

ANNOUNCEMENT

Potential Risks Associated with Investing in Contingent Convertible Instruments

The Cyprus Securities and Exchange Commission ('CySEC') would like to draw the attention of the supervised entities, the stakeholders and the investing public to the statement published by the European Securities Markets Authority (ESMA) titled [Potential Risks Associated with Investing in Contingent Convertible Instruments](http://www.esma.europa.eu/content/Potential-Risks-Associated-Investing-Contingent-Convertible-Instruments).

Despite the fact that the abovementioned statement by ESMA is addressed to institutional investors, the CySEC, however, considers that it would be good to be read and taken into account by non-institutional private investors (retail investors) as well.

ESMA is issuing this statement to clarify to institutional investors risks from a newly emerging asset class referred to by most market participants as contingent convertibles instruments (CoCos). If they work as intended in a crisis CoCos will play an important role to inhibit risk transfer from debt holders to taxpayers. They, along with standards to improve the quality and quantity of bank capital, reflect a considerate response to the former regulatory capital framework. However, it is unclear as to whether investors fully consider the risks of CoCos and correctly factor those risks into their valuation. ESMA believes there are specific risks to CoCos and that investors should take those risks into consideration prior to investing in these instruments.

The full text of ESMA's statement can be accessed at its website at:

<http://www.esma.europa.eu/content/Potential-Risks-Associated-Investing-Contingent-Convertible-Instruments>

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Notes for editors

The European Securities and Markets Authority (ESMA) is an independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as

enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (European Banking Authority - EBA), and insurance and occupational pensions (European Insurance and Occupational Pensions Authority - EIOPA). More information at www.esma.europa.eu