

PRESS RELEASE

Technology and financial education to strengthen the supervisory role of CySEC

Two new types of entities brought under the jurisdiction of CySEC

NICOSIA, March 15, 2023 – European Crowdfunding Service Providers and providers of Pan-European Personal Pension Product now fall under the expanded supervisory authority of the Cyprus Securities and Exchange Commission (CySEC).

In his annual review on CySEC's activities, during a Press Conference, CySEC chairman, Dr. George Theocharides, announced the expansion of the regulator's role, while emphasising its continuing investment in technological upgrades and its preventive supervision measures, to enhance investor protection while encouraging the development of the market.

Dr. Theocharides, also announced that at the end of 2022, the number of supervised entities had risen to 837, up from 806 in 2021, an increase of 3.9%, while approximately 100 new applications are under review pending licensing. This represents an increase of 12% when compared to 2019, before the outbreak of the pandemic.

Sector development

During 2022, a total of 86 applications for licenses were approved for all types of entities under the supervision of CySEC. CySEC rejected 6 applications for Cyprus Investment Firms (CIFs) licenses and a further 15 applications were withdrawn, including applications for CIF licences and collective investments.

As outlined by Dr. Theocharides, the supervisory role of CySEC will be further expanded as two new groups of supervised entities now fall under its authority. The first is European Crowdfunding Service Providers (ECSPs), which can provide pan-European services from the Republic, under on European Regulation 2020/1503. The Policy Statement and the relevant Directive have already been published, allowing interested parties to submit their application.

The other group is the Providers of Pan-European Personal Pension products (PEPP), that stems from European Regulation 2019/1238. In November 2022, CySEC was appointed by the Ministry of Finance as one of the Authorities for examining, evaluating, and approving applications.

Supervisory activities

During 2022, the Supervision Department carried out 359 remote, thematic and on-site inspections of CIFs, as well as the monitoring of the implementation of requirements for reporting transactions/derivatives contracts. Additionally, it conducted 119 remote document inspections and

the monitoring of the requirements to Collective Investment Institutions. Also, during 2022, the Department continued to monitor the online marketing practices of CIFs through its specialised system, which allows it to collect and analyse information in relation to them. It concluded the evaluation of advertising material of more than 10 CIFs, and potential violations have been identified from the findings. The CIFs were asked to make the necessary modifications to comply with the legislative framework that governs them. Additionally, the advertising material of another 37 CIFs is under examination.

The Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Department has completed on-site inspections of 14 supervised entities and is in the process of a further 15 inspections, for which possible violations of existing legislation may be identified.

The Department of Market Surveillance and Investigations conducted 15 raids, completed 39 investigations, and had 48 further investigations in progress by the end of 2022.

Following Russia's military intervention in Ukraine and the restrictive measures taken by the Council of the European Union against Russia, the supervisory departments of CySEC are closely monitoring developments, calling on supervised entities to submit information regarding business relationships with individuals subject to sanctions.

In 2022, CySEC imposed administrative fines totalling approximately €2.9 million, of which the overwhelming majority related to fines and settlements for CIFs. In the past two years, administrative fines of over €4.2 million have been imposed, of which over €3.6 million stemmed from CIFs. Over the past 10 years, CySEC has imposed fines and settlements totalling €34.2 million.

Technological upgrade

During 2023, CySEC will advance the processes for creating a control and management system for licensing applications. With the completion of the system, all applications for licensing of supervised entities will be submitted electronically, as well as any changes submitted periodically by the supervised entities, such as the members of their Board of Directors.

The development of an online portal for the registration and examination process for obtaining certification offered by CySEC is also underway. Through the portal, certified individuals will have the ability, using a code, to electronically manage all the information concerning their certification and to apply for renewal and re-registration in the records for which they are certified.

Regarding preventive supervision, in 2022, new upgrades were made to the Risk-Based Supervision Framework (RBS-F) system, in order to take into account all the developments and changes that may pose risks to the market. Also, as part of the expansion of RBS-F with the integration of risk indicators regarding sustainable investments (ESG factors and climate-related risks), a request has been submitted to The Directorate-General for Structural Reform Support of the European Union (DG REFORM) in the provision of technical assistance programme for 2023 (TSI 2023).

Completion of the Enterprise Risk Management Framework ('The ERM-F'), which started in 2020, is also expected during the course of 2023.

In 2022, CySEC also acquired the innovative reporting and analysis platform Power BI.

Dr. Theocharides referred to the new European legislative regulations concerning the Sector saying that, by 2023, CySEC will issue a Policy Statement finalising the rules for the process of remote customer identification through innovative technological methods.

Investor education

Training and education are given great importance by CySEC, in order to enable investors to be able to evaluate the risks and returns involved in different investment options. The establishment of an annual award for two university students, for which CySEC offers a cash prize of €1000, is also included in the promotion and strengthening of financial education in Cyprus, particularly among young people.

END

