. The Company has well-established policies and procedures in relation to the reception, transmission and execution of orders. The abovementioned policies and procedures are subject to regular review by the Internal Auditor and the Compliance Officer considers them to be sufficient.
- g. The Company carefully assesses its potential counterparties prior to selection. Once a counterparty is selected, the company performs regular due diligence reviews to ensure that they have sufficient business continuity and IT procedures and that they remain of high credit standard.

7. Other Risks

Liquidity Risk

The liquidity risk is related to the inability to meet obligations when they fall due, the difficulty in obtaining funds to meet urgent commitments or the lack of liquid assets (cash deposits, bonds etc.), resulting in the inability to meet immediate liquidity needs within a short form horizon. It is also related to changes in market conditions and the inability to address them, resulting in the inability on behalf of the investment firm to liquidate assets and at a minimal loss in value.

The Company is exposed to Liquidity Risk due to the Company's overdrafts, or because the Company has trade receivables that are not readily available (in short term). Also, exposure to this risk is due to the fact that the only Fixed assets of the Company are the ones described above (Cash & Cash equivalent and trade Receivables). Thus, a change in market condition will not affect the liquidity of the company as the value of those assets is fixed.

Also, the Company follows the Liquidity requirement set by the new IFR/IFD framework. As at 31 of December 2021 the Company satisfied the Liquidity Requirement.

Mitigation Measures:

In order to manage its Liquidity Risk, the Company monitors rolling forecasts of the Company's liquidity requirements based on expected cash flows in order to ensure that it has sufficient cash to meet its operational needs, under normal and abnormal (stressed) market conditions.

Furthermore, in order to manage further its Liquidity Risk, the Company:

- Implemented robust strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk over an appropriate set of horizons.
- Ensures that the Company has sufficient cash on demand to meet any operational expenses that arise.
- The shareholders of the Company are willing at any moment to contribute with extra capital in case the need arises.

Business Risk

Business risk might arise by underperformance of economic results, failure to increase or retain market share, meet business goals due to lack of business direction, planning, leadership or inability in raising capital when unexpectedly required, during microeconomic depression, sudden withdrawal of deposits

or competitive threats resulting in loss of business due to competition from other IFs and inability to anticipate change in external environment. The Company is subject to this risk due to high competition in the industry.

Mitigation Measures:

- Regular evaluation of the business results. Review and update of the existing business plan including realistic projections, taking into consideration the current market conditions.
- The Company's shareholders are at all times aware of the current financial status of the company, and they can assist the company to raise the required capital if necessary.
- The Company is up to date with any developments in this market and is ready to make the necessary changes in operations etc. when competitive forces indicate so.
- Innovative staff with new ideas in terms of products offered and strategies followed.
- The Company monitors its competitors' and makes choices accordingly.

Regulatory Risk

Regulatory risk may arise from critical recommendations, sanctions, penalties imposed by the tax authorities to the IF due to non-compliance with tax requirements. In addition, from failure to comply with IF's lead regulator, approved practices accounting and ethical standards or to meet regulatory expectations regarding internal governance. Furthermore, Regulatory risk may arise from inability/ non consistency in providing sufficient information about terms and conditions, in advice provision, inadequate tracking of complaints etc., from Clients undertaking money laundering activities and inadequate identification system.

Mitigation Measures:

- External auditors and tax advisors provide all the necessary advice for tax issues so that the Company avoids paying any penalties on taxes. This is very crucial in the current economic situation as the tax regulations may be further revised and the Company must be prepared to keep up with any amendments in order to avoid penalties.
- The firm has a strong Compliance Function that implements strong controls in relation to compliance with the relevant Laws and regulations and monitors employees on a regular basis. When the Company offers investment and ancillary services to clients acts in an independent, fair and professional manner and always in the best interest of its clients. Frequent audits carried out by the Internal Auditor, who has been trained properly and has a suitable compliance regime. Company's policies and procedures are updated and reviewed on a regular basis. RSS feeds by CySEC. ESMA & EBA announcements. It's also noted that the company has never missed a regulatory deadline submission. The compliance department always reviews the compliance process and it's informed about changes/amendments in the regulatory framework of CySEC. All submissions are delivered on time.

- Policies and procedures in relation to handling clients' complaints
- When dealing with clients' requests the Company always acts in the clients' best interest and in a independent, fair and objective manner
- The company is not a market maker hence it takes prices by third parties (no risk assumed)
- Internal AML/CTF policies, training and for the personnel at least once a year.

Operational Risk (other than daily trading flow)

This is the risk that the internal organizational systems of the company may fail owing to systems malfunctions or human errors. Operational risk can be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk may also encompass erroneous internal control mechanisms, accounting systems, errors in legal documents, inadequate conduct or employee embezzlement. The Operational Risk also includes other classes of risk such as fraud risk, conflicts of interest risk, personal account dealing risk and confidential information risk.

Mitigation Measures:

The Company's systems are evaluated and assessed continuously in order to minimize any events that might lead to the exposure of Operational risk such as:

- Contingency plans were established. Backup systems and a business continuity plan are also in place.
- The responsibilities of each department are monitored by the head of department on a daily basis. The organizational structure is simple and leads to a clear understanding of the duties and responsibilities of each department. In addition, IT systems can only be accessed through access rights. There are several layers of supervision including among others the Board of Directors, the Senior Management team and the Internal Audit function which ensure a high degree of oversight in the Company's operations. Regular trainings sessions are delivered to the staff so as to ensure compliance with the internal procedures.
- The Company insures its assets and has in place a business continuity plan which is tested in a periodic basis. Secured servers in other countries and fire protection also exist.
- The Company has policies in place to ensure protection of customers' data and compliance with the relevant legal and regulatory framework. Employees are subject to confidentiality conditions and are kept up to date with relevant legal updates.
- The entity has well-established policies and procedures in relation to the reception, transmission and execution of orders and to the provision of portfolio management services. The abovementioned policies and procedures are subject to regular review by the Internal Auditor and the Compliance Officer considers them to be sufficient.
- Health and Safety procedures are in place to mitigate this risk.

- The Company carefully assesses its potential counterparties prior to selection. Once a counterparty is selected, the company performs regular due diligence reviews to ensure that they have sufficient business continuity and IT procedures and that they remain of high credit standard.
- Controls in place exist to ensure prevention of violation of confidentiality policies. Such controls include the oversight of personnel that have access to such confidential information and system passwords to ensure that access to client information is only provided to authorized personnel. In addition, affected personnel is subject to confidentiality policies.
- The company cooperates with high level and secured companies that are providing platforms (such as XPHMA). Backups are performed on a daily basis.

Reputational Risk

There is reputational risk which can be originated by adverse effects arising from damage to reputation due to events / illegal actions and activities and/or the transactions or relationship with certain clients of the IF would put the reputation of the IF at risk. Also, the reputational risk can be raised by unauthorized disclosure of customer information or other commercially sensitive information by an employee or management of the Firm.

The Company's exposure to reputational risk due to damage to reputation from unexpected events / illegal actions and activities as well as internal or external fraud. This risk is assessed as material, before considering the controls in place, and taking into consideration that, based on experience and historic analysis, there have been no claims against the Company for illegal actions or activities. Also, due to high competition in the market, other companies might offer better services. The Company is always exposed to this risk, since there is always a chance that an unplanned event (such as the disclosure of sensitive information) might harm customer confidence. Such an event could hurt the reputation of the company, cause economic loss and disrupt the normal operation of the company.

Mitigation Measures

In order to manage its Reputational Risk, the Company:

- Has implemented procedures for the GDPR and has a designated GDP Officer;
- Ensures that the Compliance Department implements strong controls in relation to compliance with the relevant laws and regulations regularly;
- Ensures that has in place the appropriate policies and procedures so as to incorporate any market changes (including regulatory changes);
- Provides training under the supervision of the Compliance Department and Risk Department;
- Provides a high quality of services to its clients and remain ahead of any of its competitors;

Political Risk

It is the specific risk that an international investor bears because of unfavourable political conditions (new legislation, taxation, terrorism, political problems) in the country he/she invested. Thus, for investors, political risk can simply be defined as the risk of losing money due to changes that occur in a country's government or regulatory environment.

The Company is inevitably subject to political risk since a lot of changes in applicable legislation and other conditions come as a result of diplomatic / political decisions (such as the haircut, the tax legislation etc.,). Unfavorable changes could cause, among others, liquidity problems, economic loss, disruption of operations and reputational damage.

Mitigation Measures

The Company has in place a strong code of conduct and code of ethics policies and has developed a strong culture. The senior management analyses the political environment that operates so that the Company to be able to take necessary actions when those required.

8. Own Funds

The new prudential framework for investment firms set out in the IFR and the IFD is designed to reflect better the nature, size, and complexity of investment firms' activities compared to the CRR/CRD framework. One key aspect of the new framework is that it provides for simpler and more bespoke capital requirements for investment firms.

As per the new rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

- a) Common Equity Tier 1 Capital of at least 56% of Own Funds Requirements.
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Own Funds Requirements.
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Own Funds Requirements.

Table 2 below presents the composition of the Company's Own Funds as at 31 December 2021, while **Table 3** indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Final Report on the Draft Implementing Standards issued by the EBA on reporting and disclosure requirements of investment firms under the IFR (EBA/ITS/2021/02).

As at 31 of December 2021, the Company's Own Funds amounted to €803k and comprised of Common Equity Tier 1 capital (€634k) and Tier 2 capital (€169k).

Table 2:

Template EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

		(a)	(b)
		Amounts (€'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	OWN FUNDS	803	
2	TIER 1 CAPITAL	603	
3	COMMON EQUITY TIER 1 CAPITAL	603	
4	Fully paid up capital instruments	2.020	Ref. 1 (Shareholder's Equity)
6	Retained earnings	(1.225)	Ref. 2 (Shareholder's Equity)
10	Adjustments to CET1 due to prudential filters	0	
19	(-) Other intangible assets	(85)	Ref. 1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(107)	Ref. 2 & 3 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	200	Ref.2 (Liabilities) & Ref.3 (Shareholder's Equity)

Table 3:

Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2021 (€'000)	
Ref.	Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements		
1	Other Intangible Assets	85	Ref.19
2	Cash and cash equivalents (Additional Cash Buffer)	26	Ref.27
2	Cash and cash equivalents (Other)	405	
3	Financial Assets at fair value through profit or loss (Deposit Compensation Fund)	81	Ref.27
3	Financial Assets at fair value through profit or loss (Other)	552	
4	Other Current Assets	793	
5	Other Non-Current Assets	123	
6	Total Assets	2.065	
Ref.	Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements		
1	Current Liabilities	1.070	
2	Non-Current Liabilities (Convertible Bond Tier 2)	169	Ref.40
2	Non-Current Liabilities (Other)	-	
3	Total Liabilities	1.239	
Ref.	Shareholders' Equity		
1	Share Capital	2.020	Ref.4
2	Reserves	(1.225)	Ref.6
3	Other Reserves (Convertible Bond Tier 2)	31	
4	Total Shareholders' equity	826	

Table 4 below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2021. The Company's K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR.

Table 4:

Minimum Capital Requirements

Minimum Capital Requirements		31 Dec 2021 (€'000)
K-Factor Requirement		
Risk-to-Client (RtC)	K-AUM	38
	K-CMH	81
	K-ASA	100
	K-COH	-
Risk-to-Market (RtM)	K-NPR	13
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	-
	K-DTF	0
	K-CON	-
Total K-Factor Requirement		232
Fixed Overhead Requirement ('FOR')		379
Permanent Minimum Capital Requirement ('PMCR')		150

As indicated in **Table 5** below, the CAD ratio of the Company as at 31 December 2021 amounted to 212% which far exceeded the minimum required threshold of 100%, and a capital surplus of €424k.

Table 5:

(EUR)	31 Dec 2021 (€'000)	Reference
Capital		
Common Equity Tier 1	603	
Additional Tier 1	-	
Tier 2	200	
Total Own Funds	803	a
Own Funds Requirement		
K-factor Requirement	232	b
Fixed Overhead Requirement	379	c
Permanent Minimum Capital Requirement	150	d
Minimum Own Funds Requirement	379	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	424	a-e
Capital Ratio	212%	a/e

9. Remuneration policy and practices

In accordance with the Regulation investment firms are required to disclose to the public qualitative information in relation to remuneration policies and practices of the Company and quantitative information on remuneration of those members of staff whose professional activities have a material impact on the risk profile of the Company. Those categories of staff should at least include senior management, risk takers, persons engaged in control functions and any employee whose total remuneration, including the planned discretionary pension benefits, is in the same remuneration bracket as with senior management and risk takers.

The policy of the Company takes into account the nature, scale and complexity of its activities.

Remuneration Policy

The Company ensures appropriate allocation of responsibilities and appropriate reporting lines within the organization to ensure the adequate oversight of the remuneration policies.

In particular, the supervisory function (senior management) shall be responsible for the following:

- Adopting and maintaining the remuneration policy and overseeing its implementation to ensure it is fully operating as intended.
- Approve any subsequent material exemptions made for individual staff members changes to the remuneration policy and carefully consider and monitor their effects.
- Ensure that the Company's remuneration policies and practices are appropriately implemented and aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and the related governance processes.
- Work closely with the management function to ensure that the remuneration policy is consistent with and promotes sound and effective risk management.
- Determine and oversee the remuneration of members of the management function and oversee directly the remuneration of the senior officers in the independent control functions, including the risk management and compliance functions.
- Take into account the input provided by all competent corporate functions and bodies i.e. committees and internal control functions, and business units about the design, implementation and oversight of the Company's remuneration policies.

The Compliance Function shall be responsible for reviewing the remuneration policies and practices at least on an annual basis and where appropriate propose any amendments to the Management Function. The Management Function shall be responsible for reviewing and assessing the proposed amendments and where appropriate provide their approval and/or comments and recommendations.

Part of the responsibilities of the senior management is also to decide on a target for the representation of the underrepresented gender in the Board and prepare a policy on how to increase the number of the underrepresented gender in the Board in order to meet that target.

Compensation Mix

In general, the remunerations of all staff is fixed, and reflect the level and responsibility of everyone and don't give incentives to increased business risks for the Company from both staff and the senior management of the Company.

The control function staff is remunerated in relation to their individual responsibilities and objectives and not in relation to the performance of the control function units of the Company. Persons engaged in control functions include mainly those engaged in Internal Audit, Risk Management and Regulatory Compliance. The Internal Audit is outsourced.

Fixed remunerations are determined in accordance with the level of each employee of the Company. The total remuneration of staff consists of fixed and variable components. The fixed component of the Company is set at 100% of the total remuneration and represents a high proportion of the total remuneration paid; this will allow the employees to focus on the qualitative aspects of their work in the short, medium and long term. The variable remuneration of the Employees will therefore be based on the annual appraisals performed by the General Manager and/or Board of Directors, and based on the outcome of such appraisals, a variable remuneration will be decided upon at the discretion of the General Manager and Board of Directors.

Remuneration Categories

Type of remunerations/benefits:

- Fixed remunerations
- Variable remuneration (e.g. bonuses)
- Contributions to the
 - social security fund and other funds
 - social cohesion fund
 - provident fund
- Other benefits (e.g. travelling expenses)

Fixed (base) Salary

The Company provides a fixed (base) salary to all groups identified i.e., the Executive Directors and Non-Executive Directors, staff employed in the Internal control functions of the Company and to all other employees. The fixed (base) salary is paid monthly as per the provisions of the national employment law.

Variable remuneration (e.g. bonuses)

The Company has a fully flexible policy on variable remuneration. This means that the amount of variable remuneration award should appropriately react to changes of the performance of the staff member, the business unit and the institution.

Taking into consideration the business activities, the risks and the impact that different categories of staff have on the Company's risk profile, the Company sets the ratio between fixed and variable remuneration to 100%.

During the year, the Company did not provide any variable remuneration.

Other Benefits

The Company may provide other benefits depending on the identified group such as:

- Private medical insurance
- Director's indemnity to the fullest extent permitted by law and the Company's Articles of Association (applicable to the Executive Directors); and
- Other additional benefits made available from the Company from time to time as appropriate based on the Executive Director's circumstances i.e. travel, hotel and other expenses reasonably incurred by the Executive Directors in the course of the Company's business.

Contributions

Contributions and benefits to the provident fund, social cohesion fund and social security fund are subject to the statutes of the respective fund.

Table 6 provides an aggregate analysis of remunerations during the year 2021.

31 December 2021				
Role	No. of Beneficiaries	Fixed Remuneration '000 €	Variable Remuneration '000 €	Total '000 €
Senior Management	6	185	-	185
Other staff whose actions have a material impact on the risk profile of the Company	7	354	-	354
Total	13	539	-	539

The Non – Executive Directors have not received any fees/compensation from the Company for the period that they served as members of the Board.

The average number of employees employed by the Company during the year 2021 was 25.

There were no severance payments or deferred remuneration awarded and paid out during the financial year.

Appendix

I. Board Risk Statement

Risks in the Company are adequately managed through the Company's Internal Capital Adequacy Process which in a holistic manner encompasses, inter alia, the Company's Risk management framework. This is summarized as follows:

The Company, having applied the principle of proportionality, has adopted a relatively risk-averse approach to risk despite considering itself as non-complex. The Company's Risk Management framework is built following the Pillar I plus approach, i.e. the minimum capital calculated under Pillar I is internally assessed and challenged to identify and quantify uncontrolled/material risks. Thereafter, the allocation of additional capital and/or imposition of additional controls is decided.

The Risk Tolerance of the Company is being determined by the CAR (Compliance, Audit and Risk) Committee. Then the Company's Risk Manager identifies the risks that the Company faces and records them in a Risk Register; he/she also details the controls already in place as regards to each risk. Thereafter, each risk in the said register is rated in terms of its potential financial impact and its probability of occurrence, then, following calculation as per the latest ICAAP report the category of each risk is being determined. In such cases, further analysis is undertaken, on whether additional capital or controls are more appropriate to be added, so as for the risk to be mitigated and returned into the Company's Risk Tolerance.

II. Own Funds

Template EU IF CCA: Own funds: main features of own instruments issued by the firm

		a	b
		<i>Common Equity Tier 1 Capital</i>	<i>Tier 2 Capital</i>
1	Issuer	ARGUS STOCKBROCKERS LIMITED	ARGUS STOCKBROCKERS LIMITED
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
3	Public or private placement	Private	Private
4	Governing law(s) of the instrument	Cyprus Law	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Convertible Bonds
6	Amount recognised in regulatory capital (in EUR)	€ 2.020.000	€ 200.000
7	Nominal amount of instrument	4.697.705	200
8	Issue price	€ 0,43	€ 1.000,00
9	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' equity	Non-current Liability
11	Original date of issuance	19/1/2000	6/12/2021
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	31/3/2029
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	31/3/2029
16	Subsequent call dates, if applicable	N/A	N/A
	<i>Coupons / dividends</i>	N/A	N/A
17	Fixed or floating dividend/coupon	N/A	Fixed
18	Coupon rate and any related index	N/A	6%
19	Existence of a dividend stopper	N/A	YES
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	The Issuer is required to cancel (in whole or in part, as applicable) any interest payment otherwise due to be paid to the extent that the Cyprus Securities and Exchange Commission requires the Issuer to cancel the payment of such interest.
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	The Issuer is required to cancel (in whole or in part, as applicable) any interest

			payment otherwise due to be paid to the extent that the Cyprus Securities and Exchange Commission requires the Issuer to cancel the payment of such interest.
22	Existence of step up or other incentive to redeem	N/A	N/A
23	Noncumulative or cumulative	N/A	Cumulative
24	Convertible or non-convertible	Non-convertible	Convertible
25	If convertible, conversion trigger(s)	N/A	Convertible Bonds may be converted at the option of the holder during any Conversion Period.
26	If convertible, fully or partially	N/A	Fully
27	If convertible, conversion rate	N/A	The Bonds will be converted to Ordinary Shares of the Issuer at a price which will be determined 30 calendar days before the Last Conversion Date so that the holders of Bonds shall be entitled to receive at the Last Conversion Date new Ordinary Shares of the Issuer which will equate to a maximum of 25% and no less than 20% of the Issued Share Capital of the Issuer.
28	If convertible, mandatory or optional conversion	N/A	Optional-at the option of the holders
29	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1
30	If convertible, specify issuer of instrument it converts into	N/A	ARGUS STOCKBROCKERS LIMITED
31	Write-down features	N/A	No
32	If write-down, write-down trigger(s)	N/A	N/A
33	If write-down, full or partial	N/A	N/A
34	If write-down, permanent or temporary	N/A	N/A
35	If temporary write-down, description of write-up mechanism	N/A	N/A
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A	N/A