# The Cyprus Investment and Securities Corporation Ltd

# Pillar III Disclosures and Market Discipline for the year ended 31 December 2024

**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**

**May 2025**

## Contents

# 1. Introduction

## 1.1 Corporate Information

These disclosures (the “Pillar III Disclosures”) relate to The Cyprus Investment and Securities Corporation Ltd (“the Company” or “CISCO”), which is authorised and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) as a Cyprus Investment Firm (“CIF”) to offer Investment and Ancillary Services under license number 003/03 dated May 12, 2003, and which has a LEI Code of 213800XP9YY3GNQGZE38.

The principal activities of the Company are those of an investment firm. The Company offers a full spectrum of Brokerage, portfolio management, advisory and investment services and Investment Banking services which include inter alia, underwriting, management and selling of securities in the primary market, provision of brokerage services in secondary markets, the provision of financial consultancy and portfolio management, as well as margin facilities for trading on the Cyprus and Athens Stock Exchanges to eligible clients through a well-structured and regulated product offering. CySEC’s relevant Directive governs the general operational framework for the provision of margin trading and the responsibilities of the parties involved. The Company’s management monitors compliance with the Directive. In 2021, the Company was also licenced by CySEC to provide portfolio management and collective portfolio management services, provided that certain conditions are met. These conditions were fully met following the merge of BOC Asset Management Ltd with the Company, which was completed in February 2023.

In particular, the Company has the license to provide the following investment and ancillary services, in the financial instruments outlined below:

| Investment Services |
|---|
| • Reception and transmission of orders in relation to one or more financial instruments (1,2,3,4,5,9)<br>• Execution of orders on behalf of clients (1,2,3,4)<br>• Portfolio management (1,2,3,4,5,9)<br>• Provision of investment advice (1,2,3,4)<br>• Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (1,2,3,4)<br>• Placing of financial instruments without a firm commitment basis (1,2,3,4) |

| Ancillary Services |
|---|
| • Safekeeping and administration of financial instruments, including custodianship and related services (1,2,3,4)<br>• Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction (1,2,3,4)<br>• Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.<br>• Foreign exchange services where these are connected to the provision of investment services.<br>• Investment research and financial analysis or other forms (1,2,3)<br>• Services related to underwriting. |

| Financial Instruments |
| --- |
| • Transferable securities (1)<br>• Money-market instruments (2)<br>• Units in Collective Investment Undertakings (3)<br>• Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash (4)<br>• Options, futures, swaps, forwards, and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event (5)<br>• Financial contracts for differences (9) |

## 1.2 Pillar III Regulatory Framework

Since 26 June 2021, the Company, as the majority of EU investment firms, has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of 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”), as the latter has been harmonized into local legislation through the issuance of the Law for the Prudential Supervision of Investment Firms (165(I)/2021).

The IFR and IFD rules focus on specific 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 & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

As per the new rules, 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 meet all the following conditions at all times:

- Common Equity Tier 1 Capital of at least 56% of minimum capital requirements;
- Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of minimum capital requirements;
- Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of minimum capital requirements.

In addition to the minimum capital requirements, the Company is required to maintain liquid assets equal to at least one third of its Fixed Overhead Requirement.

The Company is a Class 2 CIF and is required to hold €750k 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 Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three Pillars and their applicability to the Company, are summarised below:

- 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.

The present 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 2024. The Company is making these Disclosures on an individual (solo) basis as it is not required by the Cyprus Companies Law, Cap. 113, to prepare consolidated financial statements because the parent company, Bank of Cyprus PCL, publishes consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the EU in Cyprus and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2024.

The disclosures are verified by the external auditors of the Company. Furthermore, the Company should upload its annual Pillar III Disclosures on its website, while it also should submit them to CySEC accompanied by its external auditors’ verification report.

## 1.3 Operating Environment

Cyprus is a small, open, services-based economy, with a large external sector and high reliance on tourism and international business and information and communication technology (ICT) services. As a result, external factors which are beyond the control of the Group, including developments in the European Union and in the global economy, or in specific countries with which Cyprus maintains close economic and investment links, can have a significant impact on domestic economic activity. A number of macro and market related risks, including weaker economic activity, a highly volatile interest rate environment, and higher competition in the financial services industry, could negatively affect the Company’s business environment, results, and operations.

Although, there have been distinct improvements in Cyprus’ risk profile after the banking crisis, substantial risks remain. Cyprus’ overall country risk is a combination of sovereign, currency, banking, political and economic structure risk, influenced by external developments.

There are heightened geopolitical tensions between the world’s largest economies adding uncertainty to the global economy outlook. War and geopolitics can be very disruptive to the economy. Continued uncertainties arise from the ongoing wars in Russia/Ukraine and the Middle East. In this context, the Company is closely monitoring the developments and will take appropriate actions when and if needed.

# 2. Risk Management Arrangements

## 2.1 Risk Management Objectives and Policies

### 2.1.1. The Company's Approach to Risk Management

The primary mission of the Company's risk management function is to incorporate robust risk management practices in all areas of the Company to ensure that the level of risk faced by CISCO is consistent with the overall risk appetite and strategy.

The risk management department employs sound processes, professional expertise and adequate techniques and systems in order to comply, at all times, with the applicable laws and regulatory requirements of risk management. The key scope is to promote the effective and prudent management of all risks and to protect the Company and its investors from risks to which they may be exposed to.

### 2.1.2. Risk Management Function

The Risk Management Function is hierarchically and functionally independent from the other operating departments of the Company and reports directly to the Audit & Risk Committee ("ARCO") of the Board of Directors ("BoD") of CISCO.

The Risk Management processes aim to:

- Identify risks relevant to CISCO and to the clients of CISCO.
- Measure the risks and quantify risk limits.
- Create and maintain an integrated and effective risk management framework.
- Develop plans to mitigate risks and monitor the progress of risk mitigation activities.
- Create and disseminate risk measurements and reports to the BoD and ARCO of CISCO and regulators as required.
- Be involved in decision making, strategy and policy setting.
- Develop a robust risk culture.

### 2.1.3. Risk Management Governance

The responsibility for approving and monitoring the Company's overall risk appetite and policies for managing risks lies with the Board of Directors of the Company.

The Company follows the regulatory guidelines for Corporate Governance of the Bank of Cyprus Group ("BOC Group") and has defined a set of rules and controls governing its organisational and operational structure including reporting processes and functions for risk management, compliance, and internal audit.

CISCO has established the "Three Lines of Defence" model as a framework for effective risk management and control which depicts the relationship of risk management with other internal control functions, as well as the front line. All employees are responsible for identifying and managing risk within the scope of their role as part of the three lines of defence model.

CISCO has a Risk Management Officer who assumes responsibility of risk management tasks. The Risk Officer provides a continuous and independent risk management function within CISCO, identifying, measuring and monitoring all risks and liaising with Group Risk Management.

### 2.1.4. Internal Audit

The Internal Audit function is assigned to the Internal Audit Division of BOC via an Outsourcing Service Level Agreement ("SLA") between CISCO and the Group Internal Audit Division. This function performs annual audits, proposes actions for improvement and monitors their implementation. Through these audits, the Company's internal governance framework is assessed and evaluated against the laws and regulations of CySEC and best practices of the market. This function reports internal audit matters at least annually to the ARCO, BoD and to Senior Management.

CISCO's internal controls, systems, procedures, corporate governance and risk management processes are examined and evaluated by the Internal Audit function of the BOC Group. Based on this, Internal Audit prepares a risk-based audit plan and conducts internal audit reviews at least on an annual basis.

### 2.1.5. Regulatory and Anti-Money Laundering ("AML") Compliance Function

CISCO's compliance function consists of a dedicated Regulatory Compliance officer and a dedicated Anti-Money Laundering ("AML") Compliance officer. The actions performed by this function include, inter alia, the oversight of the Company's employees' personal transactions on a daily basis, the daily oversight of significant client transactions, the implementation of Anti-Money Laundering procedures, the performance of client due diligence and the preparation of the Annual Compliance and Anti-Money Laundering reports that are submitted to the BoD and to CySEC. Moreover, the Compliance Officer monitors the Company's compliance with MiFID and all relevant CySEC Laws and Circulars.

In 2024, CISCO onboarded a dedicated Data Compliance Protection Officer ("DPO") who is responsible for ensuring compliance with The General Data Protection Regulation ("GDPR") as well as acting a communication point with the Data Protection Commissioner.

### 2.1.6. Risk Appetite Statement

For more details you can refer to Appendix II.

### 2.1.7. Internal Capital Adequacy and Risk Assessment Process

The Company prepared its Internal Capital Adequacy and Risk Assessment ("ICARA") based on the audited data of 31 December 2023, through which it ensures full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs. This forms the basis of the Company's Pillar II requirements that the Company views as the additional amount of capital and liquidity it needs to hold against any risks that are not covered by Pillar I.

The ICARA is embedded in the core of the Company's operations and serves as a valuable Risk Management tool which ensures that the Company's Risk Management framework receives the necessary attention from all the related functions/personnel of the Company, while contributing toward a robust organization by promoting a risk-averse culture within the Company.

The CISCO ICARA Report preparation is performed by the risk management function of the company owned and approved by CISCO's Board of Directors. The Board of the Company and the Senior Management ensure the appropriate design, adoption, and implementation of the Company's ICARA, by performing their ICARA-related duties and responsibilities as these are detailed in the relevant manual of the Company.

## 2.2 Risk Governance – Board and Committees

### 2.2.1. Board of Directors

The size and composition of the Board of Directors ("the Board" or "BoD") takes into account the size and complexity and the nature and scope of its activities ensuring that:

- According to the Company's Memorandum and Articles of Association the number of Directors shall not be less than five (5) nor more than ten (10).
- The Board shall comprise of at least two Independent Directors and two Executive Directors.
- The Chairperson is a non-executive Member of the Board of Directors.
- The roles of the Chairperson and Executive Directors are separate and clearly established in the Board of Director's Manual.

The Board of Directors, as at 31/12/2024 consisted of seven members, two of which are Executive Directors and five are Non-Executive Directors, of whom two are independent. As at 30/01/2025, following the resignation of a non-Executive, non-independent director, the board of Directors consists of six members.

**The Board of Directors' responsibilities**

The primary role of the BoD is to provide ethical leadership and promote the Company's vision, values, culture and behavior, within a framework of prudent and effective controls, which enables risk to be assessed and managed.

The Board is collectively responsible for the long-term success of the Company; it sets the Company's strategic objectives, integrates sustainability into the way business is conducted, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and reviews management performance. The Board also sets the Company's values and standards and ensures that its obligations towards its shareholder and other stakeholders are understood and met.

The Board is responsible for ensuring that the management maintains an appropriate system of internal controls which provides assurance of effective operations, internal financial controls and compliance with rules and regulations. It has the overall responsibility for the Company and approves and oversees the implementation of the Company's strategic objectives, risk strategy and internal governance.

Moreover, the Board is responsible for determining the nature and extent of the principal risks the Company is willing to take in achieving its strategic objectives and ensuring the maintenance of an effective risk management and oversight process across the Company in particular and the Group in general. The Board has a responsibility to present a fair, balanced and understandable assessment of the Company's position and prospects, including in relation to the annual financial statements and other reports and reports required by regulators and by law.

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business.

The Board is the decision-making body for all matters of importance that are of significance to the Company as a whole because of their strategic, financial or reputational implications or consequences. The following matters are specifically reserved for decision by the Board of Directors:

- Objectives and strategic policy of the Company.
- Overall risk policy and risk management procedures.
- Overall capital adequacy planning.
- Annual and three-year budgets and business plans.
- Significant capital expenditures.
- Unusual transactions.
- Mergers, acquisitions and disposals of a significant part of the Company's assets.
- Directors' conflicts of interest.
- The selection, appointment re-appointment of Directors of the Company.
- The succession planning.

The delegation of any matters other than the above by the Main Body of the Board to any of its Committees does not under any circumstances discharge the obligations and responsibility of the Main Body in relation to these matters. For this reason, each Committee Chairperson will be responsible for presenting in summary to the Main Body of the Board the various decisions taken on matters delegated by it.

### 2.2.2. Board Committees

The Board may delegate all or any of its powers where appropriate to a Committee of Directors. For its proper and effective operation, the Board of Directors has established an Audit & Risk Committee. Should the Board of Directors consider it expedient to establish more Committees, it may proceed therewith. The Terms of Reference of any established Committee, specifying its role and the authority delegated to it by the Board of Directors, should be made available to the Company's shareholder and CySEC.

All the Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively. The Board of Directors must establish a process for the co-ordination and communication among its different Committees.

The key duties of the Board Committee Chairperson should include:

- Provision of effective leadership to the Committee (e.g., promotes a team spirit, facilitates effective running of the Committee, ensures a stimulating experience by Committee members etc.).
- Effective chairmanship of meetings (e.g., effectively manages debates, encourages Committee members to challenge issues, ensures appropriate induction of the Committee appointees and ongoing training etc.); and
- Reporting to the Board in an effective and high-quality manner.

### Audit and Risk Committee

The Company has established a combined Audit & Risk Committee ("ARCO"). The duties of the Company's ARCO include, inter alia, the monitoring and assessment of the adequacy and effectiveness of internal controls and information systems, the liaison with internal and external auditors in relation to their audit findings, ensuring that senior management takes the necessary corrective actions in a timely manner to address control weaknesses, and the provision of assistance to the BoD in overseeing the effective implementation of the risk strategy by CISCO Management.

The ARCO is comprised of only Non-Executive Directors, the majority of which should be independent. Also, one of the independent directors should be the chairperson of the ARCO.

The ARCO of the Company should meet at regular intervals. It must also report to the Board and circulate its minutes in advance of Board meetings. During 2024, the ARCO met six times.

The Company must ensure that the ARCO has adequate access to the Internal Control Functions and that the Heads of Internal Control Functions are regularly invited to Committee meetings. Group Heads of Internal Control Functions, or their representatives, should be invited to attend such meetings at least once a year as observers. Due to the size of the Company, the participation of Group Committee respective Chairmen is not considered necessary.

### 2.2.3. Number of directorships held by members of the Board

The table below provides the number of directorships that each member of the management body of the Company holds at the same time in other entities, including the one in the Company.

As per the provisions of Section 9(5) of Law 87(I)/2017, for the purposes of the below, the following count as a single directorship:

a) executive or non-executive directorships held within the same group;
b) executive or non-executive directorships held within:
    a. institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113, paragraph (7) of CRR are fulfilled; or
    b. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

In addition, as per the provisions of Section 9(6) of Law 87(I)/2017, for the purposes of the below, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account.

**Table 1: Directorships of Board Members**

The table below shows the position of the directorship as at 31/12/2024.

| Name of Director | Position within CISCO | Number of Directorships (including CISCO) | |
|---|---|---|---|
| | | Executive | Non-Executive |
| Christos Kalogeris | Executive Director | 1 | - |
| Andreas Chr. Andreou | Executive Director | 1 | - |
| Andreas A. Andreou | Non-Executive Director, Independent | - | 1 |
| Evrita Malli | Non-Executive Director, Independent | - | 1 |
| Maria A. Ioannou | Non-Executive Director, Non-Independent | - | 1 |
| Eliza Livadiotou | Non-Executive Director, Non-Independent | 1 | - |
| Charis Pouangare | Non-Executive Director, Non-Independent | - | 1 |

***Post-year end notes on directorships:***
*Ms. Maria A. Ioannou (Non-Executive Director, Non-Independent) resigned on 30 January 2025.*

### 2.2.4. Diversity Policy/Fitness and Probity Policy

The Company recognizes the benefits and necessity of having an adequately diverse Board and considers diversity as requisite to maintaining a competitive advantage and meeting its business strategy. A diverse Board includes and makes good use of differences in the skills, regional and industry experience, background, race, age, gender, personal attributes, and other distinctions between Directors. Such differences are taken into account when determining the optimum composition for an effective Board composition.

The Company is committed to ensuring that Directors and persons appointed to the management Body, the Executive Committee or other assessed person positions are fit and proper to hold office. This Fitness and Probity policy of the Company sets out the criteria for the assessment of the suitability of persons which hold specific and important positions within the Company and the appropriate procedure to be adopted and implemented in order to ensure that the persons involved are suitable for the position they hold, on a continuous basis.

The Fitness and Probity policy sets out in writing the Company's strategy in assessing the fitness and probity of persons who hold, or who are appointed or elected to an assessed position on a continuous basis. This is in line with the professional and ethical values and long-term interests of the Company as well as its Code of Conduct and Corporate Governance Policy. As part of the governance structure of the Company it serves the purpose of providing for prudent management and of strengthening the efficiency of risk management of the Company.

The requisite knowledge, experience and abilities of each individual as well as the general requirements for the composition of the Management Body are factors that may ensure that informed and professional decisions are taken for the direction of the Company, the risk management oversight and the regulatory environment it operates in.

In brief the responsibilities of the Company in relation to the above legal and regulatory framework are:

- To make the initial and continuous assessment of the fitness and probity of assessed persons.
- To ensure that assessed persons have the requisite experience, specialization and knowledge for the discharge of their duties and responsibilities.
- To ensure that the assessed persons act in honesty, reliability and integrity, characteristics which promote the culture of compliance in an organisation.

The Company will also take reasonable steps to ensure that after a person is nominated or proposed for election or appointment to an assessed person position, the Company will make available to that person a copy of this Policy and the details of the competencies and training required for the relevant assessed person position before any assessment of their suitability to hold an assessed person position is conducted. This Policy will also form part of the induction process for all assessed persons.

The information that a position is assessed, and that the fit and proper assessment is mandatory before the appointment, must be specified in the job description.

# 3. Principal Risks

This section sets out the Company's objectives and policies to manage each key risk that arises from its activities and operations, as well as the strategies and processes it has put in place in order to manage and mitigate each such risk.

## 3.1 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.

Failure to carry out its services or operations correctly will be a key risk that the Company would need to manage. The negative impact on clients of this failure could be substantial if not managed appropriately.

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. Since February 2023 the company maintains assets under management through its asset management services.

- **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. As part of its business, the Company holds bank balances on behalf of its clients which are presented as off-balance sheet items in order to purchase or sell financial instruments on behalf of its clients.

  ***Risk Mitigation Measures**:*
  According to CySEC Directive 87-01, the Company must upon receiving any client funds, promptly place those funds into one or more accounts opened with any of the following:
  - Central Bank.
  - Credit Institution as defined in Article 2(1) of the Business of Credit Institutions Law.
  - Bank authorised in a Third Country.
  - Qualifying money market fund.

  The Company maintains "Trading accounts" (with BOC) and "Clients' accounts" (with BOC and other credit institutions) for the safekeeping of its clients' funds. The Company has the following processes and policies in place to protect clients' funds:
  - Maintains records so that client funds are not commingled with the Company's own funds.
  - Use clients' accounts only for its clients and not for the clients of the Group.
  - Maintains accuracy of the accounts using audit trails.

- Conducts reconciliations on a daily basis.
- Establishes appropriate measures to reduce the risk of loss of clients' funds due to misuse of client money, fraud, poor administration, inadequate record-keeping or negligence.

Also, the Management of the Company demonstrates the required diligence for the selection of the credit institutions that holds clients' funds and monitors at least annually the credit ratings and the financial statements of those institutions, where available. The expertise and reputation of the credit institutions is also taken into account by the Company. The Company also performs frequent checks and considers the diversification of clients' funds as part of its due diligence.

**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 their own balance sheet or in third-party accounts. During the year under review, the Company offered safeguarding services in relation to clients' assets. Safeguarding services are offered to all clients trading at CSE, ASE, XNET, Global eTrading, Trading and Pool Clients.

***Risk Mitigation Measures*****:** It is noted that, CISCO is a White Label partner of Saxo Bank. The securities that Saxo holds on behalf of clients are protected both according with the rules in The Danish Financial Business Act, and under MiFID. Securities segregated in above manner cannot be considered part of an insolvency of Saxo and would be repatriable by the client. Saxo follows the naming convention from MiFID on all external accounts, clearly indicating whether an account holds proprietary or client assets. The segregation of assets extends to our sub custodians. Saxo is not allowed to rehypothecate any client securities, and that restriction also extends to our sub custodians. Furthermore, it is a requirement that any sub custodian segregates Saxo client assets from that of any other client or proprietary holdings. Saxo Bank performs a daily reconciliation of trades and positions across all client and proprietary holdings. A strict focus is in place on the number of breaks and heavy investment has taken place in systems and resources over the years to support that process.

In addition, in relation to the Margin Trading product the following risk mitigation measures are in place:

- Only one margin account per customer is allowed.
- Caps are applied regarding the maximum margin % and maximum credit limit applicable.
- Daily updated of all margin trading accounts with relevant transactions, portfolio values, margin % debt balances are automated.
- Margin calls: If customers exceed the allowable margin % and this is not covered immediately by them, CISCO proceeds with the liquidation of securities to bring it within the allowable margin.
- Securities pledged can only be pledged once.
- There is no undue concentration in any single security.
- The 4-eyes principle is applied for any material modifications to a customer's accounts/portfolio/agreement.

- **K-COH (Client Orders Handled)** – Captures the potential risk to clients of an investment firm which executes orders in the name of the client. The Company executes its clients' orders in the name of the client, on an agency basis, hence it is subject to this risk.

  ***Risk Mitigation Measures:*** The Manager of the Brokerage Department performs random checks on clients' orders and trades. The purpose of these checks is to ensure conformity with the current Laws and Regulations and to detect any misconduct or wrongdoing. Orders are selected randomly on a monthly basis and must always include at least two orders from every available CISCO channel (Online, Tied Agents, Investment Firms, Telephone, Written Orders, Global eTrading, CSE and ASE etc).

During these random checks, attention is given to the following:

- To ensure that the Reception, Transmission and Execution of orders is conducted as per the CISCO Brokerage Internal Procedures Manual, the Company's Best Execution Policy and the abiding Laws and Regulations.
- To detect and identify from the orders received and transmitted and transactions executed, the orders and transactions that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation under Articles 8 and 12 of Regulation (EU) 596/2014 and of the non-exhaustive indicators of market manipulation referred to in Annex I to that Regulation.

In addition, if any order or transactions are detected during the sample checks that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation, then a Suspicious Transaction and Order Report (the STOR) is prepared and escalated to CISCO's Compliance Officer for further handling. The Compliance Officer will examine the STOR and once reasonable suspicion of actual or attempted insider dealing or market manipulation is formed, will submit the STOR to CYSEC within 48 hours.

The people involved in the above procedures shall maintain for a period of 10 years the information documenting the analysis carried out with regard to orders and transactions that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation which have been examined and the reasons for submitting or not submitting a STOR.

Lastly, the staff involved in the monitoring, detection, and identification of orders and transactions that could constitute insider dealing, market manipulation or attempted insider dealing or market manipulation, including the staff involved in the processing of orders and transactions, are required to attend relevant training on an annual basis. Once the training is completed, staff shall inform CISCO's Compliance Officer with the relevant information and details of the courses attended.

## 3.2 Risk to Market

Risk to Market ("RtM") means the risk of losses for the investment firm arising from movements in market prices.

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"). Therefore, K-NPR captures the Market Risk, which is defined as the risk that changes in market prices will affect the Company's income or the value of its holding of financial instruments. The Company's exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The Company is exposed to FX risk, since it holds funds in foreign currencies for the settlement of trades. The Company's FX exposure arises from trade receivables and payables with clearing houses as well as deposits kept in short-term current bank accounts in the non-reporting currency (USD and GBP). The Company is not exposed directly to any instrument bearing interest rate on its on/off balance sheets items. Interest rate changes can affect indirectly the Foreign Exchange rates. Interest rate changes can also affect the interest changed on Company's bank accounts.

***Risk Mitigation Measures*****:** CISCO is primarily subject to FX Risk. Interest Rate Risk is less material for CISCO as bank balances are charged on a variable rate.

The Company monitors and assesses on a continuous basis its FX exposures and takes actions when deemed necessary. The Company does not have formal arrangements for hedging foreign exchange risk.

The net foreign exchange position of CISCO as at 31/12/2024 was €144k. The Company monitors and assesses on a continuous basis its Foreign Exchange exposures and takes actions when deemed necessary.

- **K-CMG (Clearing Margin Given)** – This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing 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. According to IFR, the Competent Authority (CySEC), shall allow an investment firm to calculate K-CMG for all positions that are subject to clearing, or on a portfolio basis, where the whole portfolio is subject to clearing or margining under several conditions. Since CISCO is part of a group containing a credit institution, the conditions set on IFR Article 23 are not met. Therefore, k-CMG is not applicable for the Company.

## 3.3 Risk to Firm

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

There are three K-factors that capture the key aspects of RtF, namely:

- **K-TCD (Trading Counterparty Default)** – K-TCD captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties. In particular, it looks at the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions. This K-factor is not applicable to the Company since it does not have any transactions recorded in its trading book under dealing on own account.

- **K-DTF (Daily Trading Flow)** – K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name. As the Company did not provide dealing on own account services during the year ending 31 December 2024, the Company was not subject to the risk relating to this K-factor.

- **K-CON (Concentration Risk)** – K-CON seeks to apply additional own funds to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties /

issuers to which a company incurs Trading Book exposures. Similarly, to the above, as the Company did not provide dealing on own account services during the year ending 31 December 2024, it was not subject to the risk relating to this K-factor.

## 3.4 Other Risks

### 3.4.1. Operational Risk

**Legal Risk**

Legal risk is defined as the possibility of the operations and conditions of the Company to be disrupted or adversely affected as a result of lawsuits, adverse judgements or unenforceable contracts. Legal risk could also arise from legal actions as a result of unauthorized disclosure of customer's details, and/or legal actions as a result of public liability violation of laws, regulations, agreements. In addition, Management considers legal risk as high due to the great impact a lost legal case would have to the Company's business.

The Management of CISCO monitors the pending legal cases on a continuous basis by recording and updating each case in line with external advisors. The Company follows the BOC Group guidelines with regards to the assignment of the probability of loss to litigation cases. In this respect, an assessment of the probability of loss on a case-by-case basis is performed on all Company legal cases using the BOC litigation evaluation tool created for this purpose.

**Employee Retention/ Recruitment Risk**

CISCO operates in a highly specialized area that requires staff to be professionally qualified, experienced and certified by regulators as a minimum. Given these requirements, employee retention and recruitment are key to ensuring the continuation of the business.

During 2024, CISCO has taken further steps to mitigate this risk:

- Recruitment of a dedicated Data Protection Officer (“DPO”) who is responsible for ensuring compliance with The General Data Protection Regulation (“GDPR”) as well as acting a communication point with the Data Protection Commissioner.

**Control and Process Risk**

Control and Process Risk looks to the internal oversight, control environment, manual intervention as well as effective and thorough policies and procedures in place (Transaction Processing and Execution Risk).

As CISCO operates in highly regulated markets and must comply with numerous international and local regulations (e.g., AML, MiFID), managing the Control and Process Risk is very important.

CISCO is proceeding with the installation of an on-boarding module ("the On-Boarding Module") where new clients will input their data, answer the relative appropriateness questionnaire, and upload required files so that their data is received and processed electronically by CISCO. It is a web-based application for customer onboarding which incorporates the required process and functionality and enables clients to go through, from the start of their journey to become a customer and beyond (i.e., updating of their records).

**Reputational Risk**

Reputational risk is the current or potential risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors, or regulators.

Reputational risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service, fraud, theft, customer claims and legal action, regulatory fines, and other factors. In addition, there is a risk of violating existing or new (legal) requirements which may lead to negative reputational impacts. Also, prospectuses prepared (or other information issued) by the Company on behalf of its clients might include unsupported or misleading information, due to their nature which also may lead to negative reputational impacts.

The risk of loss of reputation may result in a reduction of the Company's clientele, reduction in revenue and new legal cases against the Company. Measures taken to manage Reputational risk include, among others, ensuring compliance with regulatory requirements, management of customer complaints and monitoring of negative media.

### 3.4.2. Business Risk

Business risk may arise as a result of a number of factors, including declines in the volume of trades, high costs, competition, reputation, and overall economic and government regulations, amongst other. Business risk is assumed to contain risks related to Strategic and Competition Risk.

Strategic risk may be defined as the risks associated with initial strategy selection, execution or modification over time resulting in a lack of achievement of the overall objectives. The Board of directors of CISCO is actively involved in the operations of the Company and stays up to date with the financial and competitive standing of CISCO so that its strategic goals are monitored efficiently.

The Company will continue to strive to offer better client services to maintain its brokerage market leader status in Cyprus and top 25 in Athens. To that respect, CISCO is well diversified in terms of the products offered to its clients. This diversification is further (re)enhanced with the absorption of the portfolio management business from BOC Asset Management Ltd (“BOCAM”).

In addition, CISCO recognises the concentration risk with respect to its clients as part of Business Risk. CISCO acknowledges its exposure to concentration risk due to concentration of its clients in Cyprus from which its majority of trading volumes stem. However, the fact that the Company's trading platforms provide clients the opportunity to trade globally, gives CISCO a way to diversify its revenue and develop its clientele further.

### 3.4.3. Regulatory Risk

Regulatory Risk is the risk that may arise if a change in regulation occurs which negatively affects the business of the Company. Regulatory Risk may also arise when a Company does not comply with the applicable regulatory requirements.

Operating in a highly regulated industry, CISCO is materially exposed to Regulatory Risk. Breaches may lead to loss of business, financial loss, fines, civil action, payment of damages or voiding of contracts, customer complaints and harm to the Company's reputation.

To this respect, the Compliance function of the Company monitors compliance of the Company with the relevant CySEC, CSE, ATHEX and CB regulatory requirements (e.g., AML). The Compliance function also ensures that Management and relevant staff are regularly informed of any new regulations/reporting obligations.

In addition, the Company has policies and procedures in place when dealing with customer complaints in order to provide sufficient information about terms and conditions and deliver the best possible assistance and service.

**Compliance and AML Risk**

As per the CySEC AML Directive, CISCO should ensure that customer identification records remain completely updated with all relevant identification data and information throughout the business relationship. The Company should examine and check the validity and adequacy of the customer identification data and information it maintains and request for the updating of clients' records on a regular basis, based on their risk level. According to the current legislation and the Company's internal processes, client documents are completed and signed in original form, together with certified true copies of the ID's and the utility bills of the clients. The certification of these documents can be done by CISCO employees or any other employee of the Bank.

### 3.4.4. BOC Group Risk

Group risk could occur as adverse impacts due to relationships (financial or not) of the Company with other entities in the same Group, or by risks which may affect the financial position of the whole group (i.e., reputational contagion).

The Company acknowledges that group risk could arise by a breach in the Company's intercompany agreements held with the parent company, or any financial distress/ difficulties of the parent company.

CISCO keeps the majority of its cash balances within the BOC group. These positions expose CISCO to significant group risk in case of an adverse impact to the BOC group.

The BoD of the Company monitors the financial strength of the parent Company on a continuous basis and ensures independence between entities in order to minimize the impact of any regulatory or reputational events in other Group operations.

### 3.4.5. 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 balance sheet date. Moreover, Credit Risk arises from the possibility that mitigation measures will become less effective than expected.

The Company’s exposures arise both from the proprietary and clients’ funds kept with bank and other financial institutions as well as the margin positions taken by clients as a result of the introduction of the

Margin Trading product offered since April 2018. As of 31/12/2024, CISCO is mostly exposed to BOC and CSE and ATHEX. Also, as of 31/12/2024, exposures to subsidiary LCP constitutes 23% of the Company's total exposures.

Further, in order to facilitate pre-funding requirements from SAXO from clients using the Global trading platform, BOC has provided a bond of high quality as a collateral to SAXO. This supports the SAXO requirement to allow trading up to amount within the 3:1 ratio for client funds, mitigating the credit risk for SAXO. All economic benefits of this bond are derived by BOC, not CISCO.

Therefore, CISCO has Credit Risk exposures in the following main areas:
- Concentration Risk: The investment in subsidiary LCP plus holdings with banks and other financial institutions.
- Cyclical Economic Risk: Potential negative impacts from a downturn in the economic cycle.
- Margin Trading: Collateral Risk – Margin positions taken by clients as a result of the Margin Trading product offering.

**Counterparty Concentration Risk**

A material part of CISCO's assets is comprised of its investment in LCP. Further, concentration exists with cash held as collateral with the CSE and ATHEX.

An investor compensation fund ("ICF") for investors is required by CySEC for the purpose of compensating investors in the case of losses where the broker is liable. During 2024 €52k were contributed to the ICF by CISCO.

**Cyclicality and Economic Cycle Risk**

The Company is vulnerable to negative economic conditions/cycles which could result in a reduction on the Company's growth potential.

CISCO monitors and assesses on a continuous basis the developments in the local and global financial markets and in the case of crisis it provides its clientele the option to shift their focus to different markets and investment products through its electronic trading platforms. The Company offers to its clients access to investments worldwide which gives it the advantage for diversification and continued development of its clientele. For non-brokerage areas of CISCO, the vulnerability to negative cyclical economic effects may be more difficult to mitigate.

**Risks from Margin Trading**

CISCO has been offering Margin Trading to clients since 2018. Through a structured product offering, CISCO offers margin facilities for trading on Cyprus and Athens Stock Exchange to eligible clients. The margin trading product allows customers to create a larger security portfolio than allowed by their existing capital, using a leveraging technique, with the aim of increasing profits (conversely losses).

The in-built credit facility provided by CISCO entails Credit Risk for the Company. CISCO has put in place the necessary procedures and controls to restrict this risk:
- This product is specifically regulated by Directive 144-2007-14.

- Completion of all documentation as required by applicable legislation is ensured.
- Only one margin account per customer is allowed.
- Caps are applied regarding the maximum margin % and maximum credit limit applicable.
- Daily updated of all margin trading accounts with relevant transactions, portfolio values, margin % debit balances are automated.
- Margin calls: If customers exceed the allowable margin % and this is not covered immediately by them, CISCO proceeds with the liquidation of securities to bring it within the allowable margin.
- Securities pledged can only be pledged once.
- There is no undue concentration in any single security.
- The 4-eyes principle is applied for any material modifications to a customer's accounts/portfolio/agreement.
- The table with Accepted Securities and their weightings is reviewed at any time the business becomes aware of any changes to the circumstances affecting this table.

The Company operates in regulated markets where safety nets are in place in case of contractual breaches. Such safety nets are the cash collateral requirements for brokers by ASE and CSE in order to compensate any losses incurred in the case of default of any market maker. In addition, an investment compensation fund for investors is also required by CySEC for the purpose of compensating investors that suffered losses under unexpected events for which their broker was liable.

### 3.4.6. Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet obligations when they fall due or experience difficulty in obtaining funds to meet urgent commitments. Liquidity risk is often crystallized through the lack of liquid assets held (cash, deposits, bonds, etc.) resulting in a reduced ability to meet immediate liquidity needs within a short-term horizon.

In order to manage any liquidity risk that might arise due to a maturity mismatch between assets and liabilities, the Company aims to maintain sufficient cash, other highly liquid current assets and to maintain an adequate level of committed credit facilities (CISCO has approved credit lines from BOC) to provide sufficient liquidity. CISCO uses tools, such as cash flow forecasting and ratio analysis, in order to project future liquidity needs and monitor current liquidity levels.

The Company monitors its liquidity positions on a day-to-day basis for the shorter time horizons, and over a series of more distant time periods thereafter. On a daily basis, the Company also controls the outflow of funds and monitors the use of credit.

The Company expects to strengthen its liquidity position by meeting its financial targets and so this is linked to profitability.

Moreover, according to Article 43(1) of IFR, Investment Firms shall hold an amount of Liquid assets equivalent to at least one third of their Fixed Overhead Requirement. As at 31 of December 2024, no issues exist as CISCO meets the IFR Liquidity Requirement. Specifically, as of 31 December 2024, the Liquid Assets of the Company amounted to €776k, which exceeded the Liquidity Requirement of €221k.

# 4. Own Funds

CISCO holds capital to act as a financial cushion and to protect the shareholder and other stakeholders against excess volatility of returns. Comprising the equity of the Company, this includes the required level of capital adequacy for the Company to undertake business in the areas it is licensed to. It is paramount that the capital remains intact and grows into the medium term so that the Company is always able to satisfy regulatory requirements.

The management continuously monitors the capital adequacy and regulatory own funds of the Company. In December 2019, the European Parliament approved the new prudential regime for Investment Firms, the IFR on the prudential requirement of Investment Firms and the IFD on the prudential supervision of Investment Firms. IFR on the prudential requirements of Investment Firms became directly applicable in all EU Member States on 26 June 2021 whereas IFD on the prudential supervision of Investment Firms was transposed into national legislation by CySEC by issuing Law 97(I)/2021 on the capital adequacy of Investment Firms applicable as from 26 June 2021, Amending Law 164(I)/2021 on the capital adequacy of Investment Firms applicable as from the 5 November 2021 and Law 165(I)/2021 on the prudential supervision of Investment Firms applicable as from 5 November 2021.

Under the new regime, CISCO has been classified as Class 2 investment firm. Class 2 Investment Firms are subject to the new IFR/IFD regime in full.

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 of 31 December 2024, 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 Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of IFR with regard to supervisory reporting and disclosures of investment firms.

As at 31 of December 2024, the Company's Own Funds comprised entirely of Common Equity Tier 1 capital. As shown below, the Company's Own Funds as of 31 December 2024 amounted to €1.692k.

**Table 2: Template EU IF CC1.01 - Composition of Regulatory Own Funds**

| Template EU IF CC1 | | | |
|---|---|---|---|
| **Ref** | **(€'000)** | **31 Dec 2024 (€'000)** | **Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements** |
| **1** | **OWN FUNDS** | **1.692** | |
| **2** | **TIER 1 CAPITAL** | **1.692** | |
| **3** | **COMMON EQUITY TIER 1 CAPITAL** | **1.692** | |
| 4 | Fully paid-up capital instruments | 43.611 | Ref 1 (Shareholders' Equity) |
| 5 | Share premium | 534 | Ref 2 (Shareholders' Equity) |
| 6 | Retained earnings | (39.565) | Ref 3 (Shareholders' Equity) |
| 7 | Accumulated other comprehensive income | (4) | Ref 3 (Shareholders' Equity) |
| 12 | TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | (2.163) | |
| 17 | Losses for the current financial year | - | Ref 3 (Shareholders' Equity) |
| 19 | Other intangible assets | (40) | Ref 1 (Assets) |
| 24 | CET1 instruments of financial sector entities where the institution has a significant investment | (2.123) | Ref 2 (Assets) |
| 27 | CET1: Other capital elements, deductions, and adjustments | (721) | Ref 4 & 5 (Assets) |
| **28** | **ADDITIONAL TIER 1 CAPITAL** | **-** | |
| **40** | **TIER 2 CAPITAL** | **-** | |

**Table 3: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements**

| Template EU IF CC2 | | | |
|---|---|---|---|
| (€'000) | | Balance Sheet as in audited Financial Statements | Cross reference to EU IF CC1 |
| | | 31 December 2024 | |
| Ref | Assets | | |
| 1 | Intangible assets | 40 | Ref 19 |
| 2 | Investments in subsidiaries (LCP Holdings and Investments Public Limited) | 2.123 | Ref 24 |
| 3 | Trade and other receivables (Investors Compensation Fund) | 578 | Ref 27 |
| 4 | Restricted cash (Minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of clients) | 142 | Ref 27 |
| 5 | Other non-current assets | 229 | |
| 6 | Trade and other receivables (current) | 5.524 | |
| 7 | Deposits and prepayments | 19 | |
| 8 | Cash and cash equivalents | 776 | |
| | **Total Assets** | **9.431** | |
| | Liabilities | | |
| 1 | Bank overdrafts | 2.779 | |
| 2 | Trade and other payables | 1.992 | |
| 3 | Current tax liabilities | 84 | |
| **4** | **Total Liabilities** | **4.855** | |
| | Shareholders' Equity | | |
| 1 | Share capital | 43.611 | Ref 4 |
| 2 | Share premium | 534 | Ref 5 |
| 3 | Reserves | (39.569) | Ref 6, 7 & 17 |
| **4** | **Total Equity** | **4.576** | |

**Table 4: The Company's Investments in its subsidiaries**

| Name | Principal activity | Country of incorporation | 2024 % direct holding |
|---|---|---|---|
| LCP Holdings and Investments Public Limited | Holding of investment in securities and participation in private companies and schemes active in various business sectors and projects. However, in its field of activity, the company does not participate in active trading – listed company. | Cyprus | 67% |

# 5. Minimum Capital Requirements

## 5.1 Capital Requirements

The 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.

### 5.1.1. 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 of 31 December 2024 amounted to €663k.

### 5.1.2. 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 €750k. which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

### 5.1.3. K-Factors (RtC, RtM, RtF)

The Company’s K-factor requirement is calculated in accordance with Articles 15 through to 33 of the IFR. The Total K-Factors as of 31 December 2024 amounted to €417k.

The table below breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2024 (i.e., the highest of the FOR, the PMCR and the Total K-Factor requirement).

**Table 5: Minimum Capital Requirements**

| Minimum Capital Requirements | | |
|---|---|---|
| **K-Factor Requirement** | | **31 December 2024 (€’000)** |
| **Risk-to-Client (RtC)** | k-AUM | 136 |
| | k-CMH | 67 |
| | k-ASA | 200 |
| | k-COH | 2 |
| **Risk-to-Market (RtM)** | k-NPR | 12 |
| | k-CMG | - |
| **Risk-to-Firm (RtF)** | k-TCD | - |
| | k-DTF | - |
| | k-CON | - |
| **Total K-Factor Requirement** | | **417** |
| **Fixed Overhead Requirement – FOR** | | **663** |
| **Permanent Minimum Capital Requirement – PMCR** | | **750** |

Therefore, with the new IFR & IFD requirements, the Company's Own Funds Requirement as of 31 December 2024 should have been at least the PMCR of €750k.

As at 31 of December 2024, the Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to €1.692k which exceeds the Own Funds Requirement of €750k and thus resulting to a capital surplus of €942k. As a result, fully-phased in, Capital Adequacy (CAD) ratio as of 31 December 2024 was calculated at 226%, which is well above the 100% minimum CAD ratio.

### 5.1.4. IFR & IFD Transitional Arrangements

According to IFR, a Company can make use of a 5-year transitional arrangement allowed by Article 57. Specifically, according to Point 4b of Article 57, the Company may limit its PMCR to the level of initial capital that would have applied if the investment firm had continued to be subject to CRR/CRD, subject to an annual increase in the amount of those requirements of at least €5k during the five-year period.

Therefore, as of 31 December 2024, the Company's Own Funds Requirement under the 5-year transitional arrangement amount to €745k. Using transitional provisions, the CAD ratio of the Company as at 31 December 2024 amounted to 227%, which exceeded the minimum required threshold of 100% (compared to a fully-phased in ratio of 226%), showing a capital surplus of €1133k (versus a surplus of €1129k under the fully-phased calculation).

**Table 6: Capital Excess/Ratio**

| (€'000) - 31 December 2024 | Fully phased in | Transitional | Reference |
|---|---|---|---|
| **Capital** | | | |
| Common Equity Tier 1 | 1.692 | 1.692 | a |
| Additional Tier 1 | - | - | b |
| Tier 2 | - | - | c |
| **Total Own Funds** | **1.692** | **1.692** | ***d = (a + b + c)*** |
| | | | |
| **Own Funds Requirement** | | | |
| K-factor Requirement | 417 | 417 | *e* |
| Fixed Overhead Requirement | 663 | 663 | *f* |
| Permanent Minimum Capital Requirement | 750 | 745 | *g* |
| **Minimum Own Funds Requirement** | **750** | **745** | ***h = max(e, f , g)*** |
| | | | |
| **Capital Excess/Ratio** | | | |
| **CET 1 Ratio** | **225,59%** | **227,10%** | **a/h** |
| Surplus(+)/Deficit(-) of CET 1 Capital | 1.272 | 1.275 | *a-(h*56%)* |
| **Tier 1 Ratio** | **225,59%** | **227,10%** | ***(a+b)/h*** |
| Surplus(+)/Deficit(-) of Tier 1 Capital | 1129 | 1133 | *(a+b)-(h*75%)* |
| **Own Funds Ratio** | **225,59%** | **227,10%** | ***d/h*** |
| Surplus(+)/Deficit(-) of Total capital | 942 | 947 | *d-h* |

# 6. Remuneration Policy and Practices

**Remuneration of Executive Directors**

For Executive Directors, the Company adopts and applies the Human Resources Division remuneration policies and practices of BOC Group to which the Company belongs.

In general, the remuneration of the Executive Directors of the Company includes:

- Basic salary
- COLA
- Shift allowance

The salary scales of the Executive Directors are determined, as for the rest of the Company's employees, under the applicable Collective Agreement between the BOC Group and the Cyprus Union of Bank Employees.

The Company also makes annual performance reviews/appraisals of the Executive Directors over defined targets. Any increments that may be granted by the Company (e.g., annual increments or additional increments) are added to the basic salary.

For 2024, a Short-term Incentive Plan was established by the Company’s ultimate controlling party, Bank of Cyprus Holdings Public Limited Company (BOCH). This involves variable remuneration in the form of cash to selected employees, and is driven by both delivery of the BOCH's Strategy, as well as individual performance, in the relevant year. The short-term incentive award is paid in cash and is non-deferred.

**Remuneration of Non-Executive Directors**

The remuneration of the Independent Non-Executive Directors of the Company is determined by the Board of Directors of BOC Group and is a contract for service under a fixed annual fee.

According to the remuneration policy for the Non-Executive Directors, directors’ fees are paid only to the Company's Independent Non-Executive Directors, whereas no directors’ fees are paid to the Non-Executive Directors that represent BOC Group.

The table below provides aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the Company (“risk takers"):

It is noted that for the year 2024, the Company will pay variable remuneration, to selected employees, only through the Short-term Incentive Plan (STIP) whose values and distribution are expected to be finalized in June 2025. For completion of the below table, the expected award is assumed for the individuals mentioned based on the Scheme’s targets and award bands. The Short-term Incentive Plan is an ad-hoc incentive scheme established by the Company’s ultimate controlling party, Bank of Cyprus Holdings Public Limited Company (BOCH) and involves variable remuneration in the form of cash to selected employees driven by both delivery of the Group's Strategy, as well as individual performance, in the relevant year. The short-term incentive award is paid in cash and is non-deferred. The maximum variable remuneration that can be granted is set at 100% of fixed remuneration, in line with the applicable regulatory framework and as approved by BOCH shareholders in May 2024.

**Table 7: Quantitative information on remuneration by CISCO**

| Description | No. of beneficiaries | Fixed Remuneration €'000 | Variable Remuneration €'000 | Total Remuneration €'000 |
|---|---|---|---|---|
| Senior Management (Executive Directors) | 2 | 182 | 12* | 194 |
| Senior Management (Non-Executive Directors) | 2 | 18 | 0 | 18 |
| Heads of Departments & other risk takers | 4 | 263 | 24* | 287 |
| **Total** | **8** | **436** | 36* | 499 |

* Assumed figures of expected variable remuneration based on Short-term Incentive Plan's targets and award bands.

Lastly, based on its financial figures and amount of variable remuneration provided, the Company benefits from the derogation laid down in Article 32(4) of IFD for all staff, granted both on the basis of point (a).

# 7. Investment Policy

According to paragraph 1 of IFR Article 52, investment firms which do not meet the criteria referred to in point (a) of Article 32 (4) of IFD shall disclose the following in accordance with IFR Article 46 of this Regulation:

a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of IFR Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
c) an explanation of the use of proxy advisor firms;
d) the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 IFR Article 52.

It is noted that point (a) of IFD Article 32 (4) refers to an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year. This point is also in line with point 6 of CySEC's Circular C487 for redefining threshold criteria of 'Significant CIF'. As at the reference date, CISCO does not consider itself as a significant CIF as it does not exceed this threshold, therefore no disclosures regarding investment policy were made.

# 8. Environmental, Social and Governance Risks

Since 26 December 2022, investment firms which do not meet the criteria referred to in Article 32(4) of Directive (EU) 2019/2034 shall disclose information on Environmental, Social and Governance ("ESG") risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034. The report referred to in Article 35 shall be disclosed once in the first year and biannually thereafter.

It is noted that point (a) of IFD Article 32 (4) refers to an investment firm, where the value of its on and off-balance sheet assets is on average equal to or less than EUR 100 million over the four-year period immediately preceding the given financial year. This point is also in line with point 6 of CySEC's Circular C487 for redefining threshold criteria of 'Significant CIF'. As at the reference date, CISCO does not consider itself as a significant CIF as it does not exceed this threshold, therefore no disclosures regarding ESG risks were made.

# Appendix I – Main Features of Own Instruments issued by the Company

| Template EU IF CCA | | Common Equity Tier 1 instruments |
|---|---|---|
| 1 | Issuer | The Cyprus Investment and Securities Corporation Ltd |
| 2 | Unique identifier (Legal Entity Identifier Code) | N/A |
| 3 | Public or private placement | Private Placement |
| 4 | Governing law(s) of the instrument | Cyprus Company law |
| 5 | Instrument type | Ordinary Shares |
| 6 | Amount recognised in regulatory capital (in EUR) | €44.145.015 |
| 7 | Nominal amount of instrument | €43.610.660 |
| 8 | Issue price (in EUR) | €1,71 |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | 19/11/1982* |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | No maturity |
| 14 | Issuer call subject to prior supervisory approval | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates | N/A |
| | *Coupons / dividends* | |
| 17 | Fixed or floating dividend/ coupon | Floating |
| 18 | Coupon date and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary, or mandatory (in terms of timing) | Fully discretionary |
| 21 | Fully discretionary, partially discretionary, or mandatory (in terms of amount) | Fully discretionary |
| 22 | Existence of step up or other incentive to redeem | No |
| 23 | Non-cumulative or cumulative | Non-cumulative |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory, or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible info | N/A |
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | No |
| 32 | If write-down, write-down trigger(s) | N/A |
| 33 | If write-down, full or partial | N/A |
| 34 | If write down, permanent or temporary | N/A |
| 35 | If temporary write-down, description of write-up mechanism | N/A |
| 36 | Non-compliant transitioned features | No |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |

**It is noted that after the incorporation date of the Company, several share capital issuances have been made. The most recent one was during 2021 when the Company issued 658.967 ordinary shares of par value €1,71 each for a total consideration of €1.126.833*

## Appendix II – Risk Appetite Statement

### Tier I indicators

| # | Risk Type | Indicator Name & Risk Metric | Thresholds | | |
|---|---|---|---|---|---|
| | | | BAU (Risk Tolerance) | EW | IB |
| 1 | Capital | Common Equity Tier 1 (CET1) ratio | >104% | 78 - 104% | <78% |
| 2 | Capital | Tier 1 ratio | >123% | 97 - 123% | <97% |
| 3 | Capital | Total Capital ratio | >148% | 122 - 148% | <122% |
| 4 | Liquidity | Liquid Assets to Fixed Overheads requirement ratio | >71% | 51-71% | <51% |
| 5 | Liquidity | Current Ratio (current assets/current liabilities) | >110% | 100-110% | <100% |
| 6 | Earnings | Return on Equity (annualised) | ≥ target ROE | 1-2% adverse deviation from target ROE | >2% adverse deviation from target ROE |
| 7 | Earnings | Cost to Income ratio | ≤ of target ratio | >0% adverse deviation from target | n/a |
| 8 | Operational | Aggregate operational risk losses over total income | <2.5% | 2.5-4% | >4% |

### Tier II indicators

| # | Risk Type | Indicator Name & Risk Metric | Thresholds | | |
|---|---|---|---|---|---|
| | | | BAU (Risk Tolerance) | EW | IB |
| 1 | Credit | Percentage of Investment Banking accrued income not invoiced | <20% | 20-30% | >30% |
| 2 | Credit | Number of issued unsettled Investment Banking invoices for a period of >60 days | <4 | 4-6 | >6 |
| 3 | Reputational | Number of written warnings or fines issued by the CSE for violations for Companies acting as NOMAD | 0 | 1-3 | >3 |
| 4 | Regulatory | Number of rejections in IB documents and/or work sent to CySEC and/or CSE | 0 | 1-3 | >3 |
| 5 | Regulatory | Number of client phonecalls not recorded | 0 | 1-3 | >3 |
| 6 | Regulatory | Number of suspicious transactions for Market abuse not detected by CISCO (informed by regulator) | 0 | n/a | ≥1 |
| 7 | Regulatory | Number of clients considered US Persons in asset management services | <10 | 10-15 | >15 |
| 8 | Regulatory | Total amount of managed assets with US persons in asset management Services | <20 mil USD | 20-25 mil USD | >25 mil USD |
| 9 | Regulatory-AML | Number of overdue corrective actions regarding deviations between actual and expected client's | 0 | 1 | >1 |

| # | Risk Type | Indicator Name & Risk Metric | Thresholds | | |
|---|---|---|---|---|---|
| | | | BAU (Risk Tolerance) | EW | IB |
| | | deposits (overdue period referring to 3months (i.e. cases passed on to next quarter) | | | |
| 10 | Regulatory | Number of regulatory errors in submitted reports to CySEC/CSE | 0 | 1 | >1 |
| 11 | Regulatory | Number of regulatory fines imposed or reprimands made by Regulators | 0 | 1 | >1 |
| 12 | Regulatory-AML | Percentage of high-risk clients to active clients | <11% | 11-22% | >22% |
| 13 | Regulatory-AML | Percentage of AML/KYC documents identified to be missing/not collected (identified from reviews performed by the Compliance officer) | 0% | Up to 10% | >10% |
| 14 | Regulatory-AML | The percentage of customers with status "no post" over the total number of active customers | <3% | 3-5% | >5% |
| 15 | Regulatory-AML | Number of customers having no post status for more than 3 months | 0 | 1-3 | >3 |
| 16 | Regulatory-AML | The percentage of pending FCRM customer alerts over the total cumulative number of customer alerts during the year/period | 0% | 0-1% | >1% |
| 17 | Regulatory-AML | Number of active High/Significant risk customers with a past-due review date (review date is before reference date) | 0 | n/a | ≥1 |
| 18 | Regulatory-AML | Number of active Medium risk customers with a past-due review date (review date is before reference date) | 0 | n/a | ≥1 |
| 19 | Market | Number of orders through ORAMA (excl. pre-agreed) | <4 | 4-5 | >5 |
| 20 | Operational | Highest number of margin calls for a single client in period | <2 | 2-3 | >3 |
| 21 | Operational | Fee and charges reversal | <2 | 2-3 | >3 |
| 22 | Operational | Number of Operational Loss incidents which incurred actual losses | <2 | 2-3 | >3 |
| 23 | Operational | Number of open one-off projects in Investment Banking Department. | ≤4 | n/a | >4 |
| 24 | Operational | Number of companies that pay retainer fees for recuring regulatory obligation to Investment Banking (NOMAD services clients). | ≤7 | n/a | >7 |
| 25 | Reputational | Number of overdue client complaints within the period | 0 | n/a | ≥1 |
| 26 | Legal | Number of New lawsuits | 0 | 1-2 | >2 |
| 27 | Concentration | Asset Management Revenue from single client over total asset management revenue | <15% | 15-25% | >25% |
| 28 | Information Security | Number of systems downtime incidents (not restored within 10 minutes) | 0 | 1-2 | >2 |
| 29 | Information Security | Number of Critical/High Information Security Risks not Mitigated within Defined Thresholds | 0 | 1-2 | > 2 |
| 30 | Information Security | % of Staff Failing on Simulated Phishing Exercises | < 5 % | 5% - 8% | > 8% |

| # | Risk Type | Indicator Name & Risk Metric | Thresholds | | |
|---|---|---|---|---|---|
| | | | BAU (Risk Tolerance) | EW | IB |
| 31 | Information Security | Number of significant incidents (IT Disruption or Cyber Security) | 0 | 1 | > 1 |
| 32 | Information Security | Number of Reporting incidents outside required timeframes to Authorities | 0 | 1 | > 1 |
| 33 | Information Security | Number of Critical DLP (Data loss prevention) incidents | 0 | 1 | > 1 |
| 34 | Information Security | Number of Non-Critical DLP (Data loss prevention) incidents | < 3 | 3-5 | > 5 |