ArgusFX Ltd

(CIF Licence No. 334/17)

PILLAR III DISCLOSURES AND MARKET DISCIPLINE REPORT FOR 2019

DISCLOSURE

The Pillar III Disclosures and Market Discipline Report for the year 2019 has been prepared by ArgusFX Ltd (hereinafter the "Company") as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DI144-2014-14 issued by the Cyprus Securities and Exchange Commission (hereinafter "CySEC").

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

The Company states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

The Company is regulated by the Cyprus Securities and Exchange Commission under License number 334/17 and operates in harmonization with the Markets in Financial Instruments' Directive (hereinafter "MiFID II").

Contact US

Address	148 Srovolos Av., 1st Floor, 2048, Nicosia, Cyprus
Telephone	+35722059059
Website	www.argusfx.com
Email	info@argusfx.com

TABLE OF CONTENTS

1. Introduction

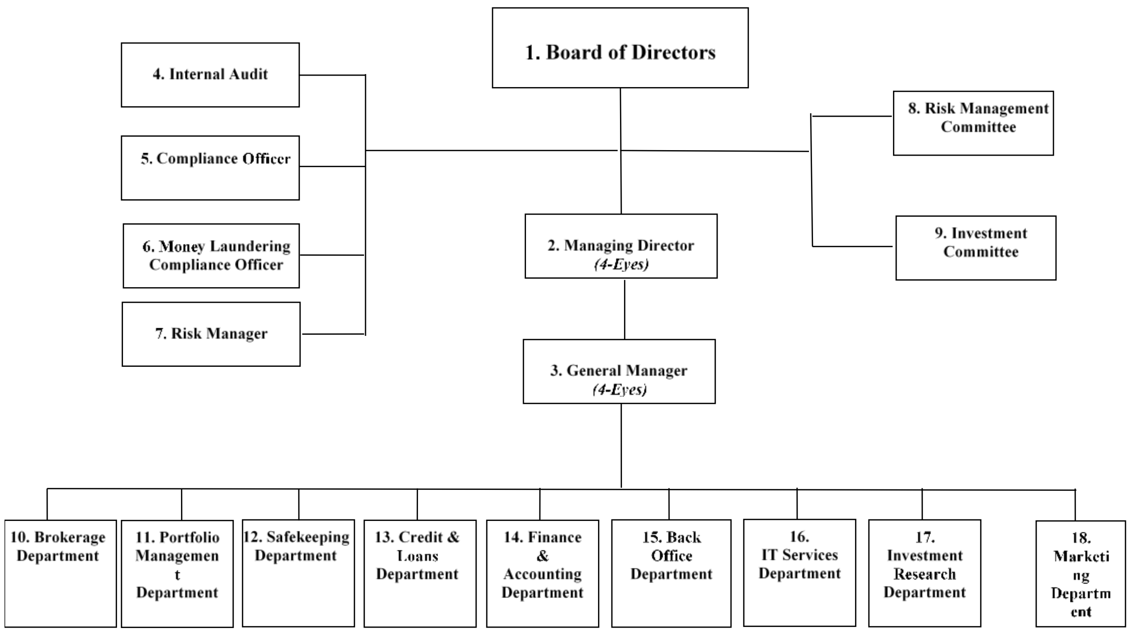
1.1. Corporate Information

The Company was incorporated in Cyprus on 22nd May 2000 as a limited liability company under the Companies Law, Cap.113. It is authorised and regulated by the Cyprus Securities and Exchange Commission to operate as a Cypriot Investment Firm (hereinafter "CIF") under licence number 334/17, since 10th August 2017.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified in the following table:

<table>
<tr><th>Financial instruments</th><th colspan="8">Investment services/activities</th><th rowspan="12"></th><th colspan="7">Ancillary services</th></tr>
<tr><th></th><th>I(1)</th><th>I(2)</th><th>I(3)</th><th>I(4)</th><th>I(5)</th><th>I(6)</th><th>I(7)</th><th>I(8)</th><th>II(1)</th><th>II(2)</th><th>II(3)</th><th>II(4)</th><th>II(5)</th><th>II(6)</th><th>II(7)</th></tr>
<tr><td>III (1)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td rowspan="10">–</td><td rowspan="10">√</td><td>√</td><td rowspan="10">–</td><td rowspan="4"></td></tr>
<tr><td>III (2)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>III (3)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>III (4)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>III (5)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td><td>_</td></tr>
<tr><td>III (6)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td><td>_</td></tr>
<tr><td>III (7)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td><td>_</td></tr>
<tr><td>III (8)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td><td rowspan="2">–</td></tr>
<tr><td>III (9)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td></tr>
<tr><td>III (10)</td><td>√</td><td>√</td><td>_</td><td>√</td><td>_</td><td>_</td><td>_</td><td>_</td><td>√</td><td>√</td><td>√</td><td>_</td></tr>
</table>

1.2. Organizational Structure



1.3. Regulatory framework overview

This report has been prepared in accordance with Section 4 (Paragraph. 32) of the CySEC Directive DI144-2014-14 of 2014 (the "Directive") for the prudential supervision of investment firms which implements the Regulation 575/2013 (the "Regulation" or "CRR") and of the council of 26 June 2013 of prudential requirement for credit institutions and investment firms and amending regulation (EU) No 648/2012 and the European Directive 2013/36/EU (the "European Directive" or "CRD IV"), as well as the relevant provisions of Law 144(I)/2007, as amended. It is noted that the Law 144(I)/2007, has been replaced by Law 87(I)/2017(hereinafter, the "Law") for the purpose of harmonization with European Directive 2 2014/65/EU ("MIFID II") which applies to Cypriot investment firms (CIFs), market operators, data reporting service providers (DRSP), and third-country firms providing investment services or activities through the establishment of a branch in the Republic as of 3 January 2018.

CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduces significant changes in the prudential regulatory regime applicable to institutions including amended minimum capital ratios, changes to the definition of capital and the calculation or risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR is immediately binding on all EU member states. CRD IV governs access to internal governance arrangements including remuneration, Board of Directors (the "Board") composition and transparency.

The Regulatory framework consists of a three "Pillar" approach:

- **Pillar I**: relates to standards that set out the minimum regulatory capital requirements, defines eligible instruments and prescribes rules for calculating Risk Weighted Assets (RWA) required for credit, market and operational risk.

- **Pillar II**: requires firms and supervisors to take a view on whether a firm should hold additional capital against risks considered under Pillar I that are not fully captured by the Pillar I process, as well as external factors to the firm. Pillar II provides communication between supervisors through the Supervisory Review Process ("SREP") and the firm when assessing its internal Capital Adequacy Assessment Process (the "ICAAP") and provides for the monitoring and self-assessment of an investment firm's capital adequacy and internal processes.

- **Pillar III:** covers transparency and relates to the obligation of Investment Firms to publicly disclose information with respect to their risk management policies, the results of the calculations of minimum capital requirements, as well as information as to the composition of original own funds.

1.4. Scope, Basis and Frequency of Disclosure

The information provided in this report is based on procedures followed by the Company to identify and manage risks for the year ended 31 December 2019 and on reports submitted to the Board and to CySEC for the year under review.

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

These disclosures are made mainly in order to give information on the risks faced by the Company and how these are dealt with, as well as the basis of calculating the Company's capital requirements.

The Company's policy is to publish the Pillar III disclosures on an annual basis on its website www.argusfx.com

All disclosures made, prior to being published, were reviewed and verified by the Company's Board.

The Company has commissioned independent auditors to review its Pillar III disclosures. In accordance with Directive, the Company is required to provide a copy of the auditor's verification report to CySEC within five months of each financial year.

2. Risk Management Objectives and Policies

2.1. Lines of defense

In developing its overall control environment, the Company has adopted the "three lines of defense" model. The first line of defense is the management and the Company's departments. The second line includes the risk management function, the compliance function and the anti-money laundering compliance function. The third line of defense is the internal audit function, which is responsible for the independent assessment of the effectiveness of the processes established in the first and second lines of defense and providing assurance on these processes.

2.2. Risk Management Objectives and Policies

2.2.1. Risk Management Framework and Governance

The Company operates an independent risk management function which is responsible for implementing the risk management policies and procedures of the Company, which identify and manage the risks relating to its activities, processes and systems, ensuring that these are properly adopted under the supervision and control of the Risk Manager and the Risk Management Committee.

Risk is inherent in the Company's business activities and is linked to strategic and capital decisions. The Company's management strives to achieve the Company's business and financial and financial strategic plans by considering internal and external constraints imposed by regulators and other stakeholders.

The Company's risk management arrangements and systems, internal controls and financial installments are reviewed by the Board of Directors in respect to their effectiveness. These controls and measures are designed in order to identify, assess, monitor and control of risks, that could possibly have impact on fraud, Company's operations and material loss.

The Board of Directors considers that the Company has in place adequate systems, controls and appropriate mechanisms, properly resourced, to avoid or meditate any possible losses.

2.2.2. Risk Management Function

The Company has established a Risk management Function, which operates independently and is responsible for the compliance and monitoring of all transactions in the context of legality, avoidance of conflict of interest, insider dealing and preservation of confidential information. The Risk Management function is also responsible for the determination, evaluation and efficient management of the risks inherent in the provision of the investment services.

The Risk Management Committee shall ensure efficient monitoring of the risks associated with providing investment services to clients as well as the risks of the operation of the Company in general.

In addition, as per Part II, paragraph 6 of Directive DI144-2007-01, a CIF is required to comply with the following requirements:

(a) to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the CIF's activities, processes and systems, and where appropriate, set the level of risk tolerated by the CIF;

(b) to adopt effective arrangements, processes and mechanisms to manage the risks relating to the CIF's activities, processes and systems, in light of that level of risk tolerance;

(c) to monitor the following:

(i) the adequacy and effectiveness of the CIF's risk management policies and procedures;

(ii) the level of compliance by the CIF and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with point (b) above;

(iii) the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the CIF to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

In this respect, the Company operates an independent risk management function which is responsible for implementing the risk management procedures of the Company and ensuring that they are properly adopted under the supervision and control of the Risk Manager and the Risk Management Committee.

2.2.3. Risk Management Committee

The Risk Management Committee is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

Towards this direction, the Company adopted and maintains risk management policy, which identify the risks relating to the Company's activities, processes and systems and sets the level of risk tolerated by the Company.

Also, the Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

In particular, the Risk Management Committee is responsible to:

(a) scrutinize, and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company,

(b) the development of an internal risk management framework and its integration with the Company's decision-making process, covering the whole spectrum of the

Company's activities and units. In particular to ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or departments of the Company. This policy shall ensure that all parties involved in the provision of investment services are aware of: (i) the particular features of each investment service, financial instrument, and risk inherent in the provision of the services and (ii) the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company.

(c) monitor and control the Risk Management department in the performance and effectiveness of its duties,

(d) the assessment of reports submitted to it by the Head of the Risk Management department and informing the Board of the most important risks which have been assumed by the Company,

(e) the assessment, on an annual basis, of the adequacy and effectiveness of the risk management policy and the adequacy of provisions and the overall capital adequacy of own funds in relation to the size and nature of the risks undertaken. The above assessment should be based on the annual report submitted to it by the Head of the Risk Management function,

(f) the submission to the Board of proposals and recommendations for corrective action, whenever weaknesses are identified in implementing the risk management strategy,

(g) review and approve the Risk Management Policy prepared by the Head of the Risk Management department,

(h) approve the Disaster Recovery Plan,

(i) monitor and identify significant abrupt changes in the Company's financial figures, procedures and personnel,

(j) monitor and identify the causes of significant deviations between projections and corporate end results,

(k) before expanding to new investment services or new financial instruments the Risk Management Committee will review relevant report from the Head of the Risk

Management Department and assess the risk involved in those investment services or new financial instruments.

2.2.4. Internal Audit Function

The Internal Auditor's role is to provide independent, objective assurance and consulting activities designed to add value and improve the Company's operations and make them in line with applicable regulation. Internal audit provides assurance of the effectiveness of governance, risk management and internal controls, achieve risk management and control objectives.

The Internal Auditor is independent from the other functions and activities of the Company reporting directly to Senior Management and the Board of Directors.

2.2.5. Compliance Officer

The Compliance Officer has established, implemented and maintains adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations under the Law, as well as the associated risks, and put in place adequate measures and procedures designed to minimize such risk.

The Compliance Officer operates a monitoring programme that covers all relevant areas of investment services, activities and ancillary services to ensure that risk is comprehensively managed and monitored.

The Compliance Officer is independent and is responsible for the following:

(a) monitoring and assessing the adequacy and effectiveness of the measures and procedures put in place through also the methods and tools mentioned above

(b) the actions taken to address any deficiencies in the Company's compliance with its obligations under the Law

(c) advising and assisting the relevant persons responsible for carrying out the investment services and activities to comply with the Company's obligations under the Law

(d) establishing and maintaining adequate screening procedures

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information and reports directly to the Board of Directors.

2.2.6. Money Laundering Compliance Officer

The Company's Money Laundering Compliance Officer (hereinafter the "MLCO") belongs to the higher hierarchical levels/layers of the Company so as to command the necessary authority. The MLCO is independent and has the necessary authority, resources, expertise and access to all relevant information and reports directly to the Board of Directors of the Company.

The MLCO is the appointed person to whom the Company's employees should report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The MLCO established, implemented and maintains adequate and effective policies and procedures as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the MLCO will be responsible to put in place such adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. In addition, the MLCO leads the Company's Money Laundering Compliance procedures and processes.

During 2018 the role of the MLCO and the Compliance Officer were assumed by the same person.

3. Corporate Governance -Board and Committees

3.1. The Board

All members of the Company's Board commit sufficient time in performing their functions in the Company. The Board is comprised by two executive members, two non-executive members and two independent non- executive members. This helps to ensure that the decisions taken by the Company's Senior Management are assessed and challenged where appropriate and that management's decision-making process is effectively monitored.

Each member of the Board acts independently to assess and challenge the decisions of Senior Management where appropriate.

The Board bears the ultimate responsibility for ensuring that an effective and efficient internal control system is established and maintained. It also ensures that the internal audit function acts with due professional care and diligence and has the necessary knowledge and expertise to carry out its responsibilities. The control mechanisms implemented at the Board level include deciding on its composition and the frequency of Board meetings. The Board also consults and discusses annual written reports from the internal control functions.

The Board has frequent meetings as recorded in their minutes which are attended by all board members, including non-executive and independent non- executive members, to ensure that they are adequately involved in the Company's affairs and gain sufficient understanding of the operations of the Company. All members of the board reside permanently in Cyprus and are available at any time.

To assess the effectiveness of the Company's internal control arrangements, each year the board of directors receives, reviews and approves written reports from the internal audit function, risk management function, compliance function and anti-money laundering function. These reports are also submitted to CySEC in accordance with legislative requirements.

3.2. Recruitment Policy

The recruitment process of Board Members combines an assessment of both technical capability and competency skills. These characteristics are matched against the Company's framework and used to assess their applicability.

The members of the Board demonstrate sound business judgment and acts with independence of mind during the decision-making process, acting towards the best interest of the Company as a whole. The recruitment and appointment of the members of the Board of Directors is subject to the approval of CySEC, following their assessment as "Fit and Proper".

3.3. Diversity Policy

The overall composition of the Board of Directors shall reflect an adequately broad range of skills and experiences, as the Company recognizes the benefits of having diversity into the Company's business strategy and it is committed to promote a diverse and inclusive workplace at all levels.

3.4. Number of Directorships held by members of the Board

The table below indicates the number of directorships in investment firms and or credit institutions held by the members of the Board:

Name	Position in ArgusFX Ltd	Executive Directorships	Non-Executive Directorships
Charalambos Michaelides	Executive Director	1	0
Stavros Giannakou	Executive Director	1	0
Neoclis Nicolaou	Non-Executive Director / Chairman	0	5
Panos Giannos Christodoulou	Non-Executive Director	0	1

Louiza Protopapa	Independent, Non-Executive Director	0	1
Evangelos Sykopetritis	Independent, Non-Executive Director	0	1

3.5. Reporting and Control

All the control functions (i.e. Compliance, AML Compliance, Risk Management, Internal Audit and Financial) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the senior management.

The Company is preparing throughout a calendar year the following reports with the frequency indicated below, for the review and approval by the Board:

S/N	Report Name	Preparer	Frequency
1	Annual Risk Management Report	Risk Manager	Annually
2	Annual Anti-Money Laundering Compliance Officer Report	MLCO	Annually
3	Annual Compliance Officer Report	Compliance Officer	Annually
4	Annual Internal Audit Report	Internal Auditor	Annually
5	Audited Financial Statements	External Auditor	Annually
6	Suitability Report	External Auditor	Annually
7	Pillar III Disclosures	Risk Manager	Annually
8	Capital Adequacy Report	Risk Manager/ Accounting	Quarterly
9	Quarterly Statistics	Compliance Officer	Quarterly

4. Own Funds & Capital Requirements as at 31 December 2019

4.1. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with CRD IV which sets out the characteristics and conditions for own funds.

The Company's Audited Total Capital Adequacy Ratio as at 31 December 2019 was 6.62%.

Regarding the Company's compliance with the aforesaid total capital ratio that fell below the regulatory minimum, the Company has notified CySEC regarding the ownership change in favour of Trade Capital Holdings (TCH) Ltd and the latter's 100% participation in the Company. The Commission's approval of the aforesaid change was granted through the CySEC's Letter, dated 2nd July 2020 and to this end the Company has commenced the process of converting the Contingent Convertible Bond, classified as Additional Tier 1 Equity with a nominal value of EUR 500,000 in favor of Trade Capital Holdings (TCH) Ltd, as well as raising of additional capital, to be classified as CET1 equity for EUR 125,000 in order to duly restore its compliance with the minimum capital ratios. These will be evident during the financial and CRD reporting / submission(s) for the 2nd quarter of 2020, due to be reported by the 11th August 2020 deadline.

4.2. Tier 1 and Tier 2 Capital requirements

The Company's total capital is in fact comprised of Common Equity Tier 1 capital as is indicated at the below table.

The compositions of the capital and capital ratios of the Company, as well as the risk weighed exposures is shown in the following table:

Description	**Amount in thousands**
OWN FUNDS	
COMMON EQUITY TIER 1 CAPITAL	-273
ADDITIONAL TIER 1 CAPITAL	500
TIER 1 CAPITAL	227
TIER 2 CAPITAL	0
TOTAL OWN FUNDS	**227**
TOTAL ELIGIBLE CAPITAL	**227**
RISK WEIGHTED EXPOSURES	
CREDIT RISK	178
MARKET RISK	0
OPERATIONAL RISK & FIXED OVERHEADS	3251
TOTAL RISK EXPOSURE AMOUNT	**3428**
CET1 Capital ratio	**-7.97%**
T1 Capital ratio	**6.62%**
Total capital ratio	**6.62%**

The Company follows the Standardized Approach for the calculation of its Pillar 1 capital requirements for its Credit and Foreign Exchange risks and the Basic indicator approach for own funds requirement for operational risk, based on the CRR regulation.

4.3. Main features of capital instruments

Capital Instruments Main Features	CET1 Amount in Thousands
Capital instruments eligible as CET1 capital	1585
Paid up capital instruments	314
Share premium	1271
Retained earnings	-1656
Other transitional adjustments to CET1 Capital	26

Additional deductions of CET1 Capital due to Article 3 of the CRR	-73
Other intangible assets before deduction of deferred tax liabilities	-128

4.4. Balance Sheet Reconciliation

Description	Amount in Thousands
Equity	429
Share capital	314
Share premium	1,271
Retained earnings	-1,656

5. Credit Risk

5.1. Credit Risk

Credit risk arises when a failure by counterparties and or customers to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the reporting date. Credit risk arises from cash and bank balances and trade receivables. Also, this risk primarily arises from exposures with credit institutions and investment firms as well as corporate and individual customers. It may also arise as a result of a downgrade in the credit ratings of rated counterparties.

The Company has significant exposure in credit risk which mainly arises from country concentration risk, counterparty concentration risk and sectorial risk. In order to mitigate its credit risk exposure, the Company employs a wide range of measures and controls. These include the diversification of the Company's exposures to various credit institutions established in different countries within European Union, the review and assessment on frequent basis of their performance and credit quality, the establishment of counterparty and country limits, the ongoing monitoring of the ageing profile of its receivables as well as the daily monitoring of its exposures taking into account the large exposure limits.

5.2. Credit Risk Weighed Assets

The Company's Credit Risk Weighted Assets and Capital Requirements are broken down by exposure class as follows:

Exposure Class	Total Exposure Value	Risk Weighed Exposure Amount
Institutions	12	2
Corporates	51	18
Other items	399	157
Total	**462**	**177**

The following table presents the exposures of the Company per risk weight:

Risk Weight	Exposure Amount in Thousands
0%	1
20%	338
50%	27
100%	96
Total	**462**

5.3. Use of ECAIs

The Company uses External Credit Assessments Institutions (ECAI) Credit Assessments for the determination of Risk Weights.

In particular, the Company used the credit ratings of Fitch and the below table displays the credit quality step, with the ratings and the exposure amounts.

Credit Quality Step	Moody's Ratings	Exposure amount in thousands
1	Aaa	-
2	Aa1-Aa3	-
3	A1-A3	-
4	Baa1-Baa3	-
5	Ba1-Ba3	-
6	B1-B3	-
7	Caa1-Caa3	11
8	Ca	-
9	C	-
Unrated /Not Applicable	N/A	1
Total		**12**

Exposures to Corporates and Other Items were unrated and risk weighed as 100%, expect for cash in hand which are subject to a 0% risk weight.

5.4. Residual maturity broken down by exposure classes

The Company's residual maturity breakdown of all the exposures, broken down by exposure classes is displayed in the following table:

Exposure Class	Residual Maturity ≤ 3 months in thousands	Residual Maturity >3 months in thousands	Total
Institutions	0	12	**12**
Corporates	42	9	**51**
Other items	224	79	**303**

Total	**266**	**100**	**366**

5.5. Geographical Distribution of the Exposures

The geographical distribution of the exposures of the Company, broken down in significant geographical areas by material exposures classes is shown at the following table:

Exposure Class	Cyprus
Institutions	12
Corporates	51
Other items	303
Total	**366**

5.6. Distribution of exposure by industry

The Company discloses below the distribution of the exposures by industry broken down be exposure classes as follows:

Exposure Class	Financial	Other	Total
Institutions	12	0	**12**
Corporates	0	51	**51**
Other items	13	290	**303**
Total	**25**	**341**	**366**

6. Market Risk

Market risk is in fact based on the definition as the risk of losses in on and off- balance sheet positions arising from adverse movements in market prices. Also, market risk, from regulatory perspective, can be translated as foreign exchange risk positions in the whole balance sheet.

Due to Company’s business model, the Company's exposure to market risk arises from its exposure to foreign exchange risk. Foreign exchange risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company considers that it has insignificant exposure to foreign exchange risk which arises from the foreign exchange conversions of assets and liabilities denominated in a currency different than euro, which is the reporting currency of the Company. The Company monitors its exposure to foreign exchange risk on a continuous basis, nevertheless, it considers that it is immaterial

7. Fixed Overheads Requirements

Based on CRDIV implementation, Operational Risk is replaced by Fixed Overheads requirements for CIFs with "Limited Licence", CIFs without the dealing on own account license, pursuant to Article 97 of the CRR.

The purpose of this new requirement is to enable CIFs to protect their investors in case of winding down or restructuring their activities and to hold sufficient financial resources to withstand operational expenses over an appropriate period of time. In this respect, CIFs are required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year based on the most recent audited annual financial statements, or projected fixed overheads in the case where a CIF has not completed business for one year.

The Company's Fixed Overheads Risk Exposure amount as at 31 December 2019 is shown at the below table:

Fixed Overheads in thousands	Fixed Overheads Requirements in thousands	Fixed Overheads Risk Exposure in thousands
1,097	274	3,428

8. Operational Risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters.

The Company has policies and procedures in place for monitoring and mitigating its exposure to operational risk, including due diligence procedures for its counterparties as well as procedures for their regular assessment to ensure that its third parties are of high credit standard.

9. Liquidity Risk

Liquidity risk is the risk that arises when there are no sufficient liquid assets to meet liabilities as they fall due. The Company has insignificant exposure to liquidity risk due to the nature of the Company's business and structure. The Company has mitigating procedures in place by maintaining sufficient cash and having available an adequate amount of committed credit facilities.

10. Reputational Risk

The risk of loss of reputation arising from the negative publicity relating to the Company's operations may result to a reduction of its clientele, reduction in revenue and /or legal cases against the Company. The Company applies procedures to minimize this risk.

11. Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non- compliance with the applicable regulation. The Company staking measures and procedure for mitigations of such possible risks to a significant extent due to the supervisions applied by the Compliance Offices as well as the monitoring controls applied.

12. Remuneration

12.1. Remuneration Policy

The purpose of the remuneration policy is to set out the remuneration practices of the Company drafted based on the provision of the Directive DI144-2014-14, as amended for prudential supervision of Investments Firms, as well as the Circular C031 previously Guidelines GDIF-07, on remuneration policies and practices, the Circular C138 for Remuneration policies and practices and Circular C145 on Clarifications for Circular C138, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The Remuneration Policy of the Company has been prepared by the Compliance Officer and reviewed and approved by the Board.

The employees' total remuneration consists of only a fixed component. Furthermore, the Policy includes measures that can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

12.2. Fixed Remuneration

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees.

12.3. Remuneration of Senior Management Personnel and Directors

The remuneration of the senior management personnel of the Company, including the Board is shown in the following tables:

2019	Executive Directors	Non- Executive Directors
Fixed Remuneration	110,519	-
Variable Remuneration	-	-
Fixed to Total Remuneration	100%	-
Total		**-**
Number of beneficiaries	2	4

The following table shows the fixed and variable remuneration by business area for control functions and department related to investments activities. Where the control functions include the Executive and Non-Executive Directors, Compliance and AML Function and the Risk Manager and department dealing with investments activities of the Company is the Brokerage Department.

Annual Aggregate Remuneration by Business Area	No of staff	Fixed
Control functions	3	158,619
Brokerage Department	1	27,690