



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION



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The major challenges Cyprus, and in particular the Cypriot economy, has to face accentuate the need for restoring public confidence in the financial system and the supervisory authorities as soon as possible. The overview presented in this annual report reflects on the most important work the Cyprus Securities and Exchange Commission (CySEC) has performed to this end in 2012 and the priorities set for 2013 and the years after that.

The contribution of CySEC to the success of the Cyprus Presidency of the Council of the EU during the second half of 2012, in cooperation with the Ministry of Finance, was paramount. Within these six months CySEC actively participated in the negotiations for the examination and restructuring of eleven legislative proposals by the European Commission regarding the securities market on behalf of the Republic of Cyprus. In these negotiations significant progress and important agreements were reported. Specifically, on three proposals a political agreement was reached (in relation to the text of the Regulation and the Directive on credit rating agencies and the Regulations for the European Venture Capital and the European Social Entrepreneurship Funds). Furthermore, two agreements of general approach were reached by the EU Council regarding the proposed Market Abuse Regulation and Market Abuse Directive. This was made possible through the hard work and dedication of CySEC staff.

At the same time, during 2012, the CySEC Board has set objectives for the upcoming four years in the context of a Strategic Plan. During the same year, significant work has been accomplished towards the CySEC Strategic Plan, which is reflected in the positive feedback CySEC receives from the various stakeholders and market participants.

The vision adopted by the CySEC Board relates to the establishment of the Cyprus securities market as one of the safest, most reliable and attractive investment destinations. In view of this vision, a combination of excellent market supervision and steady development of the securities sector is needed. Therefore, both work achieved by CySEC in 2012 and the objectives set for 2013 and subsequent years aim to fulfill this vision.

With regards to 2013, CySEC has set as an objective the increase in inspections for the compliance of supervised entities with their continuing obligations, while focusing on the adoption of the Risk Based Supervision Framework. The said framework will assist in the focus of supervision on institutions that pose the most significant risks. Furthermore, another important objective for CySEC in 2013 is the completion of as many investigations as possible concerning issuers of securities in the banking sector.

I would like to make a special reference to the contribution of CySEC staff in fulfilling its objectives and express my sincere thanks for their hard and diligent work. I would like to also express my appreciation and gratitude to the Vice-Chairman, the representative of the Governor of the Central Bank and the other members of the CySEC Board, whose support and assistance has been instrumental and invaluable.

Demetra Kalogerou

Chairwoman of the Cyprus Securities and Exchange Commission

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The Cyprus Securities and Exchange Commission (CySEC) is the independent public Supervisory Authority responsible for the supervision of the investment services market in transferable securities and transactions in securities held in the Republic of Cyprus. The Cyprus Securities and Exchange Commission was established in accordance to section 5 of the Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a public corporate body. The functioning of the Cyprus Securities and Exchange Commission is governed by the Law regulating the Structure, Responsibilities, Powers, Organization of the Cyprus Securities and Exchange Commission and Other Related Matters (L73 (I)/2009).

2.1 VISION, MISSION AND STRATEGIC OBJECTIVES

The vision of CySEC is to establish the Cyprus securities market as one of the safest, most reliable and attractive investment destinations.

The mission of CySEC is to exercise effective supervision ensuring investor protection and the healthy development of the securities market.

In order to achieve its vision and mission, and fulfil its legal obligations, CySEC focuses its actions on the implementation of five Strategic Objectives, as follows:

- **The ongoing reform of the regulatory and supervisory framework which governs the Cyprus securities market, based on EU Directives and Regulations, and international practices**

The implementation of this strategic objective will ensure a high level of investor protection and the smooth operation of the market, and also that the regulatory and supervisory framework of the Cyprus securities market is in compliance with the European acquis.

- **Ensuring the full compliance of supervised entities with their obligations under the relevant regulatory framework**

The implementation of this strategic objective will result in the efficient supervision of supervised entities and will contribute towards strengthening market confidence in the financial sector.

- **Contribution to the continuous upgrading of the investor education system**

The implementation of this strategic objective will improve the level of knowledge of investors on investment issues and their ability to make sounder investment decisions.

- **Contribution towards promoting and attracting new, healthy and dynamic financial institutions**

The implementation of this strategic objective will contribute towards enhancing the reputation and credibility of Cyprus as an investment centre and will highlight its prospects for becoming an international financial centre.

- **The continuous improvement and modernisation of CySEC's operation**

The implementation of this strategic objective will enhance the performance, efficiency and transparency in the Commission's operation and procedures, aiming to reduce bureaucracy and the time needed for the completion of tasks.

2.2 ROLE AND RESPONSIBILITIES

CySEC is tasked, pursuant to the Cyprus Securities and Exchange Commission Law of 2009, with the responsibility for ensuring the smooth operation and methodical growth of the securities market as well as monitoring the transactions in transferable securities carried out in the Republic of Cyprus. The scope of the supervision also extends outside the Republic, in respect to transactions carried out by Investment Firms which operate under the

supervision of CySEC. CySEC exercises the powers and duties entrusted to it by the law and its task is to examine, suggest measures to other competent Authorities, take measures to safeguard the integrity of stock exchange transactions, and generally ensure the efficiency of the securities market and its fair operation.

In order to operate smoothly, effectively and efficiently, and ensure, inter alia, adequate investor protection, a securities market must have rules of operation and generally dispose of an appropriate and adequate legislative framework. This framework governs the operation of both the market as such and those operating within it, such as for example the issuers of securities (public companies), Investment Firms, investment funds as well as investors. The supervision of compliance with these rules and with the institutional framework in general is undertaken by CySEC, which has the duty to monitor the market and take both preventive and repressive measures to attain the legislative aims and purposes.

The main duties and responsibilities of CySEC are set out in Article 25 of the Law which Regulates the Structure, Duties, Powers, Organisation of the Securities and Exchange Commission and other Related Matters (Law.73(I)/2009) and may be summarised as follows:

- To review applications and grant operating licenses to institutions under its supervision, as well as to suspend and revoke the said licenses.
- To supervise and control the operation of the Cyprus Stock Exchange and of other organized markets in the Republic and the transactions carried out in such markets.
- To supervise and control the entities under its supervision in order to ensure their compliance with the laws governing their operation.
- To carry out all necessary investigations in view of the exercise of its duties under the law as well as on behalf of other competent Authorities abroad.
- To request and collect information which is necessary or conducive to the exercise of its duties under the law and to demand by written request the provision of information from any natural or legal person or organisation deemed to be in a position to provide the required information.
- To impose the administrative and disciplinary sanctions provided by the law.
- To require the cessation of practices which are contrary to the relevant legislation.
- To apply to a competent court for the issue of a seizure, charging or freezing order or an order to prevent alienation or transaction in assets.
- To issue regulatory Directives and Decisions.
- To cooperate and exchange evidence and information with other public Authorities in the Republic, with competent foreign supervisory Authorities and with other organisations.

In addition to the above duties, CySEC has also been entrusted with powers and duties under the following laws:

- The Public Offer and Prospectus Laws of 2005-2013
- The Insider Dealing and Market Manipulation (Market Abuse) Laws of 2005-2013
- The Public Takeover Bids Laws of 2007-2009
- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Laws of 2007-2013

2.3 ADMINISTRATION AND STRUCTURE

2.3.1 Board

CySEC is administered by a five-member Board, consisting of the Chairman and Vice-Chairman, who provide their services on a full-time and exclusive employment basis, and three additional members. A representative of the Governor of the Central Bank attends the meetings of the Board and may request the inclusion of items on the agenda, take part in discussions and express views, but has no right to vote. The members of Board are appointed by the Council of Ministers upon recommendation of the Minister of Finance for a five-year term which is renewable only once.

The CySEC Board composition is as follows:

ΣΥΜΒΟΥΛΙΟ ΕΠΙΤΡΟΠΗΣ		
Όνομα	Ιδιότητα	Ημερομηνία Διορισμού
Demetra Kalogerou	Chairwoman	15/9/2011
Andreas Andreou	Vice Chairman	28/9/2011
Andreas Christodoulou	Member	28/9/2011
Christos Vakis	Member	28/9/2011
Evrripides Polykarpou	Member	15/9/2011
Elena Gregoriadou	Representative of the Governor of the Central Bank of Cyprus	20/6/2011



Chairwoman

Demetra Kalogerou

Mrs. Kalogerou was appointed Chairwoman of CySEC in September 2011. Mrs. Kalogerou was previously employed at the Cyprus Stock Exchange (CSE) as Senior Officer and her duties included the supervision of transactions in transferable securities and the various CSE markets, the monitoring of compliance of listed public companies with their continuous obligations such as the preparation of Annual Financial Statements and their compliance with the International Accounting Standards and the Code of Corporate Governance, the research and development of new products, as well as the promotion of financial markets. As a result of the above duties, during her fifteen years of employment with the CSE Mrs. Kalogerou developed an in-depth knowledge on all aspects of the securities market and acquired an extensive experience in matters relating to the smooth and orderly development of securities markets and investor protection. Mrs. Kalogerou holds a BSc in Economics and Business Administration from the University of Wales, an MSc in Economics of Public Policy the University of Leicester and an MPhil in Finance from City University Business School, UK. Mrs. Kalogerou is also a member of the five-member Public Oversight Committee which was created for the supervision of auditors and audit firms.



Vice-Chairman

Andreas Andreou

Mr. Andreas Andreou was appointed Vice-Chairman of CySEC in September 2011. He has extensive work experience both in the legal and the broader financial sectors. He was the head of the legal department and Secretary of the Board of a large investment firm. From 2005 he served as Senior Legal Counsel in an investment firm and other companies under the same group. Mr. Andreou holds a Law degree and an MSc in European and International Commercial Law from the University of Leicester in England. In 1995 he became a Barrister, member of Lincoln's Inn in London, and in 1996 he joined the Cyprus Bar Association. He is also a founding member of the Cyprus Association of Directors.



Member

Evripides Polykarpou

Dr. Evripides Polykarpou was appointed Member of the Board of CySEC in September 2011. He is the Head of Administration and Personnel at the European University Cyprus and takes part in the Competitiveness Programme of the World Economic Forum in Davos (for Cyprus). He has, inter alia, provided his services to various projects financed by the European Union, the United Nations and local stakeholders. He has also served as member of the Board of Directors of a number of public companies. Dr. Evripides Polykarpou holds a BSc in Business Administration, an MBA in Finance and a PhD in Educational Administration.



Member

Christos Vakis

Mr. Christos Vakis was appointed Member of the Board of CySEC in September 2011. Since 1999, he is the director of his own company Cymiva Management Consultants Ltd, a Company Consultants firm. He has served as Director in a number of public companies as well as in other Cypriot and foreign companies. He worked for Touche Ross & Co. in London where he acquired the title of Chartered Accountant. He then worked in Cyprus for the audit firm KPMG – Metaxas, Loizides, Syrimis & Co, where he became a Partner. From 1995 until 1998 he was the Managing Director of a private group of companies with international operations. Mr. Christos Vakis studied Economics at the University of Manchester.



Member

Andreas Christodoulou

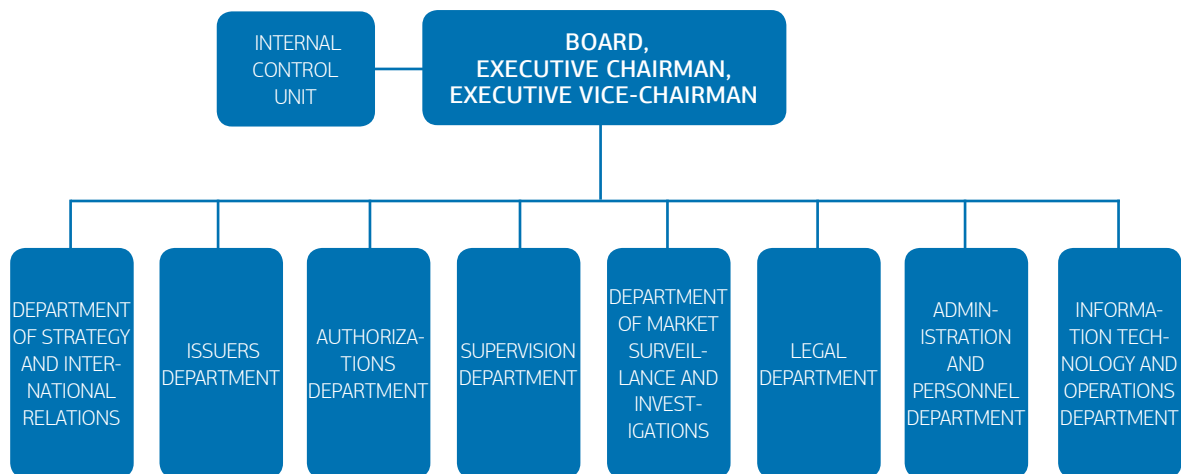
Mr. Andreas Christodoulou was appointed Member of the Board of CySEC in September 2011 and is a Senior Officer at the Cooperative Societies Supervision and Development Authority (CSSDA). Until September 2013, when the supervision of Cooperative Credit Institutions was transferred from CSSDA to the Central Bank of Cyprus, Mr. Christodoulou was Head of Regulation. Now he is responsible for legislation. Furthermore, Mr. Christodoulou worked at CySEC as an Officer during the period 1996-1999. He holds a degree in Economics and has attended several seminars and training courses both in Cyprus and abroad on the regulation and supervision of credit institutions and the securities market.



Representative of the Governor of the Central Bank of Cyprus

Elena Gregoriadou

Mrs. Elena Gregoriadou has been employed at the Central Bank of Cyprus since 1983 and has been appointed Representative of the Governor of the Central Bank of Cyprus to the meetings of the Board of CySEC in June 2011. She worked at the Bank Supervision Department and was involved for several years in the licensing of offshore banks, financial firms and international collective investment schemes. She is currently the Head of the Bank Regulation and Monitoring Department at the Central Bank of Cyprus. Mrs. Elena Gregoriadou holds a BSc and an MSc in Economics from the London School of Economics.



2.3.2 Organisational Structure

CySEC proceeded with its internal reorganization, that began in 2012 and was completed in 2013. The reorganization was necessary due to the CySEC's increasing responsibilities, which are also affected by the increase in the number, size and complexity of supervised entities. As a result of this reorganization, the eight departments which now make up CySEC are: the Department of Strategy and International Relations, the Issuers Department, the Authorisations Department, the Supervision Department, the Department of Market Surveillance and Investigations, the Legal Department, the Administration and Personnel Department and the Information Technology and Operations Department. An Internal Audit Unit was also established in order to ensure the more effective and efficient operation of CySEC. The new organisational structure of CySEC is as follows:

2.3.3 Departments

Internal Audit Unit

The mission of the Internal Audit Unit is to provide independent, objective assurances and consulting services aiming to add value and improve the functioning of CySEC, and to help CySEC achieve its objectives by adopting a systematic and disciplined approach in order to evaluate and improve the effectiveness of risk management processes, control and governance.

Department of Strategy and International Relations

The Department of Strategy and International Relations is responsible for the strategic planning of CySEC, its internal and external communication and promotion of CySEC's work, international relations, public education on the securities market and investment services market, and provide support to the Chairman and Vice-Chairman on the aforementioned topics.

Issuers Department

The Issuers Department is responsible for supervising the compliance of companies that have issued, or intend to issue, securities that have been admitted, or are expected to be admitted for trading on a regulated market with their obligations, as set out in the relevant legislation, and monitoring the compliance of said companies with the Code of Corporate Governance.

Authorisations Department

The Authorisations Department is responsible for examining applications for operating licenses by entities that fall within the CySEC's supervisory scope, examining applications to extend the financial services supervised entities are licensed to provide and examining of notifications for the setting up of foreign UCITS Management Companies domiciled in other EU member-states and cross border provision of services in the Republic.

Supervision Department

The duties of the Supervision Department, among other things, include the supervision of licensed entities with their continuing legal obligations, the compliance of supervised entities with the Concealment, Investigation and Confiscation of Proceeds from Certain Criminal Acts Law, supervising the compliance of branches in Cyprus by supervised entities in other EU member-states with their obligations regarding their behavior when providing investment services, the supervision on compliance obligations for the marketing of units of foreign harmonized and non-harmonized UCITS in Cyprus, the monitoring of the cross-border provision of services in Cyprus by UCITS Management Companies which are based in a EU member-state other than Cyprus, monitoring the compliance of foreign harmonized and non-harmonized UCITS and their Distributors on their ongoing obligations for the cross-border provision of services and the education of the supervised entities on the aforementioned topics, such as the prevention of money laundering and terrorist financing, capital adequacy, compliance with their legal requirements, etc.

Department of Market Surveillance and Investigations

The Department of Market Surveillance and Investigations is primarily responsible for receiving and investigating complaints, conducting ex officio investigations, conducting investigations on behalf of foreign supervisory Authorities and issuing warnings about companies which provide investment services in the Republic without being licensed by CySEC.

Legal Department

The duties of the Legal Department mainly include the monitoring of the legislation on the securities market, the preparation and submission of suggestions for the amendment of the relevant legislation, the maintenance of a register of CySEC cases pending before the Court, the monitoring, coordination and cooperation with CySEC external legal officers, taking minutes, archiving decisions, maintaining an archive of board compositions, announcing the CySEC Board decisions, providing legal support to CySEC and providing opinions/answers to questions that are submitted to CySEC. Also, the Department is responsible for the harmonisation of Cyprus legislation with the EU regulatory framework.

Administration and Personnel Department

The duties of the Administration and Personnel Department mainly include general office administration, book-keeping and accounting, budgetary functions and offers, monitoring the observance of personnel rules, personnel training issues, filling of vacancies and other tasks such as keeping the archive of the personnel Provident Fund. The Department also deals with other current matters such as management of equipment and buildings. In addition, the Department provides secretarial support to the Investor Compensation Fund of Clients of CIFs.

Information Technology and Operations Department

The Department of Information Technology and Operations is responsible for managing and upgrading CySEC infrastructure systems, the CySEC website and internal network, and other issues relating to the adoption of modern information and communication technologies by the Commission in order to ensure efficiency and security in data management and the communication involved in the execution of its responsibilities.

2.3.4 Personnel

At the end of 2012, as in 2011, CySEC employed 6 Senior Officers, 34 Officers, 12 Assistant Secretarial Officers and 1 Office Assistant.

During 2012, one legal Officer was seconded to the Permanent Representation of Cyprus to the European Union, as from July 2011 in relation to the Cyprus Presidency of the Council of the European Union. Also, an officer of the Cyprus Stock Exchange (CSE) was employed at the Department of Market Surveillance and Investigations since November 2012 and two employed at the Authorisations Department, on the basis of a Memorandum of Understanding signed between CySEC and the CSE.

2.4 HISTORICAL BACKGROUND

Period between 1996 – 2000

CySEC was initially established in 1996 by virtue of Article 8 of the Securities and the Cyprus Stock Exchange Laws and had been characterised by the Law Office of the Republic as a “Collective Administrative Supervisory Body”. It was a five-member Commission comprising the Government Commissioner, the Central Bank Representative and three other members. All members were non-executive.

It should be noted that until 2000 there existed only two Laws governing the securities market, the Securities and the Cyprus Stock Exchange Laws and Regulations (including the Public Takeover Bids and Company Mergers Regulations), and the Possession, Use and Disclosure of Privileged Confidential Information Law. Until the end of 1999, CySEC remained understaffed employing only four persons (three officers and one assistant secretarial officer).

Period between 2001 – July 2009

CySEC was established on 20th April 2001 pursuant to the provisions of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law, with a clearly defined structure, responsibilities, powers and organization. As a result, the old Commission was abolished and its competences were transferred to the new CySEC.

The new CySEC is a public corporate body. It is assigned the responsibility of supervising the securities market, ensuring its smooth operation and methodical growth as well as monitoring the transactions in transferable securities carried out in the Republic. CySEC is an independent public supervisory authority and is one of the four (until recently five¹) Authorities supervising the financial sector in Cyprus. On the basis of the new Law, CySEC is governed by a five-member Board, of which the Chairman and the Vice-Chairman provide their services on a full time and exclusive basis.

Period between July 2009 – Today

On 10 July 2009, the new Cyprus Securities and Exchange Commission Law of 2009 (Law.73(I)/2009) (the “Law”) came into force, replacing the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 to 2007.

Contrary to the past, CySEC now has the necessary tools (both dissuasive and repressive) to ensure the compliance of the supervised entities with the relevant legislative framework, the supervision and enforcement of which, has been assigned to it. When a violation is established, CySEC has now the power to impose sanctions. The legislator, having recognised the severity of some types of violations, has provided for the power to impose very stringent administrative and criminal sanctions.

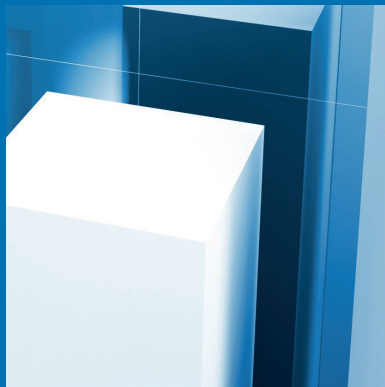
Further to the above, under the new Law, CySEC now has the following significant new powers:

- To proceed with on-the-spot confiscation of books and documents in case their holders refuse to avail them to CySEC;
- To request the cessation of a practice that is contrary to the legislation under its supervision;
- To apply to the competent court of law for the issue of an order to block, encumber, freeze or prevent the alienation or the transaction involving certain assets;
- To collect information and conduct inspections and investigations on behalf of other supervisory Authorities abroad.

¹ The five Authorities consist of the Central Bank of Cyprus, CySEC, the Insurance Companies Control Service, the Supervision and Development of Cooperative Societies and the Supervisory Authority for Occupational Retirement Funds.

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3.1 SUPERVISED ENTITIES

CySEC is responsible for supervising the operations and ensuring compliance with the legislation governing the operation of the organizations presented in the table below (Table 1).

Table 1: Supervised entities by the Cyprus Securities and Exchange Commission

SUPERVISED ENTITIES
Cyprus Investment Firms (CIFs)
Cyprus branches of Investment Firms (Ifs) of other EU member-states
Tied Agents of CIFs
Undertakings for Collective Investment in Transferable Securities (UCITS)
UCITS (Undertakings for Collective Investment in Transferable Securities) Management Companies
UCITS Agents
Cyprus branches of UCITS Management Companies of other EU member-states
Administrative Services Companies - Trustee and Fiduciary Service Providers ²
Variable Capital Investment Companies
Alternative Investment Fund Managers (AIFMs)
Regulated Markets
Central Counterparty Clearing House (CCPs) of over-the-counter (OTC) derivatives
Trade depositories of over-the-counter (OTC) derivatives

With the enactment of various Laws that are currently being prepared, CySEC will also become the competent supervisory Authority for Alternative Investment Funds (AIFs), International Collective Investment Schemes (ICIS) and Central Securities Depositories (CSDs).

By the end of 2012, CySEC supervised:

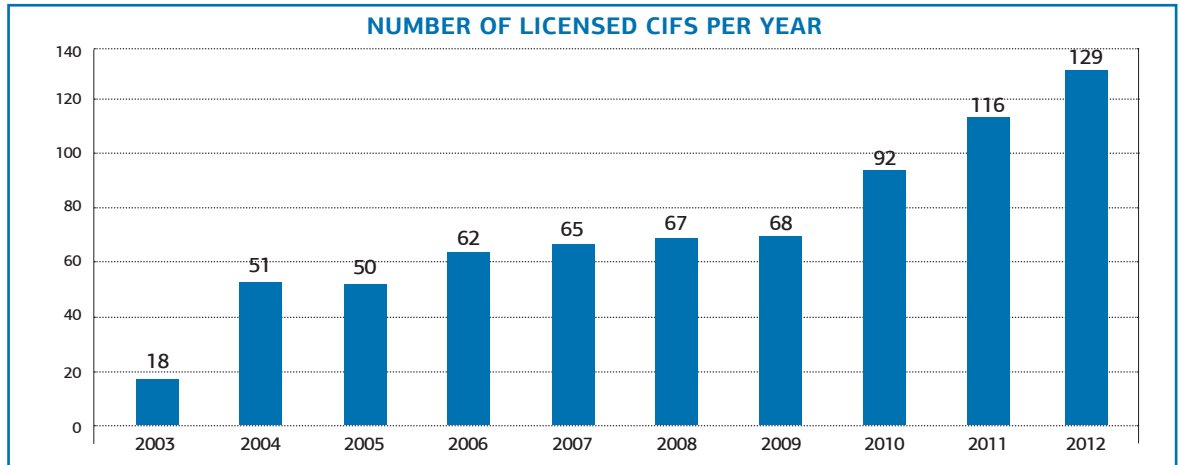
- 129 Cyprus Investment Firms (CIFs)
- 1 Regulated Market (CSE)
- 111 Issuers of Securities Listed on the CSE, who have issued 186 securities
- Undertakings for the Collective Investment in Transferable Securities (UCITS) and 2 UCITS Management Companies
- 5 Administrative Service Providers.

Furthermore, CySEC has received 319 notifications with which Administrative Service Providers have expressed their intension to apply for registration.

The keen interest of investors in Cyprus and abroad for setting-up new CIFs has led to a high inflow of applications for registration of such organisations at CySEC and a continuous increase in the number of licensed CIFs during the last years (Graph 1).

2 Apart from exempted persons which include (a) a lawyer and or a limited liability company as defined in the Advocates Law, a general partnership or limited partnership whose general partners are lawyers or a limited liability company and a subsidiary company, owned directly or indirectly, by any of the above, which is regulated by the Board of the Cyprus Bar Association in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law, (b) a member of the Institute of Certified Public Accountants of Cyprus (ICPAC), a general or limited partnership or a limited liability company whose majority of general partners and directors are members of ICPAC, and a subsidiary company, owned directly or indirectly, by any of the above, which is regulated by the Board of ICPAC in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

Graph 1: Number of licensed CIFs per year



The number of foreign harmonised UCITS in 2012, in relation to 2011, was reduced from 43 to 22 single schemes, while the number of umbrella schemes was increased from 25 to 30. During the year under review, 6 foreign harmonised UCITS (5 umbrella schemes and 1 single schemes) registered with CySEC in order for their units to be marketed in the Republic, whereas the marketing of the units of twenty two (22) foreign harmonised UCITS (single schemes) in the Republic was terminated due to their merger with other UCITS or due to the termination of the marketing of their units in the Republic (Table 2).

Table 2: Foreign Harmonised UCITS

Number of foreign harmonised UCITS	2012	2011
Single schemes	22	43
Umbrella schemes	30	25
Total	52	68

The countries of origin of the foreign UCITS are mainly Greece, Luxembourg and Ireland (Table 3).

Table 3: Country of Origin of Harmonised UCITS

Country of origin of harmonised UCITS	2012	2011
Number of harmonised UCITS		
Greece	20	42
Luxembourg	26	21
Ireland	5	4
France	1	1
Total	52	68
Number of non-harmonised UCITS	0	0
Total		00

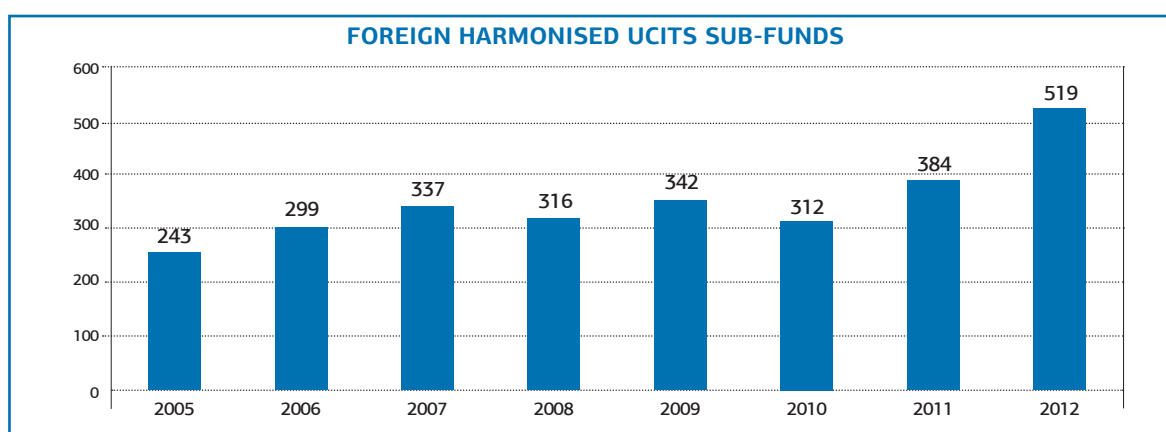
In 2012, CySEC had under its supervision one UCITS Management Company licensed under Article 121 (1) (a) of the Open-Ended Undertakings for Collective Investment Law of 2012.

Within 2012, the total number of sub-funds under the umbrella schemes increased to 519 harmonized UCITS, in relation to 384 in 2011 (Table 4).

Table 4: UCITS Sub-funds

Total number of sub-funds under umbrella schemes	2012	2011
Harmonised UCITS	519	384
Non-harmonised UCITS	0	0
Total	519	384

The increase of sub-funds of foreign harmonized UCITS in 2012 was sizable due to the increase in the number of UCITS with sub-funds and the increase in the number of sub-funds in existing umbrella schemes (Graph 2).

Graph 2: Foreign Harmonised UCITS Sub-funds

The number of Distributors registered with CySEC amounted to 15 in 2012, in comparison to 14 in 2011. That is, in 2012, one new Distributor of harmonized UCITS was registered in the UCITS Distributors register maintained by CySEC.

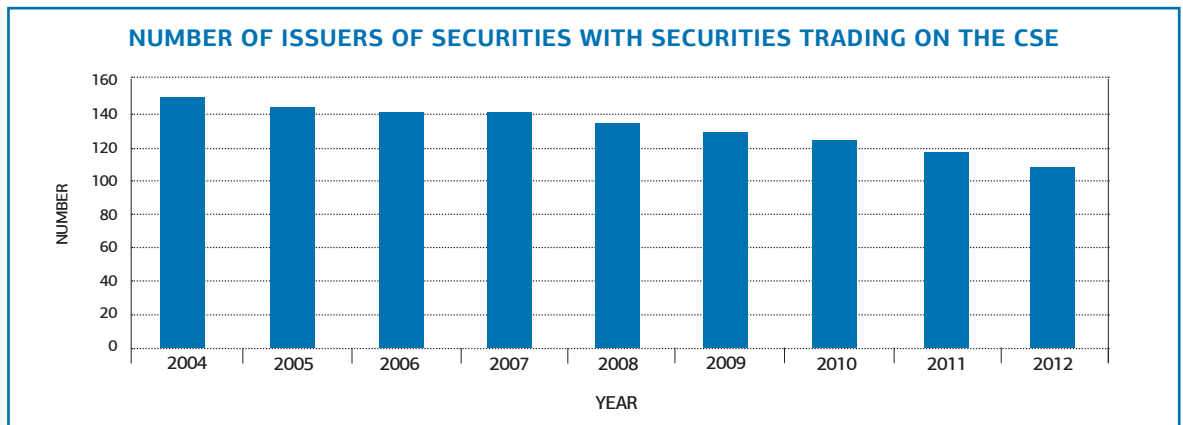
During 2012, CySEC received 3 new notifications for the cross-border provision of services in the Republic by harmonized Management Companies established in an EU member-state other than the Republic. At the end of 2012, CySEC had under its supervision 14 Management Companies based in an EU member-state other than the Republic (2011 – 11) which registered with CySEC for the provision of cross-border services in the Republic. Table 5 lists the member-states in which these Management Companies are domiciled.

Table 5: Member States of Origin of UCITS Management Companies

Member states of origin of UCITS Management Companies	2012	2011
France	6	5
Luxembourg	3	2
Belgium	1	0
Liechtenstein	1	1
Greece	3	3
Total	14	11

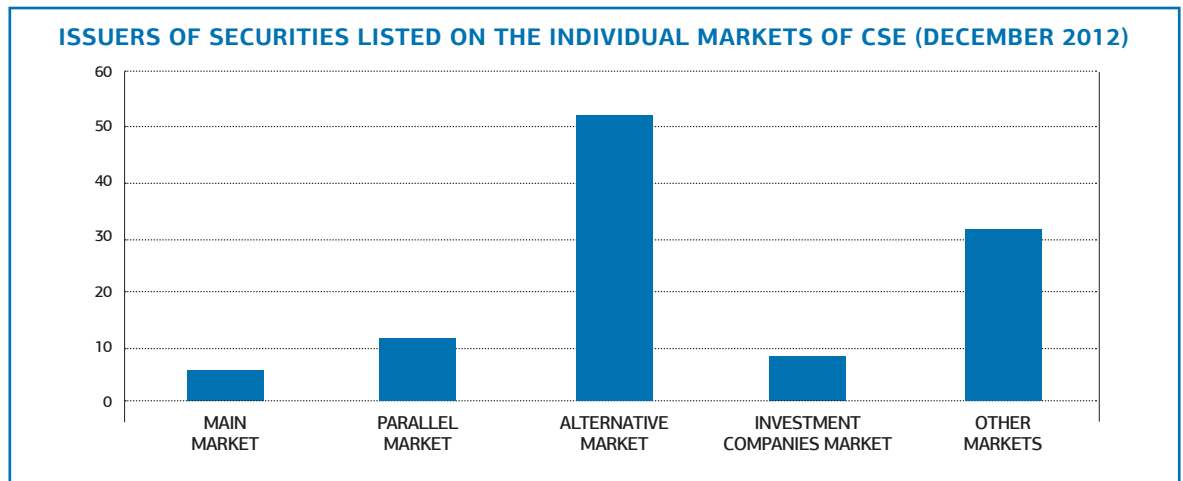
CySEC supervises the only licensed regulated market operating in the Republic of Cyprus, the Cyprus Stock Exchange (CSE). In addition, CySEC supervises the CSE as a market operator of a Multilateral Trading Facility (MTF). The number of companies with securities listed on CSE whose home member-state is the Republic of Cyprus and are subject to supervision by CySEC at the end of 2012 was 111 (Graph 3).

Graph 3: Number of Issuers of Securities with securities trading on the CSE



The number of issuers has demonstrated a declining trend in the last years, as seen in the graph, mainly due to the increased number of acquisitions and the consequent delisting of the securities of the acquired companies from the CSE. At the end of 2012, Issuers had 186 issued securities trading on the CSE markets (Graph 4).

Graph 4: Issuers of securities listed on the individual markets of CSE (December 2012)



3.2 MARKET TRENDS

In 2012, the stock market was noticeably affected by the ongoing Eurozone crisis which began in 2009 as a fiscal and banking crisis, as well as growth crisis. As a result of the crisis, it became impossible for a number of Eurozone member-states to pay off or refinance their public debt without external help. At the same time a number of banks in the Eurozone were dealing with capitalization ratios below the safety threshold and immense liquidity problems.

The Cyprus economy suffered a major setback in 2012 due to, inter alia, the exposure of certain Cypriot commercial banks to Greek Government bonds and the impairment of these bonds, the downgrading of the Cyprus economy by international credit rating agencies to investment grade ranking, and the inability of the government to refinance public debt.

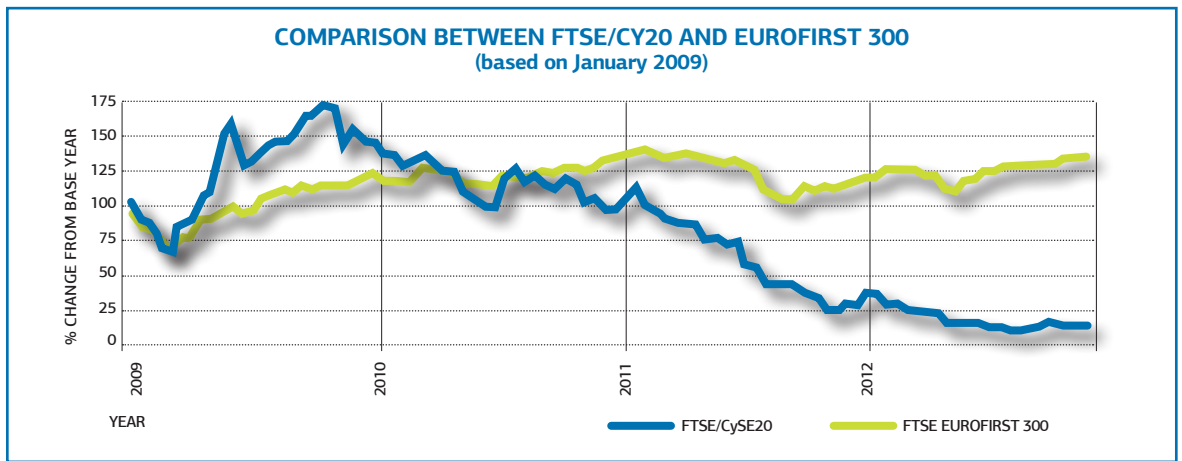
The successive downgrading of the Cyprus economy and its largest banks by international credit rating agencies due to the high exposure to Greek Government bonds resulted in Cyprus becoming isolated from the international markets and constrained any attempt on behalf of the Cyprus government to secure a loan with favourable terms.

As a result, on 25 June 2012, Cyprus became the fifth Eurozone member-state after Greece, Ireland, Portugal and Spain, to apply for financial assistance from the European Financial Stability Facility/European Stability Mechanism in order to provide support to the country's banking sector. The terms of the rescue package signed between international creditors consisting of the European Commission, European Central Bank and the International Monetary Fund and the Government of Cyprus included strict austerity measures, including cuts to salaries for the civil service, social benefits and pensions.

As a result of the unprecedented turmoil in the Cyprus economy in 2012, the securities market followed a steep downward trend. At the end of the year, the capitalization of the CSE (referring only to stock and excluding the investment firms market) amounted to 1.51 billion Euros, compared with 2.1 billion Euros at the end of 2011. Therefore, it decreased by about 28% in relation to the previous year.

The FTSE/CySE20 index, which is made up of 20 securities that constitute a representative sample of the Cyprus stock market, declined by 57% between December 2011 and December 2012. This decline is in contrast with the trend of share prices in Europe. Graph 5 shows the FTSE Eurofirst 300 Index, which records an increase of around 12% between December 2011 and December 2012, and the FTSE/CySE20 Index.

Graph 5: Comparison between FTSE/CY20 and EuroFirst 300



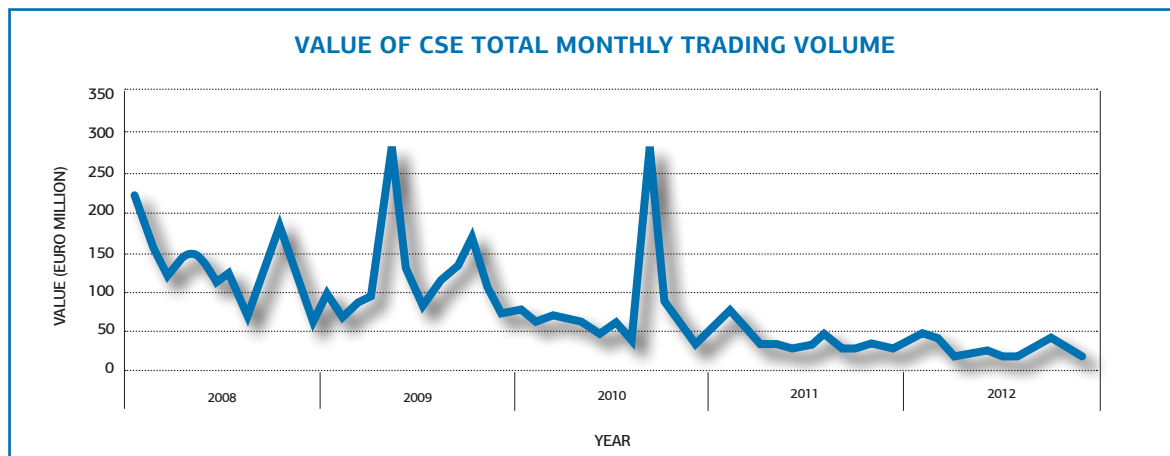
As expected due to the adverse financial conditions that prevailed in the national economy during 2012, the General CSE Price Index also displayed a marked declining trend, closing at 114.86 in relation to 295.94 of the previous year (Graph 6).

Graph 6: CSE General Price Index for 2012



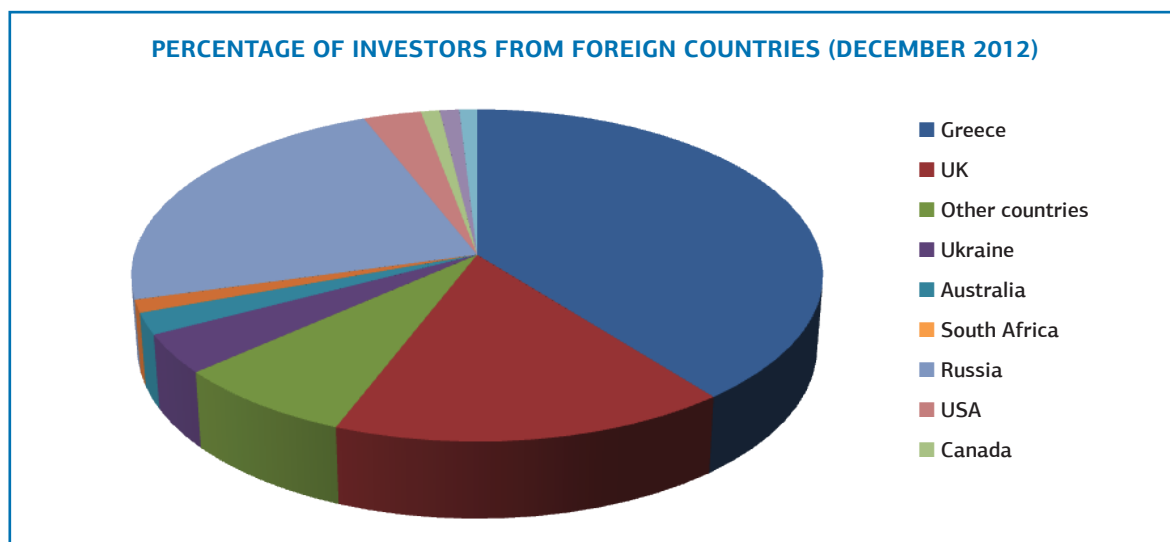
The undermining of investor confidence in relation to future stock market values and generally of the state of the economy, led to a decrease in the prices of transferable securities, which was also reflected on the stock market trading volume. The total monthly trading volume of transactions on the CSE in 2012 marked a significant decline, with the total monthly volume of transactions for January amounting to 30 million Euros and the respective volume for December amounting to only 8.1 million Euros (Graph 7).

Graph 7: Value of CSE Total Monthly Trading Volume



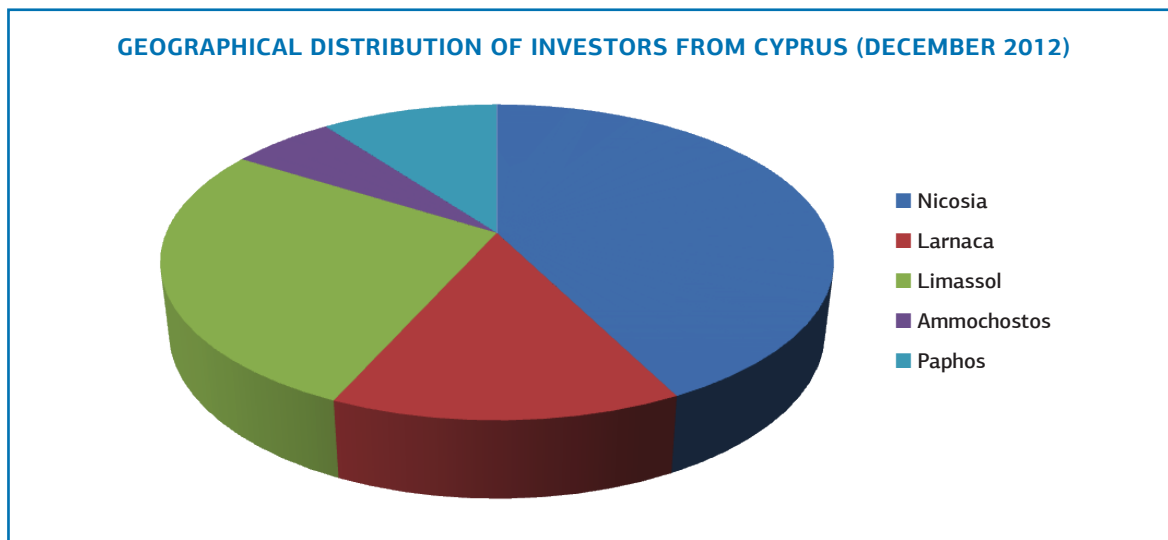
The contribution of investors from other countries to the stock market capitalization at the end of December 2012 was at 25.17%. Non-Cypriot investors in Cyprus come from a variety of countries, including Greece, the UK, Ukraine, Russia, Australia, USA, Canada and South Africa (Graph 8).

Graph 8: Percentage of Investors from Foreign Countries (December 2012)



The vast majority of investors from Cyprus, at a percentage of 42.51%, reside in Nicosia (Graph 9).

Graph 9: Geographical Distribution of Investors from Cyprus (December 2012)



3.3 MAJOR CHANGES

Financial Binary Options

On 3 May 2012, CySEC announced its decision to include binary options in the list of financial instruments that fall within the remit of the Investment Services and Activities and Regulated Markets Law of 2007-2009.

The said decision was taken following a review at European level of how binary options are classified and regulated in other EU member-states and also after requesting the opinion of the European Commission. It was made clear that financial binary options constitute “financial instruments” within the remit of the aforementioned Law. Therefore, following the CySEC’s decision, persons who wish to provide investment services in financial binary options, must first apply to CySEC for a CIF operating license. Additionally, CySEC set a deadline before which all entities that were already active in the provision of investment services in binary options should have applied for a CIF operating license and urged investors to be particularly careful.

With the above decision, Cyprus became the first EU member-state to recognize the need for the provision of investment services in binary options to become a supervised activity so that it is subjected to regulation and supervision in accordance with the Investment Services and Activities and Regulated Markets Laws.

Law on Open-Ended Undertakings for Collective Investments (UCITS)

On 15 June 2012, which is the date of its publication in the Official Gazette of the Republic, the Open-Ended Undertakings for Collective Investments Law of 2012 (L.78(I)/2012) (known by the acronym UCITS) came into force. The said Law harmonises the national institutional framework with European Directive UCITS IV, and, in addition, brings about substantial innovations to the UCITS market in Cyprus which are expected to contribute to the more effective functioning of the UCITS market.

Some of the most important changes include the extension of the European “passport”, the simplification of the notification process between national supervisory Authorities for the disposal of UCITS in another member-state, the introduction of a key investor information document, the facilitating of cross-border mergers of UCITS, as well as changes that allow Management Companies domiciled in Cyprus to manage UCITS in any other EU member-state, and respectively, Management Companies domiciled in a member-state other than Cyprus to manage UCITS registered in Cyprus.

Certification of Persons and Public Register of Certified Persons

On 9 November 2012, with the enactment of Law L.154(I)/2012, CySEC was appointed as the new competent Authority responsible for conducting the certification exams in accordance with the provisions of section 53

of the Investment Services and Activities and Regulated Markets Laws of 2007-2012, replacing the previous Examination Committee.

Hence, CySEC constructed of a new framework for conducting the certification exam and the registration of persons at the public register through the Directive R.A.A. 499/2012, which was published in the Official Gazette of the Republic on 30 November 2012. According to the new framework, the old examination structure has been abolished and replaced by two examinations: the Basic Examination and the Upgraded Examination. The Basic Examination requires basic knowledge of the institutional framework on securities market issues and it is necessary for individuals wishing to be certified only for the investment services functions of reception and transmission and execution of orders. The Upgraded Examination requires very good knowledge of the institutional framework and other topics related to the securities market and should be taken by individuals wishing to be certified for all investment services or activities.

Moreover, by decision of CySEC, public registers were created for the registration of individuals who have succeeded in the Basic Examination and the Upgraded Examination respectively.

On 4 December 2012, CySEC launched a tender competition for the conduct of examinations for the certification of individuals. Upon completion of the assigning process the date of the certification exams will be announced along with all the relevant information.

The benefits of the new framework and the need it creates for the continuous professional education of individuals employed in CIFs, credit institutions, management companies and variable capital companies on issues relating to the provision of investment services are expected to be multiple. Among other things, it will improve the level of knowledge of certified individuals in relation to the latest developments and changes in the institutional framework governing the securities market, reduce the risk of incorrect compliance with the statutory obligations by the supervised entities, upgrade the specialized professional expertise of certified persons in specific areas of investment services while addressing potential weaknesses or gaps identified by the supervisory Authority, and support the need of individuals who might be unemployed for a period of time to remain updated on the developments in the institutional framework. Furthermore, it will upgrade the quality of the offered services and promote a culture of compliance in each supervised entity and in extension to the market at large. This will definitely contribute significantly to the further development and progress of the investment services sector in Cyprus.

Administrative Services Firms

Within 2012, CySEC prepared a Draft Law for the Regulation of Administrative Services Firms (known as Trustees and Fiduciary Service Providers) which was enacted into Law and came into force on 21 December 2012, as the Regulation on Companies Providing Administrative services and Related Matters Law of 2012 (L.196(I)/2012). The said Law grants a two-month time limit to all interested parties to notify CySEC of their intention to apply for a license to provide administrative services, and a four-month time limit from the date of this notification to submit the application. The said Law comes to regulate, for the first time, the supervision of such companies by CySEC. At the same time, it strengthens the institutional framework in terms of prevention of legalisation (laundering) of proceeds from criminal activities.

3.4. DEVELOPMENTS IN THE EUROPEAN AND INTERNATIONAL ENVIRONMENT

In February 2012, the European Securities and Markets Authority (ESMA), which is exclusively responsible for the registration and supervision of credit rating agencies (CRAs) within the EU, established a Central Rating Repository (CEREP). The CEREP will provide information about credit ratings issued by the 33 CRAs that were registered or certified in the EU on 31 December 2012. The CEREP database will allow investors to review for the first time in a single platform the performance and reliability of credit ratings on different types of ratings, asset classes and geographic regions during the time of their selection.

In June 2012 ESMA published a consultation paper on the proposed guidelines in relation to the remuneration of Alternative Investment Fund Managers (AIFM). ESMA's anticipated guidelines will be applicable to the executives of alternative investment funds (AIF) including hedge funds, private equity funds and real estate funds. These

investment funds will be requested to introduce sound and prudent remuneration policies and structures aiming at increasing investor protection and at avoiding conflicts of interest that could lead to excessive risk-taking.

A significant development concerning the European regulatory framework is the Regulation of the European Parliament and of the Council on over-the-counter (OTC) derivatives, central counterparties and trade repositories (Regulation (EU) No 648/2012), widely known by the acronym "EMIR", which came into force on 16 August 2012. The framework of the EMIR Regulation aims at improving the functioning of the financial instruments of OTC derivatives market in the EU by reducing risk. This will be achieved through central clearing and risk reduction techniques, increased transparency through trade repositories and through ensuring strong and robust central counterparties.

OTC derivatives are not characterized by sufficient transparency, as they are privately negotiated contracts and all information about them is usually solely available to the counterparties. This makes the need to increase transparency in OTC derivatives particularly important. Additionally, the complex web of interdependence that these derivatives form makes identifying the risks to financial stability difficult and increases uncertainty, especially in periods of intense market tension. For these reasons, EMIR includes provisions to both reduce these risks and improve transparency in derivatives contracts. The Regulation also sets out the criteria that determine whether different categories of OTC derivatives contracts should be subjected to clearing obligation from a central counterparty or not. The reason is that contracts of OTC derivatives that are not considered suitable for central counterparty clearing, have inherent credit and operational counterparty risk which should be managed.

On 1 November 2012, the Regulation governing short selling of financial instruments was put into force. The most important provisions the said Regulation is introducing are, among others, the obligation for notification of short selling positions when they exceed certain thresholds, the power to the national supervisory authorities to intervene through banning short selling when particularly pronounced market volatility is observed, and the ban on naked credit default swaps on sovereign bonds. During 2012, due to strong fluctuations in the securities markets, Italy and Spain placed unilateral temporary bans on the creation or increase of short positions in shares. In Italy the ban ended in September, while the ban in Spain covered all domestic shares and was extended until the end of January 2013. Similar measures were taken by the supervisory authorities in Belgium, France, Spain and Italy in 2011, as a response to constantly increasing market pressures.

4

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4

OVERVIEW OF ACTIVITIES

4.1 PROJECTS IMPLEMENTED IN 2012

The primary objective of CySEC is the protection of investors through the effective regulation and supervision of the securities market in Cyprus, based on European Directives and international practices, and through ensuring full compliance of supervised entities with their legal obligations. In order to fulfill these duties, CySEC implemented various projects and upgrades in 2012 within its sphere of competence.

For the upgrade of the regulatory and supervisory framework that governs the Cyprus securities market, based on the Directives and Regulation of the EU and international practices, CySEC promotes the drafting and implementation of legislation that would further strengthen the supervisory framework of the Cypriot securities market, for the highest possible level of investor protection.

To this end, CySEC has prepared a draft law in 2012 for the regulation of Administrative Services Providers (ASP), known as Trustees and Fiduciary Services, which was enacted into law and came into force in December 2012. This Law provides for the supervision of such firms by CySEC for the first time and creates an operational framework that will contribute to the further strengthening of the sector's credibility. This should put an end to negative press wishing to link Cyprus to money laundering. The Law grants a two-month time limit for companies notifying CySEC of their intention to apply for a license to provide administrative services, and a four-month time limit from the date of notification for submitting the relevant application.

During 2012, the Law on Undertakings for Collective Investment in Transferable Securities (UCITS) has also been completed, with which European Directive UCITS IV is transposed to the national regulatory framework. Harmonisation with this European Directive creates favorable conditions for attracting foreign UCITS funds in Cyprus for the first time and supports the development of a sector that is considered to be one of the most promising in terms of its future growth. Through the expansion of the so-called European passport, the Cyprus market opens up to companies from other EU member-states for the management of UCITS funds. In 2012 CySEC already authorized the first UCITS management company in Cyprus.

To ensure full compliance of supervised entities with their obligations under the relevant legislation, in 2012, CySEC set up a schedule of regular on-site inspections whereby CySEC Officers visited the offices of supervised entities in order to assess the level of their compliance with the existing legislation. In 2012, 28 on-site inspections were carried out and the goal is to conduct an even larger number of on-site inspections in 2013, based on a similar schedule.

CySEC conducts investigations concerning violations of the existing legislation, ex officio as well as after it receives complaints. As a result of the Supreme Court's decision in 2011 that forced CySEC to withdraw many of its decisions that imposed administrative sanctions, CySEC had to bear the burden of repeating the investigation in more than 80 cases. This was added to the workload of new possible violations that needed or need to be investigated. Currently, CySEC conducts investigations relating to the Cyprus banking system. Two investigation findings have already been completed, while other investigations continue in 2013.

During 2012, CySEC was also actively involved in the investigation of the issue and promotion of bank bonds by two major Cypriot commercial banks. CySEC participated in a large number of meetings and conveyed its views on the matter to the House of Representatives Committee on Institutions and Merit, the Ombudsman, the Central Bank, and the Ministry of Finance. CySEC expressed its readiness to examine and contribute to the co-configuration of the methodology that could provide a satisfactory solution to the issue of bank capital securities, with a letter to the Minister of Finance and to the Governor of the Central Bank, according to the examples of other countries, such as Spain and the UK. CySEC maintains the opinion that a solution to the issue should be decided and implemented as soon as possible since it affects thousands of households and is the cause of a large social problem.

The CySEC decision to include under its supervision the provision of services in financial binary options, which was until recently an unsupervised activity throughout the EU, is considered to reinforce market supervision. By the end of the year, 35 applications were submitted to CySEC for this kind of licenses. It should be noted that CySEC's decision was considered to be pioneering for the EU in view of the fact that other member-states are currently considering following the example of Cyprus.

In the context of upgrading the system for investor education in Cyprus, CySEC, in collaboration with the Cyprus Consumers Union, organized two lectures by CySEC Officers in 2013. The purpose of these lectures was to increase investor knowledge in topics relating to the securities market so as to enable them to avoid any misleading or fraudulent investment options and take appropriate investment decisions.

Aiming to contribute in the promoting and attracting of new, healthy and robust financial institutions in Cyprus, CySEC cooperated with major institutions and market participants, such as the Cyprus Investment Promotion Agency (CIPA) and the Institute of Certified Public Accountants of Cyprus (ICPAC). In particular, in 2012 CySEC participated in 19 conferences and meetings that were held in Cyprus and abroad and were related to the promotion of Cyprus as a reliable financial center.

Within the scope of a more open and efficient communication and exchange with supervised entities and other market participants, CySEC has opened communication channels with the aforementioned entities and individuals to discuss both their views and concerns and the difficulties they might be facing. Specifically, in 2012, CySEC has introduced the notion that each Officer will be responsible for communication with specific supervised entities. As a result of this arrangement, every supervised entity is now aware with which CySEC Officer to communicate should they need to ask any question, making communication between the supervised entities and CySEC faster and more direct.

Moreover, for the better cooperation of supervised entities with the supervisor and the increased compliance with their legal obligations, in 2012 CySEC conducted 10 seminars, as well as meetings with the supervised entities where important topics were presented.

Finally, for the improvement and modernization of its operation, CySEC has proceeded in 2012 with substantial streamlining of its internal processes as well as in the operations that affect supervised entities. For example, a comprehensive project for the automation and computerization of operations is currently underway through the implementation of a modern central archive system and document management system. Also, CySEC has created electronic forms for filing complaints from the public and for submitting applications, questions and other data from supervised entities directly to CySEC via the internet.

CySEC has also undertaken and completed the reform of the legislation concerning the certification of individuals employed in investment firms, including the simplification and modernization of procedures for conducting the relevant examinations.

By the end of the year, CySEC had under its supervision 129 investment firms, of which 27 were granted an operating license within 2012. The investment services sector is on a path of development, which constitutes a major source of revenue for the Republic of Cyprus and for the creation of job opportunities. To mention a few figures, CIF client funds (money and financial instruments) kept by CIFs on 30 June 2012 amounted to approximately 7.5 billion Euro, while CIF own funds amounted to approximately 2.4 billion Euro. To encourage interest in authorisation and improve the efficiency of CySEC, efforts were made to reduce application processing time for new or existing supervised entities from six to three months, which has been achieved.

CySEC has also proceeded in signing a contract of cooperation with the CSE for the provision of services from the CSE to CySEC. As part of this contract, CSE Officers will provide specialized services to CySEC, which mainly concern the processing of CIF license applications as well as the upgrading of specialized supervisory systems and data archiving of the supervised entities. This cooperation will provide access to CySEC to a workforce with specialized knowledge in the securities field and is expected to assist in the faster processing of applications that have accumulated as a result of the keen interest shown for the authorization of new CIFs and the shortage of CySEC personnel.

4.2 IMPORTANT GOALS SET FOR 2013

Important goals were set for 2013, the implementation of which is expected to bring about substantial changes in the institutional and supervisory framework of the Cyprus securities market. The most important changes are briefly mentioned below.

In 2013 and subsequent years, CySEC aims to promote changes to the Law on illegal operations such as illegal investment schemes (“pyramids”) and the institutionalization of margin accounts; two important legislative points that will strengthen investor protection in Cyprus. It also aims to further reinforce the Law on the Prevention and Suppression of Money Laundering and to amend the relevant Directive in consultation with other supervisory Authorities and the Unit for Combating Money Laundering.

In addition, in 2013 and subsequent years, several legislative reforms currently negotiated on an EU level are expected to be completed and thus they will have to be incorporated and transposed into National Law. These include the proposal for Credit Rating Agencies, the proposal for the Market Abuse Directive, the proposal for the Market Abuse Regulation, the proposal for the UCITS V Directive and the proposal for the Directive and Regulation on Markets in Financial Instruments (known as MiFID/MiFIR).

The Law on Alternative Investment Fund Managers came into force in July 2013 and effectively adopted the European Directive into National Law. Harmonisation with this Directive, together with the European Directive on UCITS V, that has already been incorporated into National Law in 2012, is expected to contribute to the development of the alternative investments and collective investments registered in Cyprus. Also, the completion of the legislation on Undertakings for Collective Investments that do not constitute UCITS, currently known as ICIS and being under the supervision of the Central Bank, is also moving forward. As a result of the activation of this Law in 2013, the responsibility for the supervision of these institutions is to be transferred to CySEC. As a result, all collective investments in transferable securities will be under the same supervisory roof.

In 2013 and subsequent years, the most important priority of CySEC on the issue of supervision is to establish a comprehensive supervisory framework based on risk management (Risk Based Supervision Framework) in order to identify and assess the risks for each individual supervised entity based on their importance, so as to focus supervision on the entities that present the most significant risks.

The preparation of an internal procedures manual for all CySEC departments is also expected to be completed in 2013-2014. This manual will ensure uniformity in the treatment of issues and in the handling of cases relating to supervised entities, as well as better monitoring of adherence to the internal rules by the administration regulation and by the Auditor General of the Republic.

Also in 2013, a solution has been reached to the long-lasting problem of finding more suitable and secure offices for CySEC. As a result, CySEC was relocated to an appropriate site which provides the necessary security and facilitates its orderly operation.

Lastly, in view of the attention worldwide to the economic independence of supervisory Authorities, a study is carried out that would determine the procedure to be pursued in order to achieve this goal for CySEC as well.

4.3 THE NEED FOR THE REAPPOINTMENT OF THE CYSEC BOARD

On 15 March 2012, the Supreme Court issued a decision on Appeal No.570/2009, Michalis Andreou Vs the Republic of Cyprus, through the Council of Ministers, which annulled the decision of the Council of Ministers. The reason for the cancellation was that the meeting of the Council of Ministers during which the decision was taken was attended by two individuals which were not members of the Council of Ministers, therefore their presence constituting a violation of the operating principles of the Council of Ministers.

On 20 June 2012, the Council of Ministers, taking into consideration the Supreme Court decision on Appeal 570/2009, withdrew the appointment of the entire CySEC Board, as the meetings of 14 September 2011 and 27 September 2011 were attended by two individuals who were not members of the Council of Ministers, and therefore decisions taken on the said appointments suffered due to violation of its operating principles. Subsequently, the Council of Ministers, re-appointed the CySEC Board with its decisions of 20 June 2012 and 3 September 2012.

Taking the above development into consideration, in order to avoid legal issues on the basis of the fact that decisions were made by persons appointed to the CySEC Board during an improper composition of the Council of Ministers, the revocation of certain previous decisions by CySEC was deemed necessary. In particular, the decisions revoked were taken between 14 September 2011 (initial appointment date of the Board) and 20 June 2012 (appointment date of the new Board).

Unfortunately, despite the Supreme Court decision not having direct reference to the operation of or any omissions by CySEC itself, since the issue of the lawful establishment and composition of the CySEC Board is the sole responsibility of the Council of Ministers, the decision affected the operations of CySEC and undermined its credibility. As a result of the withdrawal of a large number of its decisions, CySEC took on an enormous cost in terms of workload, delays and man-hours, which burdened the already understaffed CySEC during an already very busy time due to developments in the financial sector in Cyprus. Consequently, CySEC was not able to respond to the ever-increasing workload, as well as the numerous and complex investigations it was called to carry out, resulting in a lot of investigations not being completed within the set timeframe and therefore for the need for them to continue in the following year.

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5

CYSEC OPERATIONS

The main operations of CySEC include the following:

- To monitor the compliance of companies with securities listed on CSE or other regulated markets and whose member state of origin is the Republic of Cyprus, with their continuous obligations in general and specifically with those related to annual accounts, preliminary results, corporate governance issues, the timely and full disclosure of material information, etc.
- To approve prospectuses for the public offer of transferable securities or their admission to trading on a regulated market.
- To supervise public takeover bids.
- To process applications for granting an operating license to Cyprus Investment Firms (CIFs) or third country Investment Firms for the establishment of a branch in the Republic, and monitor their compliance with the provisions of the law which governs their operation.
- To process applications for granting an operating license to regulated markets and monitor their compliance with the provisions of the law which governs their operation.
- To process applications for granting an operating license to Credit Rating Agencies and monitor their compliance with the provisions of the law which governs their operation.
- To exercise the CySEC's duties emanating from the law on the prevention and combating the legalisation of proceeds from illegal activities.
- To process applications for granting operating licenses to UCITS, UCITS Management Companies or third country UCITS Management Companies and monitor their compliance with the provisions of the law which governs their operation.
- To examine notifications for the cross-border provision of services and the establishment of a branch by UCITS Management Companies from other EU member states in the Republic.
- To examine notifications and applications for the disposal through Representatives in the Republic of units of foreign UCITS, and supervise and implement the Open Ended Undertakings of Collective Investment in Transferable Securities (UCITS) and other Related Matters Law.
- To carry out investigations on cases concerning, inter alia, IFs or companies with securities listed on the CSE/a regulated market.
- To monitor the stock exchange market and transactions.
- To supervise and implement the Law which covers for insider dealing and market manipulation (market abuse).
- To attend to matters relating to the review and/or reform of the laws which govern the securities market and study, prepare and submit draft laws.
- To study, prepare and issue Directives under the law governing both CySEC and the securities market.
- To undertake administrative duties relating to the operation of CySEC.
- To carry out studies on matters regarding CySEC and the securities market in general.
- To inform and educate investors on matters relating to the securities market.
- To participate in national and European groups and technical committees dealing with matters relating to the duties of CySEC.

5.1 LICENSING AND APPROVAL

5.1.1 Applications

The applications submitted to CySEC in 2012 for examination are summarized in the following table (Table 6):

Table 6: Applications submitted to the Cyprus Securities and Exchange Commission in 2012

Submitted Applications	2012	2011
Granting CIF operating license	52	35
Extension of CIF operating license	21	23
Free provisions of CIF services	55	42
Establishment of CIF branch	2	2
Granting license for tied agents	6	5
Change of CIF particulars	big number	big number
Termination of CIF license	12	6
CRA registration	1	1

5.1.1.1 Applications for granting a CIF operating license

In 2012, 52 new applications were submitted to CySEC for a CIF operating license (2011 - 35 applications). Apart from the above applications, 18 more applications were under examination in 2012 for a CIF operating license that had been submitted in the previous year. CySEC granted 27 CIF operating licenses (2011 – 35 operating licenses). Furthermore, 3 companies withdrew their application for a CIF operating license. With regard to the rest of the applications, their examination began in 2012, but the decision process of whether to grant a license or not has either been concluded or it will be concluded in 2013.

5.1.1.2 Applications for the extension of a CIF operating license

In 2012, CySEC examined 21 applications for the extension of a CIF operating license, which concerned the provision of additional investment and/or ancillary services and/or financial instruments (23 in 2011).

5.1.1.3 Applications/Notifications for the free provision of services and for the establishment of a branch by CIFs and IFs

In 2012, CySEC examined 55 applications by CIFs for the free provision of services in other EU member-states and/or third countries (2011 – 42 applications) and 2 applications by CIFs for the establishment of a branch in another EU member-state (2011 – 2 applications). Furthermore, CySEC received a significant number of notifications from IFs from other EU member-states for the free provision of services in the Republic. CySEC also examined 1 notification for the establishment of a branch in the Republic by IFs of another EU member-state (2011 – none).

5.1.1.4 Applications by tied agents of CIFs

In 2012, CySEC examined 3 applications by tied agents which are established in the Republic and act on behalf of CIFs for their registration in the public register (2011 – 5). CySEC also cooperated with the supervisory Authorities of the respective member-states for the assessment of 3 applications by tied agents which are established in the said member-states but act on behalf of CIFs.

5.1.1.5 Applications for changes in the particulars of CIFs

In 2012, CySEC examined a significant number of applications for the approval of changes in particulars mainly concerning the organizational chart, the organizational structure, internal rules of operation, the activities and the operating methods of CIFs. In those cases where CySEC considered that the proposed changes confronted to the relevant legislation, approval was not granted.

5.1.1.6 Applications for the termination of a CIF operating license

In 2012, 12 operating licenses were terminated (2011 – 6) due to CIFs' resignation of their operating license (5 CIFs) and to non-activation (7 CIFs).

5.1.1.7 Applications for registration of CRAs

During 2012, no application had been submitted for the registration of a CRA, as in 2011, due to the fact that this responsibility, under the European Regulation (EU) No. 513/2011 of 11 May 2011, has been transferred to ESMA. In 2012, one CRA operating license had been granted (2011 - 1).

5.1.2 Prospectuses and other approvals regarding Public Takeover Bids

5.1.2.1 Applications for the approval of Prospectuses for the public offer of transferable securities or their admission to trading on a regulated market

CySEC is the competent supervisory Authority for the approval of Prospectuses for the public offer of transferable securities or their admission to trading on a regulated market in all cases where Cyprus is the issuer's member-state of origin. This authority is derived from the Public Offer and Prospectus Law of 2005 – (Law 114(I)/2005), which is fully harmonised with European Directive 2003/71/EEC on Prospectuses. Pursuant to this Law, CySEC approves a Prospectus provided its content complies with the provisions of the Law and the Regulatory Acts issued by virtue of the Law.

The examination of applications for the approval of Prospectuses, pursuant to the legislative framework in force, includes ensuring that a Prospectus is complete in terms of containing all necessary information required under the Public Offer and Prospectus Law and Regulation 809/2004 of the European Commission on the content of Prospectuses, as amended, which should also be consistent and comprehensible.

In 2012, CySEC received 11 applications (13 in 2011) for approval of Prospectuses for public offer and/or admission of transferable securities on a regulated market pursuant to the Public Offer and Prospectus Law. CySEC has examined these applications as well as 1 pending application which had been submitted in 2011. CySEC approved the Prospectuses for 8 of the applications (10 approvals in 2011). The examination of 4 applications was not completed because the said applications were withdrawn by the issuers due to the conditions which prevailed on international markets, affecting efforts to raise capital (2011 - 6).

In 2012, CySEC also received 5 applications (6 in 2011) for the approval of a Prospectus Supplement pursuant to the aforesaid Law. CySEC examined these applications, as well as 1 pending application submitted in 2011 and issued the relevant approvals for 5 of them (5 in 2011). The examination of 1 application was not completed since it was withdrawn by the issuer due to the withdrawal of the associated public offer.

Four of the above approved Prospectuses and their corresponding Supplement Prospectuses, as well as one Supplement Prospectus which concerned a Prospectus approved in 2011 were sent, at Issuer's request, to the competent supervisory Authorities of three host EU member-states where a public offer of such securities and/or admission on a regulated market was also carried out (3 Prospectuses and their corresponding Supplement Prospectuses in 2011).

5.1.2.2 Transfer of competence for the approval of a Prospectus

In 2012, CySEC received applications from 3 issuers (5 in 2011) whose member-state of origin according to the Public Offer and Prospectus Law is the Republic of Cyprus, requesting the transfer of competence for the approval of their Prospectus to the supervisory Authority of another EU member-state. CySEC examined the applications and decided, pursuant to Article 26(8) of the Public Offer and Prospectus Law, to transfer the competence for the approval of these specific 3 Prospectuses (5 in 2011) to the supervisory Authority of the other EU member-state, according to the relevant application, on the condition that each competent Authority concerned had given its consent for the transfer.

5.1.2.3 Public Takeover Bid Documents

According to the Law that regulates Public Takeover Bids for the Acquisition of Securities of Companies and Related Matters (Public Takeover Bids Law of 2007), CySEC is the competent authority for the supervision of Public Takeover Bids in cases where the target company's registered office is in the Republic and its securities are listed for trading on a regulated market in the Republic. Moreover, in case the Public Takeover Bid refers to a company, the securities of which are not listed for trading on a regulated market in the EU member-state where the company has its registered office, CySEC is also the competent authority for the supervision of the Public Takeover Bid, under certain conditions provided for by the Law. The said Law was drafted for harmonizing national law with European Directive 2004/25/EC on takeover bids and the extent of its implementation arises from the said Directive.

The aim of the examination of the Public Takeover Bid Documents is to monitor compliance with the general principles governing Public Takeover Bids and the conditions provided for in the Public Takeover Bids Law of 2007, as well as to ensure the fullness of information provided under the said Law and CySEC Directive 41-2007-03 regarding the content of the Public Takeover Bid Document.

In 2012, 5 Public Takeover Bid Documents (5 in 2011) were submitted to CySEC following a relevant announcement by the Acquirers for voluntary or mandatory public offers for the acquisition of 100% of the securities of a corresponding number of issuers with securities listed on the CSE.

CySEC examined the said Documents and decided to authorize the publication of 4 of them in 2012 and 1 in January 2013 (2011 – 4 approvals and 1 prohibition of publication)

In 2012, no Revised Public Takeover Bid Document was submitted to CySEC. In 2011, 1 Revised Public Takeover Bid Document which concerned 1 of the aforementioned approved Public Takeover Bid Documents was also submitted following a relevant announcement by the Acquirer. CySEC examined the said Revised Public Takeover Bid Document and decided to allow its publication.

5.1.2.4 Documents equivalent to a Prospectus

In 2012, no Public Takeover Bid Document equivalent to a Prospectus was submitted to CySEC for examination. In 2011, on one occasion CySEC examined at the issuer's request the information contained in a Public Takeover Bid Document in respect to the securities offered as consideration in order to determine whether such information was regarded as equivalent to a Prospectus within the framework of the relevant exemptions provided by the Law. In this case, CySEC considered the information equivalent to the Prospectus and granted the relevant exemption under the Law.

5.1.2.5 Exemptions from the obligation for a Public Takeover Bid

In 2012, 11 applications (11 in 2011) for exemption from the obligation of making a mandatory Public Takeover Bid were submitted to CySEC. CySEC examined the said applications, as well as 2 submitted in 2011, and issued a relevant decision, for approval or rejection, on all 13 applications.

5.1.2.6 Applications to exercise the right of Squeeze-out

In 2012, CySEC received 3 (3 in 2011) applications by the Acquirers to exercise the right to acquire the remaining securities of the companies under acquisition, which were not acquired in the process of the Public Takeover Bid to the shareholders of the companies under acquisition. CySEC examined the said applications and approved all applications.

5.1.3 Approvals relating to the operation of the Cyprus Stock Exchange (CSE)

5.1.3.1 Issues arising from the Securities and CSE Laws and Regulations

In 2012, in 6 cases (5 in 2011) CySEC approved the decision of the CSE Board for delisting from the stock exchange the securities of a corresponding number of issuers. Of these, 3 cases concerned delisting because the requirements for the proper operation of the stock market on securities of the specific issuers were eliminated,

while in the rest of the cases due to the lack of sufficient dispersion of the share capital of the said issuers as a result of public takeover bids.

In 2012, CySEC also approved the decision of the CSE Board for the continuation of the suspension of trading of the securities of 11 issuers.

5.2 SUPERVISION AND MARKET SURVEILLANCE

5.2.1 Monitoring the compliance of the supervised CIFs

CySEC monitored the compliance of CIFs with their continuous legal obligations by either performing on-site inspections at the offices of CIFs or by examining the regular reports/documents submitted to CySEC under the Law.

5.2.1.1 Conduct of onsite inspections

In 2012, CySEC performed 15 onsite inspections in order to establish CIF compliance with their continuous obligations (2011 – 2 onsite inspections).

5.2.1.2 Examination of documents submitted to CySEC

In 2012, CySEC examined the compliance of CIFs with certain obligations as specified by the Law, through various information submitted by the supervised companies. Furthermore, CySEC examined a large sample of the monthly, quarterly and half-yearly statements submitted in relation to the capital adequacy of CIFs and their financial exposures. The monthly statements for significant cash transactions by CIFs were also examined.

5.2.1.3 Imposing sanctions

In cases where CySEC detected non-compliance of the supervised entities with their continuous legal obligations, it decided by weighing the gravity of the violations, to:

- Grant a deadline for compliance to a number of CIFs.
- Impose administrative fines to 2 CIFs (2011 – 4).

5.2.2 Monitoring the compliance of Issuers listed on CSE

5.2.2.1 Monitoring of the implementation of the Public Offer and Prospectus Law

In 2012, Officers from the Issuers Department monitored on a continuous basis the announcements of issuers regarding the issue/offer of transferable securities or the admission of transferable securities on a regulated market in order to establish their compliance with the Public Offer and Prospectus Law as to their obligation to issue a Prospectus or a Supplementary Prospectus or whether they fall within the exemptions provided by the Law.

Moreover, the Issuers Department monitored on a continuous basis the notifications of Prospectuses approved by the competent supervisory Authorities in other EU member-states, which mainly concern public offers made in the Republic of Cyprus regarding transferable securities issued by issuers whose member-state of origin is other than Cyprus. All the above notifications are listed on the CySEC website. In 2012, 8 Prospectuses (2011 - 7) were notified to CySEC by the supervisory Authorities of other member-states and 26 Supplementary Prospectuses (2011 – 17) that concerned the notified Prospectuses.

In cases where the examination of applications for approval of Prospectuses or of the relevant announcements revealed a potential violation of the stock exchange and securities market legislation, these were referred to the Market Surveillance and Investigations Department for further investigation.

5.2.2.2 Monitoring compliance with the Public Takeover Bids Law of 2007

Officers of the Issuers Department monitored on a continuous basis the announcements/publications in order to establish the compliance of the parties involved with the Public Takeover Bids Law. In 2012 and 2011, the Issuers Department did not investigate any cases involving alleged violation of the Public Takeover Bids Law.

5.2.2.3 Monitoring compliance with the provisions of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007

CySEC is the competent supervisory Authority for supervising and safeguarding the implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, currently in force, that provides for the Transparency Requirements on information concerning the issuer whose securities are admitted to trading on a regulated market. This Law harmonises the national institutional framework with Directive 2004/109/EC of the European Parliament and of the Council for the harmonisation of transparency requirements. The said Law concerns issuers whose member-state of origin is Cyprus and their securities have been admitted to trading on a regulated market in Cyprus or in another EU member-state. The purpose of this Law is to establish the conditions for the publication of periodic and ongoing information regarding issuers whose securities have been admitted to trading on a regulated market.

Within the context of monitoring the compliance of issuers, whose securities are listed on a regulated market, with their continuous obligations under the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the Law as to their obligations to publish the Indicative Results for the full financial year, the Annual Financial Report, the Half-yearly Financial Report, and the Interim Management Report, as well as the content of the above reports/announcements and, specifically, whether the said financial information was prepared according to the provisions of the Law.

■ Indicative Results for the full financial year

In monitoring the compliance of issuers with their obligation to publish the Indicative Results for the year 2010, CySEC investigated two cases concerning a potential violation of Article 13(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law for non-publication of the Indicative Results within a period of time specified by Law, of Article 13(3) of the said Law as regards the content of the Report accompanying the Indicative Results and of Article 37(2)(a) of the same Law as regards the non-submission of the Indicative Results to CySEC. The examination of the cases began in 2011 and was completed in 2012 and CySEC decided to impose administrative fines as follows:

- an administrative fine on one issuer for violation of Articles 13(1) and 37(2)(a) of the said Law, and
- an administrative fine on one issuer for violation of Article 13(3) of the said Law.

In monitoring the compliance of issuers with their obligation to publish the Indicative Results for the year 2011 CySEC investigated 4 cases concerning a potential violation of Article 13(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law for non-publication of the Indicative Results within a period of time specified by Law, and of Article 37(2)(a) of the same Law as regards the non-submission of the Indicative Results to CySEC. The examination of the cases was completed in 2012 and the CySEC Board decided to impose administrative fines on 3 out of 4 cases as follows:

- an administrative fine on two issuers for violation of Articles 13(1) and 37(2)(a) of the said Law, and
- an administrative fine on one issuer for violation of Article 37(2)(a) of the said Law.

In the context of the same inspection, CySEC sent letters to a number of issuers where minor omissions were observed in their publication of their Indicative Results for 2011, or minor deficiencies as to its content, drawing their attention to the provisions concerning the publication and content of the Indicative Results.

■ Annual financial report

In the context of monitoring issuers' compliance with their obligation to publish their Annual Financial Report for 2009, CySEC decided in 2011 to investigate three cases which concerned a potential violation of Article 37(2) (a) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law for non-submission of the Indicative Results to CySEC. The examination of the cases was completed in January 2012 and CySEC decided to impose administrative fines in two out of the three cases.

In the context of monitoring issuers' compliance with their obligation to publish their Annual Financial Report for 2010, CySEC sent letters to a large number of issuers which presented minor deficiencies and omissions in the

publication of their Annual Financial Report for 2010, drawing their attention to the provisions of the legislation on the Annual Financial Report and its publication.

In 2012, CySEC also monitored issuers' compliance with their obligation to publish their Annual Financial Report for 2011. The said inspection was completed in 2013 and CySEC decided to impose administrative fines on ten issuers for violation of Article 9(1) and on two issuers for violation of Articles 9(1) and 37(2)(a) of the said Law.

■ **Half-yearly financial report**

In 2012, CySEC initiated the monitoring of issuers' compliance with their obligations to publish their Half-yearly Financial Report for the first half of 2012 financial year. The inspection was completed in 2013.

■ **Content of financial disclosures**

In relation to the process of examining whether the financial disclosures required by the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law were made in accordance to the said Law, CySEC examined the Financial Statements for the years 2010, 2011 and/or the half-year that ended on 30 June 2012 of a number of companies whose securities are listed in the CSE.

The selection of the Financial Statements which were examined was made on a sample basis and the purpose of the examination was to identify the degree of compliance of the said Financial Statements with the International Financial Reporting Standards. In some cases, a limited/thematic review was carried out in relation to a specific accounting treatment.

The results of the examinations were sent by CySEC to the companies involved, so that the relevant explanations could be provided and/or taken into consideration in the preparation of the next Financial Statements audit.

In addition, CySEC continued the examination, on a sample basis, of the Financial Statements of issuers that submitted their Prospectuses for approval, within the context of Prospectus examinations. The aim of this examination in this case was to establish the extent to which the Annual Financial Statements complied with the International Financial Reporting Standards.

In the context of the said inspection, CySEC examined in 2012 the financial statements which were included in 2 Prospectuses (5 in 2011) which concerned a Public Offer and the first listing of securities on a regulated market. In some of the said cases, issuers were requested to include additional disclosures in the Financial Statements included in the Prospectus as required by the International Standards of Financial Reporting (IFRS).

5.2.3. Market Surveillance

Market surveillance is conducted by CySEC on a continuous basis with a view of preventing, identifying and investigating abusive or illegal practices in the securities markets. Also, surveillance and supervision of the market identifies any deficiencies in systems and control procedures the supervised entities are obligated to adhere to so as to ensure the protection of their investors-clients.

Market surveillance helps to ensure the proper functioning of markets so that market participants can feel safe and confident of the integrity and credibility of these markets. Consequently, the proper and smooth operation of the market encourages investment and fosters economic development.

The market surveillance is conducted by CySEC primarily via real-time and continuous monitoring of regulated markets using a specially adapted electronic system and applications provided by the developer of trading systems (platforms). Also, analysis and examination is performed of historical data from databases for trading orders, transactions and data of shareholders kept internally for the purpose of market surveillance.

In addition, CySEC conducts, among other things, on-site inspections to ascertain whether there is physical presence of a company in Cyprus and inspections through the website of the companies to determine whether a company provides investment services through a website without holding the necessary license by CySEC to provide these services.

At the same time, the competent CySEC department monitors on a daily and continuous basis news reports and announcements in the media, including websites, both in Cyprus and abroad, which may concern the supervised entities and the investment services market in Cyprus in general.

5.2.4. Improving the compliance of supervised entities

In order to improve the compliance of supervised entities with the legislation, CySEC organizes seminars for supervised entities as well as lectures open to the public. The aim of these seminars and lectures is to present any new legislation or changes in the law, and explain the main legal provisions and the obligations of the supervised entities.

To this end, CySEC has conducted 10 seminars for CIF employees in 2012. The seminars were deemed necessary due to the adoption of European Directive 2012/76/EU, which amended CySEC Directive on capital adequacy (Directive D1144-2007-05).

During the seminars, supervised entities learned of the forthcoming changes arising from the Directive, as well as the Guidelines to the CIFs in relation to the implementation of the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP).

In addition, on 29 June 2012, in collaboration with the Ministry of Finance, CySEC presented the new legislative framework governing Open-Ended Undertakings for Collective Investment (UCITS) at the Ministry of Finance conference hall in Nicosia.

The presentation provided a general overview of the new Law 78(I)/2012 which harmonized the national legislative framework with the European Directive UCITS IV which was published in the Official Gazette of the Republic on 15 June 2012 and the major changes and innovations that the aforementioned Law brings about were explained as well as the Directives issued by CySEC in relation to this Law. Furthermore, the requirements of the institutions interested in registering and managing UCITS in Cyprus were analyzed and all questions by the attendants were answered.

The presentation was attended by 150 people from CIFs, law firms, audit and consulting firms, financial institutions and other stakeholders from the Cyprus securities market.

5.3 INVESTIGATION OF CASES

5.3.1 Investigation of Potential Violations

In 2012, the Department of Market Surveillance and Investigations investigated cases concerning potential violations of the legislation. The cases investigated in 2012 are described below:

5.3.1.1 Investigation concerning Potential Violations of the legislation governing the securities market by the two largest Cypriot banks in relation to their investment in Greek bonds

These investigations were launched initially in July 2012, but due to legal obstacles that necessitated the reappointment of the CySEC Board, explained in section 4.3 of this report, CySEC was forced to resume the investigations in early 2013, after the reappointment of its Board.

5.3.1.2 Investigations concerning Potential Violations of the Insider Dealing and Market Manipulation (Market Abuse) Law L.116(I)/2005 ('Market Abuse Law')

This category comprises of cases concerning the possession, use and disclosure of inside information, market manipulation, the announcement of material information by Issuers, the transactions of the directors of Issuers, etc.

Potential Violation of Article 9(1)(a) of the Market Abuse Law according to which it is prohibited for persons in possession of confidential information, to make use of this confidential information for acquiring or marketing financial instruments for their own behalf or on behalf of third parties, either directly or indirectly.

With regard to Article 9(1)(a) of the Market Abuse Law, the Department of Market Surveillance and Investigations continued in 2012 the investigation of two cases.

Potential violation of Article 19 as specified by Article 20(1)(c) of the Market Abuse Law according to which market manipulation/abuse by any natural or legal entity is prohibited.

With regard to Article 19 of the Market Abuse Law, the Department of Market Surveillance and Investigations investigated 4 cases. In 2 of the cases, the investigation continued after the end of 2012. In the third case, CySEC decided to archive the case because of the lapse of considerable time between the initial complaint CySEC received and the time of the potential violation and the delays in investigating the case which was the result of legal issues that arose. Further details are presented in section 4.3 of the present report (Subject of reappointment of the CySEC Board). In the fourth case, the Commission decided to draw the Company's attention to the violation of Article 19, as specified by Article 20(1)(c) of the Law, in terms of potential misleading information in one of the company's announcement.

Potential violation of Article 11(2)(b) of the Market Abuse Law prohibiting issuer directors or senior officers, when providing information on the issuer's financial position, from making any misleading false or deceptive statement, promise or prediction, or concealing essential information.

Concerning Article 11(2)(b) of the Market Abuse Law, the Market Surveillance and Investigations Department investigated 1 case, whose investigation continued in 2013.

5.3.1.3 In 2012, the Market Surveillance and Investigations Department proceeded with the investigation of cases relating to potential violations of the Law Regulating the Structure, Responsibilities, Powers, Organisation of the Cyprus Securities and Exchange Commission and Other Related Issues, Law L.73(I)/2009.

This category includes cases relating to violations of obligations by any natural or legal entity for the prompt, comprehensive and accurate provision of information to CySEC. These violations are covered by Part VI (Articles 32-40) and Part VII (Article 41) of the Cyprus Securities and Exchange Commission Law of 2009 (Law L.73 (I)/2009).

Potential violation of Article 36(4) of the Cyprus Securities and Exchange Commission Law L.73(I)/2009 where "The investigating officer may summon and hear the attestation and take a deposition, written or recorded at his discretion, from persons who may have information on or knowledge of the case who shall be obliged to appear before the investigating officer and provide the information they have."

With regard to Article 36(4) of the Law, the Market Surveillance and Investigation Department investigated one case, whose investigation continued in the following year.

5.3.1.4 During 2012, the Market Surveillance and Investigations Department proceeded with the investigation of cases in relation to potential violations of the Law that provides for Investment Services, Investment Activities, the Operation of Regulated Markets and Other Related Matters (L.144(I)/2007).

This category includes cases of violations by companies which provide, or appear to provide investment services without being authorised by CySEC. These violations are pursuant to Articles 4 and 5 of the Investment Services and Activities and Regulated Markets Law (L.144(I)/2007). In addition, violations relating to the operation of a CIF are also included. These violations are covered by Section III, Section IV and Section V of the Investment Services and Activities and Regulated Markets Law (L.144(I)/2007).

Potential violation of Article 4(1) of Law L.144(I)/2007 regarding the right for the provision of investment services, the conduct of investment activities and the operation of a Regulated Market.

With regard to Article 4(1) of Law L.144(I)/2007, in 2012 the Market Surveillance and Investigations Department investigated eight cases. In three cases, the investigation had not been concluded by the end of 2012. In three cases, CySEC decided not to take any action as it was found that these companies were no longer in operation. CySEC had issued warnings for these companies. In one case, CySEC decided not to impose an administrative fine, but to reprimand the company, considering that the company's website inadvertently appeared on the internet, the company had applied to CySEC for a CIF operating license and also the company was inert and did not accept any clients. In one case, CySEC decided to impose administrative sanctions.

Potential violation of Article 28(1) of the Provision of Investment Services and Activities and Regulated Markets Law concerning the persons who effectively manage the CIF, CIF shareholders, and the continuous obligations of the CIF.

With regard to Article 28(1) of Law 144(I)/2007 the Department of Market Surveillance and Investigations investigated one case whose investigation continued after the end of 2012.

Potential violation of Article 18(2) of the Investment Services and Activities and Regulated Markets Law regarding organizational requirements.

With regard to Article 18(2) of Law 144(I)/2007, the Department of Market Surveillance and Investigations investigated three cases during 2012. In the first case the Commission decided to draw the attention of the CIF to the provisions of Article 18(2)(h), and called it to comply at all times with these provisions so as to avoid sanctions. In the second case the Commission decided that the CIF violated Article 18(2)(f) which refers to organizational requirements, and was called to comply at all times with the provisions of the said Article so as to avoid sanctions. The investigation of the third case continued in 2013.

Potential violation of Article 36(1) of the Investment Services and Activities and Regulated Markets Law regarding the obligation for business ethics when providing investment services to clients.

With regard to Article 36(1) of Law 144(I)/2007, the Department of Market Surveillance and Investigations investigated seven cases in 2012, the investigation for five of which had not concluded by the end of 2012. In one case the Commission decided that the Company had not violated Article 36(1) of the Law regarding the Evaluation Report it prepared of the price value of another company. In one case the Commission decided to release a circular to CIFs, drawing their attention to the fact that their advertisements should comply with Article 36(1)(a) and paragraph 6 of Directive 144-2007-02 of 2011, and that they must take into account the relevant legislation at all times.

Potential violation of Article 139(1) of the Investment Services and Activities and Regulated Markets Law where any person has an obligation pursuant to this Law and the directives issued pursuant to this Law, as well as Regulation (EC) No 1287/2006, to submit to or notify the Commission, or to make public, any information, details, documents or forms, and ensure their correctness, completeness and accuracy.

With regard to Article 139(1) of L.144(I)/2007, the Department of Market Surveillance and Investigations investigated one case, whose investigation continued after the end of 2012.

5.3.1.5 During 2012, the Department of Market Surveillance and Investigations proceeded with the investigation of cases in relation to potential violations of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law L.190(I)/2007.

This category includes cases of violations in which issuers have provided and/or confirmed false or misleading facts or information and/or concealed facts and information, as well as violations relating to the preparation of annual financial statements. These violations are pursuant to Articles 9 and 40 of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law L.190(I)/2007.

Potential violation of Article 9(4) of L.190(I)/2007, regarding the annual financial report of an issuer.

With regard to Article 9(4) of L.190(I)/2007, the Department of Market Surveillance and Investigations investigated one case, whose investigation continued after the end of 2012.

Potential violation of Article 40(1) of L.190(I)/2007 regarding false or misleading particulars or information or concealment.

With regard to Article 40(1) of L.190(I)/2007, the Department of Market Surveillance and Investigations investigated one case, whose investigation continued after the end of 2012.

Potential violation of Article 15(2) of L.190(I)/2007 regarding non preparation and/or non-disclosure of the information required.

Regarding Article 15(2) of L.190(I)/2007, the Department of Market Surveillance and Investigations investigated one case in 2012, whose investigation continued after the end of 2012.

5.3.1.6 In 2012, the Department of Market Surveillance and Investigations proceeded with the investigation of cases in relation to potential violation of the Public Takeover Bids Law L.41(I)/2007.

This category includes cases of potential violations whereby a person, as a result of the acquisition by him/her or by persons acting in concert, possesses securities of a company, which, added to any securities already held and to the securities held by persons acting in concert, give him/her directly or indirectly the right to control a percentage equal to or greater than thirty per cent (30%) of the voting rights and does not proceed with a compulsory public bid. This violation is pursuant to Article 13(1) of the Public Takeover Bids Law (L.41(I)/2007).

Potential violation of Article 13(1) of Law L.41(I)/2007 regarding the compulsory public offer bid.

With regard to Article 13(1) of L.41(I)/2007, the Department of Market Surveillance and Investigations investigated one case, whose investigation continued after the end of 2012.

5.3.1.7 In 2012, the Department of Market Surveillance and Investigations proceeded with the investigation of cases in relation to potential violations of the Cyprus Securities and Stock Exchange Law L.14(I)/1993.

This category includes cases of violations relating to the obligations of issuers that have their securities listed on the CSE.

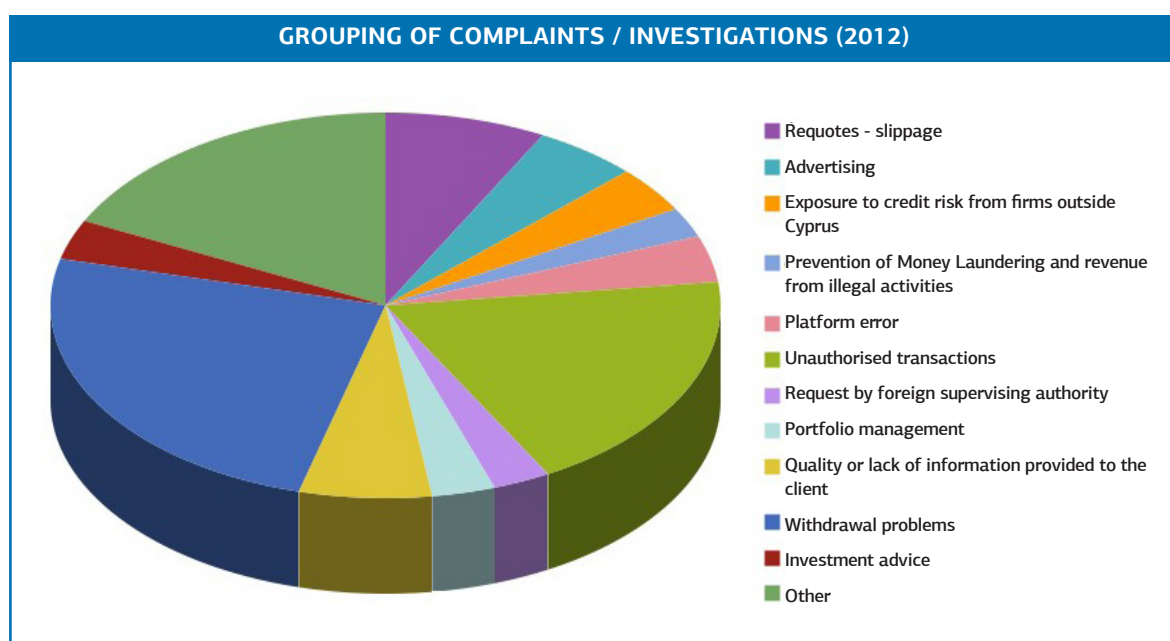
Potential violation of Article 130 in which the issuer provides for and ensures the equal treatment of shareholders under these conditions.

With regard to Article 130 of L.14(I)/1993, the Department of Market Surveillance and Investigations investigated two cases in 2012. In the first case, the investigation had not concluded by the end of 2012, while in the second case, CySEC decided to send all data it held to CSE in order to examine whether during the time the said actions were carried out the Company provided all the necessary safeguards to protect investors.

5.3.2 Investigation of Investors' Complaints

Investors can submit complaints to CySEC if they believe they have suffered damages by specific actions or omissions of a financial institution which is under the supervision of CySEC. CySEC receives complaints from investors against CIFs, listed issuers, as well as complaints of other nature, and proceeds with the relevant investigations. In 2012, CySEC received 157 complaints from investors against CIFs on various topics (Graph 10).

Graph 10: Complaints submitted to CySEC in 2012



In 130 cases, the investigation continued after the end of 2012. In 27 cases investigated, no violation had emerged either because the case did not merit further investigation, or because the complainant did not provide sufficient information to enable the investigation, or because the complainant eventually received satisfactory explanations from the CIF and subsequently withdrew their complaint.

During 2012, CySEC received 112 complaints by investors against companies that allegedly provided investment services illegally. With regard to these complaints, the Department of Market Surveillance and Investigations conducts on-site inspections in order to establish whether there is physical presence of the company in Cyprus, carries out inspections through the websites of the companies in order to establish whether a company appears to provide investment services through its website without a CIF operating license and also proceeds with the collection of information by sending relevant letters to persons which are deemed to be in a position to give useful information to CySEC.

In cases where it is established that a company provides or appears to provide investment services without a CIF operating license, CySEC promptly issues a warning to the investor public.

In 2012, 8 warnings have been issued by CySEC with regard to companies not holding a CIF operating license and which do not constitute a bank or a cooperative credit institution based in the Republic and for which no relevant notification has been received by a competent authority of a EU member-state (Table 7).

Table 7: Warnings issued by CySEC in 2012

Warnings	Date of Issue
ALAFX Markets Limited http://www.alafx.com	13/1/2012
Decker Investors Corporation http://www.deckercorporation.com	5/6/2012
Gaston Capital Group http://www.gastoncg.com	5/6/2012
Rice Finance Company http://www.ricefinancecompany.com	5/6/2012
Trucker FX Corporations http://www.truckerfx.com	5/6/2012
Walker Finance Company http://www.walkerfcompany.com	5/6/2012
Wilson General Group Ltd http://www.wilsongeneralgroup.com	5/6/2012
MY 4XCELLENT LIMITED http://www.4xcellent.com	2/11/2012

In 2011, CySEC received 771 investor complaints against Issuers listed on CSE. In 4 cases, the investigation continued in 2013, while in 19 cases investigated no violation was found.

In 2012, 740 complaints were submitted to CySEC by holders of bonds of indefinite duration issued in 2009 and in 2011 by the Bank of Cyprus and by holders of bonds of indefinite duration issued in 2008, 2009, 2010 and 2011 by the Cyprus Popular Bank. CySEC forwarded the complaints to the Central Bank of Cyprus which is the competent Authority to investigate whether bond holders were misled by these banks in the promotion/marketing of the said capital securities.

5.3.3 Lifting of Bank Confidentiality

In 2012, CySEC requested the lifting of bank confidentiality in 17 cases under investigation.

5.3.4 Submission of Information to the Legal Service of the Republic

In cases where a potential violation possibly constitutes a prima facie criminal offence, CySEC prepares its findings or a report of the facts and submits it with all information in its possession to the Attorney General of the Republic, pursuant to Article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) as amended. In 2012, CySEC forwarded 4 such cases to the Attorney General of the Republic in order for the latter to determine whether or not any criminal offences were committed by companies or other individuals.

5.3.5 Cooperation with other Supervisory Authorities in the Framework of Investigations

In 2012, CySEC received 49 requests from foreign supervisory authorities for assistance.

Requests for information collection received by CySEC from foreign supervisory authorities in 2012 and handled by the Department of Market Surveillance and Investigations are presented by country in Table 8.

Table 8: Requests by foreign supervisory Authorities that have been handled by the Department of Market Surveillance and Investigations in 2012

Requests by foreign supervisory Authorities	No. of Requests	Requests by foreign supervisory Authorities	No. of Requests
Czech Republic	1	Italy	3
Sweden	1	Romania	2
Denmark	5	Israel	1
Hungary	1	Argentina	1
Austria	1	Serbia	1
Australia	1	Saudi Arabia	2
Poland	4	FYROM	2
Greece	5	Russia	4
Canada	2	Portugal	1
Bulgaria	1	Malta	1
USA	5	Montenegro	1
United Kingdom	3		

Based on such requests, CySEC may proceed with data collection and the lifting of bank confidentiality for legal and natural persons as provided by Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) as amended, in order to collect information on behalf of foreign supervisory Authorities.

5.4 UPGRADING OF THE INSTITUTIONAL FRAMEWORK

5.4.1 Re-issue of Directives

The need for the reappointment of the CySEC Board as a result of the Supreme Court decision, detailed in Section 4.3 of the present report (issue of reappointment of the CySEC Board), affected, among other things, all CySEC Directives issued and published by CySEC in the Official Gazette of the Republic over that specific period. In view of the fact that the Directives were issued and published following decisions by a body whose members' appointment was revoked, this could possibly lead to legal problems in the future, and therefore CySEC re-issued all of those Directives. In addition to the re-issue, all Directive amendments up to the date of their re-issue were incorporated for the convenience of the public. The Directives that have been re-issued during the year are included in Appendix A of this Annual Report.

5.4.2 New Directives

During 2012, 2 new Directives were published by CySEC. One Directive defines the legal term "material change" and the disclosure of information, and another Directive concerns the certification of individuals employed at IFs, credit institutions, management companies and variable capital investment companies and the public register of certified persons (2011 – 1).

5.4.3 Circulars

In 2012, 22 circulars (2011 - 15) were prepared and issued. The most important of these circulars are the following:

- Portfolio management through Power of Attorney signature.
- Addressing complaints by CIF clients.
- Definition of third countries imposing procedures and measures equivalent to the requirements of European Directive 2005-60-EC.

- Issuing guidelines for systems and control mechanisms in an automated trading environment for negotiation venues, investment firms and competent authorities.
- Money transfers between client accounts.
- Information provided to clients, including marketing announcements.
- Own funds, capital adequacy ratio and Form 144-05-06.11.
- Amendment of CySEC Directive DI144-2007-05 on the capital adequacy of CIFs.
- Implementation of Regulation (EU) No. 236/2012 on short selling and certain aspects of Credit Default Swaps
- Acquisition or increase of qualifying holding in a CIF.

During the year, a number of announcements and circulars were issued for supervised entities. The announcements that concern the issuers of securities listed in the Cyprus Stock Exchange, inter alia, covered the following:

- The publication of ESMA's Archive with regard to decisions concerning the imposing of the implementation of International Standards of Financial Reporting.
- The common positions of supervisory Authorities in frequently asked questions regarding prospectuses (ESMA- Questions and Answers - Prospectuses).
- The publication of Regulation 486/2012 by the European Commission for the amendment of Regulation 809/2004/EU as regards the format and content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements.
- The obligation for the disclosure of the Indicative Results for the full financial year.

5.4.4 Consultation papers

In 2012, 3 consultation papers were prepared: One consultation paper for the submission of a draft law amending the Investment Services and Activities and Regulated Markets Law of 2007 and 2009, one consultation paper for issuing the Directive on the certification of persons employed at CIFs and Credit Institutions and for the public register of certified persons, and one consultation paper concerning the amendment of Directive DI144-2007-04 of 2012 on CIF charges and subscriptions (2011 - 2).

Also, in 2012, the draft law regarding Alternative Investment Fund Managers was prepared and submitted for consultation. The said draft law was prepared for harmonization purposes of Cypriot Legislation with Directive 2011/61/EU of the European Parliament and of the EU Council regarding alternative investment fund managers, known as AIFMD. Also, the draft law was presented by CySEC in cooperation with the Ministry of Finance on 15 March 2012 to all interested parties. The presentation offered the opportunity of explaining the most important provisions of the draft law to interested parties, and encouraged debate and the exchange of views on the best possible formulation of wording for the final version of the draft law.

The European AIFMD Directive strives for the establishment of a single market for Alternative Investment Fund Managers and of a single and strict regulatory and supervisory framework that will govern their activities within the EU, regardless of whether the Managers have their registered base in a member-state or in a third country. Moreover, the AIFMD Directive introduces significant innovations to the regulation of Alternative Investment Fund Managers, such as the introduction of the "passport", the regulation of custodianship, and the regulation of executives' remunerations. The deadline for EU member-states to harmonize their national legislations with the said Directive is set for July 2013. It should be noted that Cyprus was the second member-state to harmonised its national Legislation with the AIFMD Directive in July 2013.

5.4.5 Forms

In 2012, a number of amendments were made to existing forms for supervised entities (2011 – 2 forms prepared and published).

5.4.6 Register of Certified Persons

CySEC, in cooperation with the Central Bank of Cyprus, the Cooperative Societies' Supervision and Development Authority and the Ministry of Finance, has agreed to undertake the examinations for the Certification of employees

of Investment Firms, Credit Institutions, Management Companies and Variable Capital Investment Companies, and to maintain the public register of certified persons. Within the framework of CySEC undertaking the above new responsibilities, a relevant Directive was prepared in cooperation with the competent authorities and the Ministry of Finance, simplifying the certification process for individuals and activates the public register by adding the concept of the annual renewal of registration at the public register, and of continuous vocational training. Based on the new framework for certifications, the general part and the 6 specific parts of the examination, provided in the Certification of the Ministry of Finance R.A.A. 217/2008, are replaced by 2 examinations in relation to the institutional framework on securities market as follows:

- (a) The Basic Examination, which requires a basic knowledge of the institutional framework on issues of the securities market, and concerns individuals wishing to be certified only for the reception, transmission and execution of commands, and
- (b) The Upgraded Examination, which requires a very good knowledge of the institutional framework on issues of the securities market and concerns individuals wishing to be certified for all investment services/activities.

5.4.7 Laws

5.4.7.1 Harmonization with European Directive 2010/78/EU

Within the context of harmonization of the Cyprus institutional framework with European Directive 2010/78/EU concerning the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority, amendments to the following Laws that fall within the supervisory duties of CySEC were prepared:

- a) The Investment Services and Activities and Regulated Markets Law (L.141(I)/2012)
- b) The Insider Dealing and Market Manipulation (Market Abuse) Law (L.142(I)/2012)
- c) The Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law (L.143(I)/2012)
- d) The Public Offer and Prospectus Law (L.144(I)/2012)

5.4.7.2 Amendment to the Cyprus Securities and Exchange Commission Law of 2009

An amendment to the Securities and Exchange Commission Law of 2009 was prepared and forwarded (L.5(I)/2012), which permits the submission of notification of documents or data to CySEC in electronic form.

5.4.7.3 New Law on Administrative Services

On 21 December 2012, the law Regulating Companies Providing Administrative Services and Related Matters of 2012 came into force (L.196(I)/2012), approved by the House of Representatives for purposes of regulating the professional activities provided in the framework of managing private companies by other firms. The legislation regulates a services field for which there was no previous regulation. During the year, the applications and forms were also prepared to be used for the submission of data by Companies Providing Administrative Services to CySEC such as the notification form, application form and the Monthly Prevention Statement for the Prevention of Money Laundering and Terrorism Financing. Moreover, a number of Q&A's was also prepared and published on the CySEC website so as to assist companies with their obligations stemming from the aforementioned Law. Finally, CySEC created a public register of Administrative Service Providers under its supervision, available on the CySEC website for ease of access to any interested party.

5.4.7.4 Certification of persons employed at CIFs or Management Companies

For purposes of modernization and improvement of the certification process of persons employed at CIFs or Management Companies, an amendment to the Investment Services and Activities and Regulated Markets Law (L.154(I)/2012) was prepared and forwarded, with which issues concerning the examinations/certifications of persons employed at CIFs or credit institutions are handled by CySEC and not the examination board which, until recently, was appointed by the Ministry of Finance.

Furthermore, for the better operation of the framework concerning the certification of individuals, CySEC issued a Directive concerning the Certification of Persons Employed by Investment Companies, Credit Institutions, Management Companies, and Investment Companies of Variable Capital, and the Public Register of Certified Persons (R.A.D. 499/2012 dated 30.11.2012).

5.4.7.5 Harmonization with European Directive 2009/65/EC

Within the framework of harmonization of the Cyprus institutional framework with European Directive 2009/65/EC that concerns some Undertakings for Collective Investment in Transferable Securities (UCITS), the Open Ended Undertakings for Collective Investment Law of 2012 (L.78(I)/2012) was prepared and entered into force. Furthermore, a large number of CySEC Directives concerning the implementation of the above Law was published. These Directives are listed in Appendix B of the present report. Aiming for the best possible implementation of the Law, a presentation of the said Law for interested parties was organised, with CySEC Officers answering questions from participants in relation to the provisions of the Law.

During the year, the applications and forms for UCITS and UCITS Management Companies were prepared and published, such as the application for granting authorization for the operation of a common fund and the application for granting authorization for the operation of a variable capital Investment Company that designates a management company. Also, the data for local UCITS and local UCITS Management Companies were prepared and published, such as the Checklist for the Prospectus of an Variable Capital Investment Company and the Checklist for the Instruments of a Variable Capital Investment Company. All forms and data related to UCITS and UCITS Management Companies are posted on the CySEC website for ease of access to anyone interested.

5.4.8 Research/Reports

In 2012, the issue of Draft Regulations on the listing of Depository Receipts on the CSE was reviewed and suggestions were submitted.

In 2012, the pricing policy regarding UCITS and UCITS Management Companies was revised. For this purpose, a relevant study was undertaken and proposals for revision were submitted to the CySEC Board so as to improve the viability of the sector. Also during the year, the taxation of UCITS and UCITS Management Companies was revised so as to eliminate possible obstacles to the development of the sector, such as uncertainty and unclear tax provisions, and to implement fair and straightforward taxation.

In parallel, during the year a study was carried out in view of improving the way of calculating the annual subscriptions of CIFs, revising the level of charges for the review of applications for a CIF operating license, and the amendment of the relevant Directive through examining the practices of supervisory Authorities of other EU member-states. The new pricing policy implemented categorizes CIFs according to the investment services which they are authorized to provide, reflecting in this way the risk assumed by CIFs on the basis of the investment services they provide and hence the rising cost of supervision to be exercised by CySEC.

Another study carried out in 2012 concerns the systems in EU member-states for alternative and extrajudicial resolution of financial disputes (“Alternative Dispute Resolution”) between financial institutions and their investors/clients. The alternative ways of settlement that promote intermediation and compromise between the two parties, provide an answer to the difficulties in accessing the justice system, the huge volume of cases courts have to address, and the increased costs and lengthy procedures of the judicial route. The competent Financial Ombudsman of the Republic of Cyprus was established, offering the option for the extrajudicial compromise of disputes of a financial nature between financial institutions and their clients in Cyprus.

5.5 INTERNATIONAL AND DOMESTIC COOPERATION

5.5.1. International cooperation

5.5.1.1 Cyprus Presidency of the Council of the European Union

CySEC played an important role during the Cyprus Presidency of the Council of the European Union, during the second half of 2012, and contributed constructively to the progress of negotiations on the legislative proposals relating to the securities market that were under review. Specifically, CySEC in close cooperation with the Ministry

of Finance, chaired on behalf of the Republic of Cyprus and supported the EU Council Working Groups on matters relating to the securities market.

Despite the low number of CySEC Officers and their large workload, the Officers involved succeeded, through hard work and dedication, and of course through intensive negotiations, in reaching political agreements between the Council of the EU, the European Commission and the European Parliament, as well as agreements of a general approach at the EU Council level.

It would be useful to note that, due to the Presidency of the Council of the EU in the second half of 2012 and the responsibilities assigned to CySEC, it assumed an active role and was involved in the workings of the EU Council Technical Committees from the first half of 2012.

CySEC, on behalf of the Republic of Cyprus, reached a political agreement regarding the texts of the Regulation and the Directive on Credit Rating Agencies (CRA), the Regulations regarding European Venture Capital Funds and the European Social Entrepreneurship Funds. Furthermore, a general approach agreement was reached by the Council concerning the proposal for a Directive on combating insider dealing and market abuse (MAD) through criminal sanctions and the Market Abuse Regulation (MAR).

The agreed drafts on the Regulation and Directive on CRAs are considered of great importance for they ensure that financial institutions will not rely blindly on credit ratings for their investments, while at the same time further restrict conflicts of interest by imposing stricter independence criteria for CRAs. Additionally, regulations which introduced which CRAs must abide by regarding sovereign ratings. At the same time, the Directive for combating insider dealing and market manipulation through criminal sanctions helps to restore confidence in financial markets, and institutionalizes regulations at a European level against such criminal behaviors.

Both the European Venture Capital Funds and the European Social Entrepreneurship Funds aim at addressing the lack of financing small and medium sized enterprises face in the early stages of their operation. The removal of barriers to financing innovative companies that serve social purposes and the promotion for creating a single financial market with a flow of capital covering the entire EU will encourage and facilitate cross-border investments in these areas, significantly contributing to the creation of an innovative and sustainable economy.

Regarding the proposed Directive and Regulation on Markets in Financial Instruments (MiFID and MiFIR) and the proposed Directive on Undertakings for Collective Investment in Transferable Securities (UCITS V), for which CySEC held four meetings and prepared two compromise texts, CySEC worked intensively for the promotion of these proposals and for achieving substantial progress in the negotiations aimed at reaching an agreement of general approach at the level of the Council of the EU. Numerous compromise proposals for MiFID and MiFIR were prepared and discussed during the meetings of the Working Group with a view to finding a balanced compromise.

CySEC supported the negotiations of the Draft Regulation on Central Securities Depositories (CSD) and of the Draft Regulation for establishing a framework for the recovery and resolution of credit institutions and investment firms. The objective was to provide the necessary expertise and expression of views on issues relating to the responsibilities of CySEC.

5.5.1.2 Participation in the working groups of the Council of the European Union in Brussels within the framework of the assumption of the Presidency by the Republic of Cyprus

CySEC Officers travelled on many occasions to Brussels in order to participate in meetings of the various working groups of the EU Council both during and in the months prior to the assumption of the Presidency of the EU Council by the Republic of Cyprus, so as to ensure the smooth transition of work by these groups with the change in the presiding country.

CySEC participated and chaired, through the participation of Officers from the Issuers Department and the Legal Department, the Cypriot working group for examining the European Commission Proposal for amending Directive 2004/109/EC on the Harmonization of Transparency Requirements in Relation to Information about Issuers whose Securities are Admitted to Trading on a Regulated Market (Transparency Directive). To this end, CySEC Officers attended a total of nine working group meetings in reviewing the above European Directive.

During the Cyprus Presidency, CySEC participated, through the participation of Officers from the Legal Department,

in two trilogues with the European Parliament and the European Commission, as well as in a number of meetings with the European Commission and the Council secretariat for discussion of the issues raised.

In addition, CySEC participated, with Officers from the CIF Department, among other in EU Council working groups dealing with the Proposal for a Regulation and a Directive on the capital adequacy of Credit Institutions and Investment Firms and the Proposal for a Directive and Regulation for improved securities settlement in the EU and central depositories.

CySEC also participated, with Officers from the Department of Market Surveillance and Investigations and the Legal Department, in seven meetings for the reviewing of the Proposal for a Directive of the European Parliament and of the Council on criminal sanctions for insider dealing and market manipulation, and in seven meetings of the EU Council working group on Financial Services at the level of national experts for the examination of proposals for the new European Commission Regulation on insider dealing and market manipulation (market abuse).

A Senior CySEC Officer chaired the meetings of these two working groups. For the proposed Regulation a General Approach was reached at the COREPER in December 2012. The goal of the proposal is to strengthen financial supervision, and to update and reinforce the existing framework so as to ensure market integrity and investor protection, while maintaining a single set of rules and a level playing field. The new framework will guarantee that the legislation responds to developments in the market, will reinforce the fight against market abuse in all commodity markets and related derivative products, and will strengthen the regulatory Authorities in terms of their powers for investigation and imposing sanctions.

Furthermore, during 2012, CySEC participated, with Officers from the CIF Department and the Legal Department, in fifteen meetings of the working group for reviewing the European Directive on Markets in Financial Instruments repealing Directive 2004/39/EC (MiFID II) and the proposal for the Regulation on Markets in Financial Instruments (MiFIR).

Furthermore, during 2012, CySEC participated through its UCITS Department and the Legal Department in four meetings of the working group dealing with the proposal for the amendment of European Directive 2009/65/EC concerning undertakings for collective investment in transferable securities (UCITS) and two meetings of the working group concerning the proposal of a Regulation by the European Parliament and Council on European Venture Capital Funds, and of a Regulation on European Social Entrepreneurship Funds, in which the CySEC Vice-Chairman was also in attendance.

During 2012 CySEC, with Officers from the UCITS Department and the Legal Department, also participated in three meetings of the expert group dealing with the European Directive on Alternative Investment Fund Managers.

CySEC represented the Republic of Cyprus, with Officers from the UCITS Department and the Legal Department, in the negotiations for the proposal of a Regulation regarding Package Retail Investment Products (PRIIPS), during which it conducted three meetings and prepared two compromise texts.

In addition to the above meetings, a significant number of meetings also took place with representatives from EU member-states for the purpose of discussing and negotiating all the above issues that CySEC chaired during the Cyprus Presidency of the European Council.

5.5.1.3 Permanent Representation of the Republic in Brussels

An Officer of the Legal Department is stationed at the Permanent Representation of the Republic in Brussels (Financial Services Attaché) for handling all issues of the EU Council on financial services relating to the responsibilities of CySEC. During the Cyprus Presidency of the Council of the European Union the Officer worked feverishly for the preparation and study of subjects relating to the Cyprus Presidency, and played an active role in the preparation, in cooperation with the delegate Officers of the Ministry of Finance and chaired a number of working parties, of the Presidency and of the tasks the working groups were invited to tackle in relation to financial services.

5.5.1.4 Participation in committees and groups of the European Securities and Market Authority

The European Securities and Market Authority (ESMA) is the independent EU Authority contributing to safeguarding the stability of the financial system in the European Union, ensuring the integrity, transparency, efficiency and

orderly functioning of the securities market, the consistent implementation of the European legal framework across the EU as well as enhancing investor protection. ESMA strengthens cooperation among the supervisors of securities markets and among the various financial sectors, working closely with the other European Supervisory Authorities in the banking sector and the sector of insurance companies and occupational pension plans.

The role of ESMA is to act as a Supervisory Authority within the European System of Financial Supervisors, helping establish the technical details of the European legislation on securities and ensuring greater consistency in the daily implementation of the European legislation and cooperation between its members.

CySEC is involved both at the highest level as a member of ESMA, since ESMA members head the supervisors of securities markets in each EU member-state, and take part in meetings of bodies such as the Board of Supervisors, and with the participation of its Officers as experts in various groups that have been created within the operating framework of ESMA.

Board of Supervisors and Management Board

ESMA's Board of Supervisors is composed of the Chairs of the 28 national supervisory Authorities, along with one observer from the European Commission, observers from Croatia, Norway, Iceland and Liechtenstein, one representative from the European Banking Authority (EBA) and from the European Insurance and Occupational Pensions Authority (EIOPA), and a representative of the European Systemic Risk Board (ESRB).

The main role of the Board of Supervisors is to make all policy decisions relating to ESMA, such as compliance with EU legislation, the practical application of EU legislation by the competent supervisory Authorities, crisis management, and approval of draft technical standards, guidelines, peer reviews and any reports prepared.

ESMA's Management Board is composed of the ESMA Chairman and a number of representatives from national supervisory Authorities. The European Commission representative also attends its meetings as an observer. The Management Board ensures that ESMA carries out its missions.

Hosting the meetings of the Management Board and Board of Supervisors of ESMA in Cyprus

Within the framework of the Cyprus Presidency of the Council of the European Union, CySEC was honoured to host the meetings of the ESMA Board of Supervisors Management Board and of ESMA in Cyprus on the 5 and 6 November 2012 respectively.



Review Panel

The ESMA Review Panel contributes to supervisory convergence through consistent and timely implementation of EU Law in EU member-states, as well as the identification of areas of regulation and supervision where there is room for further convergence.

The Review Panel achieves this goal through effective cooperation between national supervisory Authorities, reviewing the practical implementation of EU legislation, ESNA standards and guidelines in national jurisdictions, and by promoting best practices.

CySEC participates in the meetings of the Review Panel with a Senior Officer. The Review Panel meets roughly eight times each year. CySEC also periodically sends data to the Review Panel in relation to the above matters, in order to be assessed based on the level and effectiveness of the practical implementation of EU legislation in the Cypriot securities market.

Investor Protection and Intermediates Standing Committee, Secondary Markets Standing Committee and Post-Trading Standing Committee

The Senior Officer and 5 Officers from the CySEC CIF Department participate in three ESMA standing committees responsible for the study and agreement on common implementation of the provisions of European Directives, as well as the preparation and issue of guidelines on the implementation of European Directives 2004/39/EC on Markets in Financial Instruments, 2006/73/EC on the implementation of Directive 2004/39/EC, and European Regulation 1060/2009 for the CRAs. In 2012, the aforementioned CySEC Officers participated in 5 meetings.

Market Integrity Standing Committee

The Market Integrity Standing Committee undertakes ESMA workings on issues relating to market supervision, the implementation of legislation on financial instruments, issues on the facilitation of cooperation between national supervisory Authorities and the exchange of information regarding investigations on market abuse. In relation to market supervision, this Standing Committee works to enhance the efficiency and effectiveness of market supervision activities of national supervisory Authorities, including the use of various tools for market supervision (including analysis of transaction reports). The Standing Committee also provides a forum in which national supervisory Authorities can share their experiences on the surveillance of their respective markets and their law enforcement activities. In the area of cooperation, the Standing Committee works to ensure effective and timely cooperation in cross-border cases and to facilitate the exchange of information under the ESMA MMoU. Finally, the Standing Committee is responsible for providing technical assistance to the European Commission and the issuance of technical standards, guidelines and recommendations on issues related to market integrity (e.g. Directive on market abuse and short selling). In 2012, two Officers from the Department of Market Surveillance and Investigations participated in Committee meetings.

Corporate Reporting Standing Committee

The Corporate Reporting Standing Committee handles issues relating to the endorsement and enforcement of International Financial Reporting Standards by the EU, issues regarding the monitoring of financial statements, as well as issues concerning the periodic financial disclosures as derived from the European Directive on the harmonisation of transparency requirements. In the course of 2012, Officers from the Issuers Department participated in one meeting and two teleconference meetings of the said Committee (4 meetings in 2011).

Corporate Finance Standing Committee

The Corporate Finance Standing Committee handles issues relating to the European Prospectus Directive, issues of corporate governance as well as certain aspects concerning the European Directive on the harmonisation of transparency requirements such as the disclosure of shareholdings to Issuers. In relation to the European Directive on Prospectuses, the Standing Committee discusses issues arising from the implementation of the Directive and, where deemed necessary, issues documents with the common positions of the ESMA supervisory members ('ESMA- Questions and Answers - Prospectuses'). In 2012, one Officer from the Issuers Department participated in four meetings of the said Committee (4 meetings in 2011).

European Enforcers Coordination Committee

The European Enforcers Coordination Committee was established on the basis of ESMA Standard No.2 on financial information - coordination of enforcement activities. Membership to this Committee includes all EU member state supervisory Authorities responsible for the supervision of financial information, whether they are ESMA members or not. Committee meetings discuss, inter alia, important decisions taken by each supervisory authority in enforcement cases relating to matters of International Financial Reporting Standards. In 2012, Officers from the Issuers Department participated in 6 meetings (8 in 2011) of the said Committee.

Takeover Bids Network

An Officer from the Issuers Department also observes activities at the ESMA Contact Group on issues concerning the Takeover bids network, in coordination with the Legal Department. This Contact Group's aim is the exchange of information and experiences arising from the practical implementation of the Directive on Public Takeover Bids. During 2012, an Officer from the Issuers Department participated in one meeting of the said Contact Group.

Investment Management Standing Committee

The Investment Management Standing Committee deals with issues related to the collective management of both harmonized and non-harmonized investment funds. In 2012, CySEC participated in six meetings of this Committee through one of its Senior Officers and Officers from the UCITS Department and the Legal Department.

Committee for Economic & Market Analysis

The Committee for Economic and Market Analysis is responsible for addressing the following two issues: (a) the monitoring and analysis of financial markets, in terms of microprudential analysis, the risks and vulnerabilities of financial markets, including financial innovations, and incentives relating to market practices and (b) the Impact Assessments of existing and proposed regulatory and supervisory practices. CySEC monitors and remains updated on the progress of work at this Committee, without participating in its meetings.

Group for the exchange of personnel between ESMA members

Through its Administration and Personnel Department, CySEC participates in the ESMA group responsible for the development of a common culture and cooperation among EU member state Securities Commissions. In the context of this group, a project was implemented for the creation of a common policy on the exchange of personnel among ESMA members. Furthermore, training was promoted in cooperation with the other two financial sector Authorities in the EU – the European Banking Authority (EBA), responsible for credit institutions, and the European Insurance and Occupational Pensions Authority (EIOPA), responsible for insurances and occupational pension funds. Within the above framework, an educational policy for CySEC staff is being developed.

5.5.1.5 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent EU body, the purpose of which is the macro-prudential supervision of the financial system of the EU. The establishment of the ESRB, which brings together the responsibilities for the supervision of systemic risk in all financial sectors, was necessary because of the increasing internationalization of financial markets and the risk of contagion in the case of financial crises.

The ESRB is designed to contribute to the prevention or mitigation of systemic risks to financial stability in the EU, arising from developments within the financial system, and to take into account macroeconomic developments, so as to prevent the serious negative impact on the financial system and the economy in general.

CySEC participates in the meetings of the ESRB as an observer with its Vice-Chairman or a Senior Officer.

5.5.1.6 International Organization of Securities Commissions

The International Organization of Securities Commissions (IOSCO) is the premier forum for international cooperation between securities market supervisory Authorities and is recognized as the international standard-setting body for securities markets. In 2012, the 37th Annual Conference of IOSCO was held in Beijing, which promoted various regulatory reforms. The said Conference was attended by the CySEC Vice-Chairman, during his visit to China for the signing of a Memorandum of Understanding and Cooperation with the Securities Regulatory Authority of the People's Republic of China.

International IOSCO training seminar held in Cyprus

On 22-24 February 2012, a specialized seminar took place in Cyprus titled "New Financial Products: Their Regulatory Challenges and IOSCO's Response" which was addressed to financial sector supervisory Authorities. This seminar was jointly organized by CySEC and the International Organization of Securities Commissions (IOSCO), with Officers from supervisory Authorities – members of IOSCO from all over Europe and the Near East participating, including a significant number of CySEC Officers. The seminar was addressed by the CySEC Chairwoman, while the seminar topics were presented by speakers of international prestige and specialized knowledge in the field of modern securities markets.

The purpose of the three-day seminar was to provide training on new financial products and the challenges they present to regulation and supervision. During the seminar, issues discussed related to new financial products, the challenges presented to their effective supervision, as well as the ways supervisory Authorities and IOSCO responded to these challenges.

Such training seminars are of major importance for regulatory Authorities due to the very specific challenges in regulation and supervision put forward by the continuous development of new and more complex investment instruments, and particularly due to the apparent effect these investment instruments had on the creation and intensification of the impact of the 2008 international financial crisis. Additionally, the broad participation of supervisory and regulatory Authorities at the seminar offered a first class opportunity for the useful exchange of data and experiences in order to improve both the quality and the uniformity of supervision in the EU and worldwide.



5.5.1.7 Signing the Memoranda of Understanding and Cooperation

In May 2012, CySEC concluded the signing of a Memorandum of Understanding and Cooperation with the People's Republic of China Securities Regulatory Commission. The memorandum was signed by the CySEC Vice-Chairman, Mr. Andreas Andreou, and the Chairman of the China Securities Regulatory Commission, Mr. Guo Shuqing, at a special ceremony in Beijing.

In September 2012, CySEC signed a Memorandum of Understanding and Cooperation with the Mauritius Financial Services Commission. The said Memorandum was signed at a special ceremony in Nicosia by CySEC Chairwoman, Mrs. Demetra Kalogerou, and the Executive Director of the Mauritius Financial Services Commission, Mrs. Clairette Ah-Hen.

The signing of the above Memoranda has created a framework for and procedures of close cooperation that facilitate the exchange of information between the Supervisory Authorities of the two countries and CySEC in order to improve the supervision of transactions and activities in the securities markets. The signing of the said Memoranda has also created a framework promoting the exchange of experiences, expertise and good practices that will positively contribute to the broadening and strengthening of supervisory procedures and practices.

Moreover, these Memoranda reveal the mutual spirit of cooperation between CySEC and the two national supervisory Authorities as well as the extroversion of their economies, helping increase fruitful business relations between Cyprus and the two countries for the benefit of their national financial markets.



5.5.1.8 Cooperation and Information Exchange between National Supervisory Authorities

Within the context of international cooperation between national securities markets supervisory Authorities, and particularly under the bilateral or multilateral Memoranda of Understanding and Cooperation which CySEC has signed with foreign countries, there is a need to process an ever increasing volume of requests for information exchange and assistance.

The exchange of information concerns entities supervised by national supervisory Authorities which are engaged in activities of transnational reach. Most of these requests require investigation and data collection from the respective supervisory Authority, including the need of lifting bank confidentiality for institutions or individuals that are under investigation. Based on the memoranda which CySEC has signed with its counterparts and with the various supervisory institutions and relevant bodies abroad, it also requests information regarding the activities of institutions and individuals abroad that are under its supervision for its own investigation purposes. Many of these requests in 2012 concerned assistance in the context of forming an opinion regarding the “fitness and properness” of individuals during the evaluation of their application for authorization.

In 2012, a total of 104 incoming requests sent to CySEC by other foreign supervisory Authorities have been processed, and answers to 51 outgoing requests with which CySEC asked for information for its own purposes were received.

So far CySEC has signed 19 bilateral Memoranda of Understanding and Cooperation, and is a signatory to the European Supervisory Authority ESMA and the International Organisation IOSCO Multilateral Memoranda of Understanding.

5.5.2 Domestic Cooperation

5.5.2.1. Participation in Commissions and Authorities in Cyprus

CySEC collaborates closely with all financial sector supervisory Authorities in Cyprus and other Authorities, and maintains excellent working relations with these organizations and bodies. This ensures improved cooperation in performing their duties and responsibilities, information exchange and assistance between the said national Supervisory Authorities.

CySEC works in a particularly close relationship with the Central Bank of Cyprus, as well as the Ministry of Finance and the Unit for Combating Money Laundering (MOKAS). In addition, CySEC participates in the High-Level meetings of financial sector Supervisory Authorities in Cyprus, along with the Central Bank, the Insurance Companies Control Service, and the Cooperative Companies Inspection and Development Service. These meetings serve to inform each of the participants on matters relating to their duties and responsibilities regarding the supervision of the financial sector.

In the context of exercising its duties, CySEC may also cooperate with the Law Office of the Republic of Cyprus, the Cyprus Police and the Economic Crime Investigations Office, the Department of the Registrar of Companies and Official Receiver, Courts and other bodies and agencies.

CySEC remains available to be consulted and is open to receiving suggestions from organised groups, bodies and associations such as the Pancyprian Association of Investors, the CIF Association, the Bar Association, the Association of Certified Public Accountants of Cyprus, and many others. CySEC also cooperates with the Cyprus Consumers Association in view of its investor education initiative.

A close collaboration and partnership is also maintained between CySEC and the Cyprus Investments Promotion Agency (CIPA) with regard to issues of proper projection of the Cyprus securities market abroad.

CySEC participates in the Advisory Committee for the implementation of sanctions decided by UN Security Council Resolutions and restrictive measures decided by EU Regulations.

A Senior CySEC Officer is the Vice-Chairman of the Financial Ombudsman Board as a representative of the CySEC Chairman.

The CySEC Vice-Chairman, a Senior Officer and an Officer are also engaged in the Management Committee of the Investor Compensation Fund (ICF) responsible for managing the ICF of CIFs and other IFs, in the Advisory Authority which examines issues related to the prevention of money laundering and terrorist financing, and in the Technical Committee of Supervisory Authorities which examines issues on the supervision of the financial sector with regard to the prevention of money laundering and terrorist financing.

5.5.2.2 Projection of the Cyprus securities market in Cyprus and abroad

CySEC collaborates with the Cyprus Investment Promotion Agency (CIPA) whose work aims at the coordinated promotion of Cyprus abroad as the reliable investment destination that it is. The Commission assists to this end by presenting at various conferences in Cyprus and abroad the high-level regulatory and supervisory framework that governs the Cypriot securities market. Specifically, in 2012, the CySEC Chairman and Vice-Chairman have participated as speakers, among other, in 5 events abroad and 14 events in Cyprus, on matters relating to the institutional framework governing undertakings for collective investment in transferable securities, and have had 8 interviews published in the financial press of Cyprus and abroad regarding developments in the national securities market. Moreover, 7 articles have been written that outline the regulatory and supervisory environment, and other useful information related to the securities market in Cyprus which have been published in the Cypriot and international financial print and online press.

Furthermore, in cooperation with CIPA, CySEC proceeded with the publication of an informative booklet titled "Your European Passport to the Fund Management Industry", which presents the main innovations of the new European Directive UCITS IV, as adopted in the Cyprus legislative framework.



5.5.2.3 Cooperation agreements for providing services to CySEC

In October 2012, CySEC announced the signing of a cooperation agreement with the Cyprus Stock Exchange (CSE) for the provision of services to the former by the latter. The agreement was signed between CySEC Chairwoman and the CSE Director General, Mr. Nondas Metaxas, at a ceremony held at the CySEC offices in Nicosia.

In the context of this agreement, CSE Officers provide specialised services to CySEC, mainly concerning the examination of applications for a CIF license, and the upgrading of the supervisory systems and data archiving of the supervised entities. Services are provided according to the needs of CySEC but also to the capacity of CSE to provide the necessary staff to CySEC, for a specific period that does not exceed a total of two years.

This agreement facilitated the direct access of CySEC in human workforce specialized in the field and has contributed both to the partial relief of CySEC workload, and to the faster processing of the submitted applications for authorization.

5.6 INVESTOR PROTECTION

CySEC promotes investor protection in various ways and strives for a continuous improvement of the methods and tools that increase the protection of investors who engage in securities transactions in Cyprus or abroad through CIFs.

5.6.1 Prompt harmonization of national Legislation with the European Directives

One of the ways for protecting investors is the rapid harmonization of the national regulatory framework with EU Directives. This practice ensures that the regulatory regime in the field of investment services in Cyprus and the level of investor protection matches the high standards applied in the other EU member states.

Examples of the most important European Directives that have been integrated into national law include the Transparency Directive, the Market Abuse Directive, the Prospectus Directive, the Markets in Financial Instruments Directive (MiFID), the Directive on Capital Adequacy of Credit Institutions and Investment Firms (CDR), the UCITS Directive, and the Directive that regulates the operations of Alternative Investments Fund Managers (AIFMD).

5.6.2 Regulatory regime based on the MiFID

The field of investment services in Cyprus and the activities of Cyprus Investment Firms (CIF) are governed by the Law on Investment Services and Activities and Regulated Markets, with which the Cyprus institutional framework was harmonized in line with the Markets in Financial Instrument Directive, widely known as MiFID.

This Directive constitutes one of the most important European Directives for the financial markets. Thus its prompt transposition in the Cyprus legislation and its implementation was necessary for establishing strong rules providing investor protection. This was achieved through the obligation of investment firms to ensure the best possible result for the client (best execution) in every transaction, the obligation for the disclosure of necessary data based on specific rules focusing on the client, and appropriate arrangements regarding the suitability and compatibility between financial instruments and clients and the remuneration policies in financial institutions.

5.6.3 Addressing violations concerning market manipulation and non-compliance with transparency requirements

CySEC's approach to violations concerning operations of market manipulation, and violations concerning non-compliance with the provisions of the legislation on information disclosure (transparency requirements) is particularly strict. The imposing of administrative sanctions on entities or individuals engaging in such violations acts as a powerful tool towards investor protection, as it operates in a repressive as well as preventive manner, ensuring compliance with legal obligations and preventing the repetition of phenomena of violations of the legislation.

5.6.4 Addressing violations in relation to the provision of investment services by unlicensed entities

Investment services may be legally provided only by companies that have been granted an operating license by CySEC, or for the provision of specific investment services by a competent supervisory Authority in a EU member state. Therefore, any entities offering such services without having been granted the relevant operating license by CySEC, or another competent supervisory Authority in a EU member state that has notified CySEC as to that, are in violation of the law. As a result, they are subjected to both criminal and administrative sanctions. In order to facilitate investors, CySEC maintains an online public register of authorized CIFs and IFs of other EU member-states for which it has been notified by the relative supervisory Authority that they wish to provide investment services in the Republic of Cyprus, and encourages investors to check that the CIF or IF they intend to cooperate with is included in this public register before they decide to accept any investment services. This public register is easily accessible on the CySEC website.

Also, as of July 2012, CySEC maintains an electronic system for submitting complaints against authorised CIFs and unauthorised entities, so as to assist investors in the submission of their complaints. CySEC investigates each and every complaint it receives by the investors, and urges the public to proceed with complaints when they believe their rights may have been violated in relation to the provision of investment services.

5.6.5 Single Body for Out-of-Court Settlement of Financial Disputes

CySEC played a very important role in promoting the creation of a Single Body for Out-of-Court Settlement of Financial Disputes, widely known as “Financial Ombudsman”, which was established in 2010 in order to handle complaints from clients against financial firms and facilitate out-of-court settlements. A representative of the CySEC Chairman participates on the Board of the Body as its Vice-Chairman.

During the year, the significant issues addressed by the Single Body for Out-of-Court Settlement of Financial Disputes Board included the financing of the Body in order to operate as an independent organisation with economic independence, the preparation of the first Budget for 2012 focusing on austerity and savings, as well as the review of the Law in order for the Body to become operational and provide the Financial Ombudsman the necessary time to deal with the complaints which are expected to be submitted.

Although the Body has not yet become operational, it is expected that it will operate as soon as the recruitment process for the Financial Ombudsman and its staff is completed. The Single Body for Out-of-Court Settlement of Financial Disputes is expected to provide significant assistance to financial products and services consumers since it will handle complaints against financial entities, providing the opportunity for the speedy settlement of disputes and recovery of losses through extrajudicial means.

5.6.6 Education of the Public

The education of the public on securities market issues is particularly important, as it strengthens investor protection, effectively complementing the supervisory and regulatory framework. The value of the public’s financial education was recognized at both the European and international level. The European Commission attributes great importance in educating the public and urges EU member-states to develop relevant programs.

Apart from the benefits it offers to individuals, financial education also offers significant benefits for the society and the economy. This is because the informed investor is expected to take sounder decisions, thus reducing the probability of taking excessive risk with their money and thus reducing the chances of great loss of money and/or the buildup of debt which in some cases can lead to bankruptcy.

Financial education becomes even more essential nowadays, due to the complexity and the availability of a variety of financial products and services that is constantly increasing. Furthermore, modern securities markets are fast paced and are constantly changing, they are intensely volatile, and globalization and the opening of new markets have multiplied not only the opportunities but also the risks. Moreover, the financial needs of the individuals themselves have become more complex, creating a greater need for the proper management of their money.

CySEC promotes in various ways the education of the public on securities market issues. To this end, CySEC maintains a special section on its website dedicated to investors, which is enriched regularly with educational material, advice and warnings issued by CySEC or supervisory Authorities in other countries. In addition, CySEC publishes informative articles for investors in newspapers, financial magazines and websites. The publication of the Investor's Guide by CySEC is part of its efforts for the education and protection of the investing public. The Investor's Guide defines the basic principles of the European MiFID Directive as regards the rights of those who have invested or plan to invest in financial products, in order to receive the highest level of protection.

CySEC also organizes lectures and presentations which are open to the public. In 2013, CySEC held two such lectures, in collaboration with the Cyprus Consumers Association, on "Investments in financial products, investment risks and investor rights." The lectures were a great success both in terms of attendance and the interest shown by the public in terms of the number of questions addressed to the speakers. These lectures were held in the context of the Adult Consumers Academy of the Consumers Association, and their aim was to inform investors on various financial products, the risks involved and the rights of investors when receiving investment services.

The actions and methods of CySEC on the issue of educating the public have been decided according to the findings of a national market survey that CySEC had conducted in 2010 so as to determine the level of public awareness on issues relating to the securities market and investments in transferable securities. The said findings are available on the CySEC website.

5.6.7 Warnings for investors

During 2012, eight warnings were issued by CySEC so as to prevent investors from cooperating with certain companies and be especially careful when choosing from which company to receive investment services. The companies in question did not hold a CIF operating license and were not a bank or cooperative credit institution based in the Republic, and CySEC had not received any relevant notification from a competent EU member state authority on their operation. Thus these companies were not authorised in any way to offer investment services in the Republic.

5.7 HUMAN RESOURCES, ORGANIZATION, METHODS AND INFRASTRUCTURE

5.7.1 Personnel training

CySEC cares for the regular and consistent training of its personnel through seminars held at its premises or through the participation of its personnel in various select seminars and conferences in Cyprus and abroad.

In 2012, a large number of CySEC Officers participated in a seminar on foreign exchange transactions (FOREX) held at the CySEC offices by Officers from the USA supervisory Authorities, the Commodity Futures Trading Commission (CFTC) and National Futures Association (NFA).

Also, approximately 40 CySEC Officers participated in the specialized educational seminar titled "New Financial Products: Their Regulatory Challenges and IOSCO's Response," which was addressed exclusively to financial sector supervisory Authorities, and was organized between 22-24 February 2012 jointly by CySEC and the International Organization of Securities Commissions (IOSCO).

During 2012, CySEC Officers participated in the following seminars:

- Strategic Communication Skills.
- Seminar regarding the Officially Appointed Mechanism for the Storage of Regulated Information (OAM) organized by the CSE.
- ESMA Investor Day 2012.
- Educational seminar on Alternative Investment Fund Managers Directive organized by the European Commission.
- Cross-sector seminar on on-site supervision – impact and influence.
- Workshop for the practical application of risk management of firms based on the ISO 31000 Standard.
- Trading book issues and market infrastructure.

- Pillar 1 of CySEC Directive DI144-2007-05 for the capital adequacy and “CoRep templates,” regarding (a) the Internal Capital Adequacy Assessment Process (ICAAP) and (b) the Supervisory Review and Evaluation Process (SREP).
- Presentation on the operation of the specialized platform on CIF issues.
- Seminar for the Evaluation of Internal Control Systems.
- Internal Audit Methodology in the European Union.
- Risk Management and Internal Control.
- CIA Review Course –Part I- The internal Audit Activity’s Role in Governance, Risk and Control.
- CIA Review Course –Part II- Conducting the Internal Audit Engagement.
- CIA Review Course –Part III-Business Analysis and Information Technology.
- Audit Planning to Address Fraud.
- Recent Developments and updates on IAS1, 12, 19 and IFRS 10, 11, 12 13.
- Seminars and training in the context of the Cyprus Presidency of the Council of the European Union.
- ESMA Seminar on Transaction Reporting: The possible harmonization of Transaction Reporting from all European countries under one common platform.
- Learning of new CySEC systems (accounting and payroll)
- Day on “Saving Energy in the Public Sector and Broader Public Sector.”
- First Aid at the workplace seminars.
- Training for Officers who provide support to CySEC Chairs.
- Seminar on binary options.
- ICPAC seminar on “Anti-Money laundering procedures, communication with those charged with governance, control of audits & access to clients and characteristics of network firms.”

In 2012, a CYSEC Officer visited the Central Bank of Ireland and monitored its operation in relation to issues of practical implementation of the UCITS IV Directive, which has been transposed into the Cyprus Legislation with the Law on Undertakings for Collective Investments of 2012.

5.7.2 Paid Services

Due to staff shortages and the freezing in the recruiting for new personnel, CySEC has proceeded with the purchase of services from the CSE in an effort to meet its increased human resources needs. A special agreement was signed between CySEC and the CSE for a period of two years. In the context of the agreement, four CSE Officers were seconded to CySEC to deal mainly with the examination of new applications, such as applications for a CIF operating license, but also in other sectors according to their knowledge and expertise and CySEC needs. Similar agreements with other organisation in Cyprus are under consideration for 2013.

5.7.3 Changes in the Organization Structure

5.7.3.1 Authorisations Department and Supervision Department

A reorganization of the CySEC organization structure was deemed necessary due to the large increase in its responsibilities arising from, among other things, the inclusion of new institutions in its supervisory realm and the increase in the number, size and complexity of the supervised entities. This reorganization, which began in 2012 and was completed in the first months of 2013, is expected to make CySEC more effective and flexible in achieving its objectives.

In the context of this reorganization, the Department of Licensing and Supervising CIFs, Regulated Markets and Credit Rating Agencies and the Department of Licensing and Supervising Open-Ended UCITS and UCITS Management Companies have been abolished. While these two Departments had to deal with different groups of supervised entities, both performed tasks related to the assessment of applications for authorization/approval and supervision. Therefore, according to the reorganization, two new departments have been

created, the Authorizations Department and the Supervision Department, which took over the work of the two abolished departments.

In view of the fact that the assessment of applications for authorization/approval and/or supervision of CIFs, Regulated Markets, Credit Rating Agencies, UCITS and UCITS Management Companies is identical, the newly established Authorizations Department took over the assessment of applications for license/approvals of all the above institutions, as well as of any applications/approvals for changes during their activation.

The newly established Supervision Department is responsible for supervising the compliance of the above institutions with their legal obligations, after their authorization and for the duration of their activation. Further, the Supervision Department has been divided into three groups in order to exercise a more effective supervision as follows:

The Compliance Team, which monitors the compliance of supervised entities with the Law and Directives on organization, procedures, systems and control mechanisms that the supervised entities maintain, as well as the professional attitude towards investors/clients.

The Anti-Money Laundering Team (AML) which monitors the compliance of supervised entities with the Law and Directives for the prevention and fight against money laundering and terrorist financing.

The Team for Prudential Supervision regarding Capital Adequacy which deals with the monitoring of capital adequacy (Capital Requirements Directive, CRD) and the financial statements of the supervised entities.

5.7.3.2 Internal Audit

In the context of the internal reorganization, in 2012, an Internal Audit Unit was also created and integrated in the CySEC organization structure. The Internal Audit Unit performs an independent, objective, assuring and consulting activity, designed to add value and improve CySEC operation. In particular, its purpose is to assist the organization accomplish its objectives by providing a systematic scientific approach in the evaluation and improvement of the effectiveness of risk management, internal audit systems and of corporate governance procedures.

As part of the implementation of the internal audit system, and aiming to improve the internal organization of CySEC, an internal Circular was sent to CySEC staff concerning the “CySEC Procedures Manual” which seeks to coordinate the registration of CySEC procedures and policies. The creation of a Manual by all Departments which will describe all procedures used by the staff in the exercise of their responsibilities and duties is expected to be completed in the next 2 years.

5.7.4 Infrastructure Upgrading Projects

5.7.4.1 CIF Electronic Archive

The new system adopted in the context of the creation of the CIF electronic archive produces electronic reports of information, statistics and other data related to CIFs.

5.7.4.2 Transition to Hosted Exchange for electronic mail

CySEC transitioned to a Microsoft Exchange based system that allows the synchronization of electronic mail accounts on multiple devices (computers, mobile phones, tablets etc) and offers better security and encryption options.

5.7.4.3 Upgrade of central server and software

The CySEC server was replaced with a newer system, in order to better serve the Commission’s ever increasing needs. Furthermore, the expected upgrade of the software for the payroll, created the need for purchasing a specialized server specifically for this system. This server was purchased and installed, following a tender procedure. In 2012, the new modern accounting and payroll systems were selected and began to be implemented,

according to the needs of CySEC. The implementation of the payroll system has been completed, while the implementation of the accounting system is to be completed within 2013. These new systems are expected to increase the efficiency and effectiveness of the Administration and Personnel Department whilst improving internal processes.

5.7.4.4 Upgrading of Computers and Telephony System

For reasons of compatibility and security, CySEC decided to upgrade its computers, and therefore tenders were launched for replacing all old computers. In parallel, due to the growth of the organization, an upgrade of the telephony system was necessary in order to serve the entire staff of CySEC and also allow future expansion without any additional cost.

5.7.4.5 New Fire system in the server room

Following a thorough study and meetings with Fire Safety companies, CySEC launched tenders and installed a modern Fire Safety system in the server room.

5.7.4.6 Revision of Electronic Information Security policies and Backups upgrade

In an effort to modernize the organization and harmonize with modern standards of electronic information security, the relevant CySEC internal policies as well as the firewall settings have been revised. Due to the continuous increase in the volume of data that is circulated and stored by CySEC, it was also necessary to upgrade the CySEC backup system (hardware and software). To this end, a relevant study began in late 2012 and is expected to be completed in 2013, where all needs will be recorded and it will be decided what the best solution is for CySEC, combining speed, reliability and low cost, and allowing for future expansion without a complete overhaul.

5.7.4.7 Digital Signatures

Various projects are under study, such as the Digital Signatures system with the use of tokens, which will be completed in 2014 along with the CySEC central archive and data management system.

5.7.4.8 Updating and upgrading of the website

The CySEC website is being updated on a daily basis. In parallel, a study for the upgrading of the Content Management System is underway, so that the system complies with modern standards of web technology. The study is expected to be completed sometime in 2013 and subsequently the relevant tenders will be launched.

5.7.5 Other projects

5.7.5.1 CySEC Relocation

In collaboration with the Ministry of Finance and following a relevant study, a new building has been chosen that will be leased in order to house CySEC. Relocating was essential since the previous building could no longer serve the needs of CySEC. CySEC had been located in the former building since 2000, with less than half its current staff, while the range and volume of operations was clearly much less in relation to what it is today. The new building is equipped with modern facilities, adequate space and can serve the future needs and possible expansion of CySEC. It is noted that the lease agreement for the new building includes provisions for the option to purchase the building, with any rent paid up to the time of purchase taken into account towards the purchase price.

5.7.5.2 Changes in charges and fees

In 2012, a study was carried out concerning the charges imposed on CIFs. As part of the study examples of other countries were considered, as well as the time and other resources needed for the processing of

operations. At the same time, in collaboration with the competent CySEC Departments, adjustments to the charges on other supervised entities were also made in order to better reflect the costs of the various operations undertaken by CySEC.

5.7.5.3 New Corporate Identity

In 2012, CySEC launched an art contest for the design of its new logo, which was to be the basis for its new corporate identity. The contest was completed in 2013 and the winning logo was adopted.

The new CySEC logo, selected through the abovementioned contest, is believed to better reflect the new vision of CySEC – that is to establish the Cyprus securities market as one of the safest, most reliable and most attractive investment destinations – as well as the CySEC mission to exercise an effective supervision role that ensures investor protection and the healthy development of the securities market in Cyprus.

As regards to its symbolism, on first look the new logo alludes to three sheets of paper symbolising regulation, monitoring and supervision, three important parameters in the operation and role of CySEC. At the same time, the logo resembles three arrows pointing forward, denoting the challenges of evolution, progress and development of the Cyprus securities market. The logo uses primarily blue and green, two modern and ‘positive’ colors that can be interpreted as the dual role of CySEC in regards to supervision and market development, while the color grey, used in between the other two colors and for the typeset, symbolizes the objectivity and impartiality that must always govern CySEC.

The new CySEC corporate identity is expected to contribute to its greater recognition in Cyprus and abroad, and the improvement of its outwards image. Finally, the inclusion of CySEC’s name in the logo in both Greek and English, establishes the international character of CySEC and befits its vision of promoting the Cyprus securities market internationally.

5.7.6 Corporate Social Responsibility

CySEC acknowledges the positive contribution of Corporate Social Responsibility (CSR) to society and thus it has included in its long-term strategy various CSR actions. The concept of CSR refers to the responsibility of organizations and businesses in terms of their impact on society and constitutes a voluntary integration of social and environmental actions in their usual activities.

In previous years, initiatives were implemented within the scope of CSR, but in a non-systematic and informal way. Since 2012, CSR has become a conscious choice for CySEC, as the executive management attaches great importance to CSR and has assigned a CySEC officer with the responsibility for the promotion of CSR.

The successful adoption of the CSR depends on the management’s substantial commitment, but at the same time on awareness, active support and commitment of CySEC staff and in many cases on the involved bodies. Therefore, the CySEC Board has decided to give its staff the opportunity to be actively involved in the formation of proposals relating to CSR by submitting comments, ideas and suggestions. CSR operations are characterized by a team spirit and collective effort where the active participation of the entire staff in developing proposals and ideas forms the foundation for the implementation of these activities. CySEC supports and encourages the active participation of its staff in voluntary activities, as they constitute a key element for the development of social solidarity.

5.7.6.1 CSR Activities

Cleaning Campaign “Let’s do it Cyprus”

A group of CySEC volunteers participated in the national cleaning campaign “Let’s Do It Cyprus!” which took place on 29 September 2012 and was the largest environmental protection and social participation campaign held in Cyprus to date. Participation in the campaign was entirely voluntary and its purpose included the cleaning of important ecosystems such as beaches, forested areas, mountainous areas, rivers, lakes and any other natural areas in Cyprus, as well as information on environmental issues and public awareness. The CySEC volunteers took



over the cleaning of the Pedieos river area along the pedestrian-bicycle path that begins near the Presidential Palace and ends at the old Nicosia Hospital.

Blood Drive

On 14 December 2012, CySEC organized a Blood Drive with the slogan “Blood is a good in shortage. It is not available on shelves, it is not sold at a price, it is not produced in factories. It is created solely by the human body and it is made available as a result of people’s sensitivity and love”. A group of CySEC employees visited the Center for Blood Donation in Engomi and participated in this wonderful act of solidarity.

Saving paper

In 2012, CySEC decided that its annual report will no longer be published in print, but will only be available in electronic form in an effort to reduce the use of paper and protect forests.

Personnel awareness

In its aim to foster the environmental awareness of its staff, CySEC issued two internal circulars in 2012 which provided advice for saving electricity at work and reducing the use of paper and other consumable photocopying equipment.

Recycling

CySEC recycles several of the materials it uses, such as paper, plastic and batteries, contributing in this way towards both saving energy and raw materials, and the reduction of the volume of waste it produces and its impact on the environment. To this end, CySEC makes use of recycling bins placed at various points within its premises.

Green tenders

The tenders issued by CySEC include provisions for the purchase of environmentally friendly products.

Promoting awareness to other organizations

CySEC strives to promote and project its CSR activities through publications on its website, aiming to encourage and sensitize other organization on CSR issues as well.

5.7.6.2 Contribution in drawing up the National Action Plan for CSR

The CySEC Officer responsible for CSR issues took part in a survey conducted by the Planning Bureau, completing the relevant questionnaire for practices already adopted and intentions/suggestions for new activities. Also, the Officer participated in a workshop which presented and addressed the aforementioned survey findings, made recommendations for specific measures and ranked priorities that contribute to the formation of the National Action Plan for CSR.

5.7.6.3 Participation in CSR seminars

Annual Sustainable Development Report Presentation

A CySEC Officer attended a meeting with the director of Global Reporting Initiative (GRI), during which the latest developments regarding the Sustainable Development Report were presented. The Sustainable Development Report provides information on activities that companies/institutions implement on a financial, environmental and social level. The presentation of Sustainable Development Reports helps companies/institutions set goals and measure their performance.

5th Corporate Social Responsibility Conference

On 29 June 2012, a CySEC Officer participated in the 5th Corporate Social Responsibility Conference entitled “CSR as an Antidote to the Crisis,” where she had the opportunity to learn about various case studies and the experiences of successful market managers and executives on how CSR could be a vital tool in dealing with the financial recession, how an institution can take advantage of the crisis and treat it as an opportunity, and what CSR operations can be realized at low cost with positive results.

6

Annex A – Directives of the Commission that have been re-published during the year 64

Annex B – CySEC Directives published to implement the Open-Ended Undertakings for Collective Investment Law of 2012..... 66



Annex A – Directives of the Commission that have been re-published during the year

The Directives that have been re-published during the year are as follows:

(A) CySEC Directives on Investment Firms

- Directive DI144-2007-01 (No. 4525 17.10.2011 R.A.A. 384/2011) regarding the authorisation and operating conditions of CIFs, which repeals Directives DI144-2007-01 (with reference R.A.A. 426/2007) and DI144-2007-01(A) (with reference R.A.A.127/2011).
- Directive DI144-2007-02 (No. 4525 17.10.2011 R.A.A. 385/2011) regarding the professional competence of IFs, which repeals Directive DI144-2007-02 (with reference R.A.A. 427/2007).
- Directive DI144-2007-03 (No. 4525 17.10.2011 R.A.A. 386/2011) regarding the submission of application for the granting or extension of CIF authorisation, which repeals Directive DI144-2007-03 (with reference R.A.A. 507/2007).
- Directive DI144-2007-04 (No. 4525 17.10.2011 R.A.A. 387/2011) regarding charges and annual fees of IFs, which repeals Directives DI144-2007-04 (with reference R.A.A. 528/2007), DI144-2007-04A (with reference R.A.A. 122/2008), DI144-2007-04B (with reference R.A.A. 168/2009), DI144-2007-04C (with reference R.A.A. 361/2009), DI144-2007-04D (with reference R.A.A. 92/2010) and DI144-2007-04E (with reference R.A.A. 278/2011).
- Directive DI144-2007-05 (No. 4525 17.10.2011 R.A.A. 388/2011) regarding capital adequacy of IFs, which repeals Directive DI144-2007-05 (with reference R.A.A. 518/2010).
- Directive DI144-2007-06 (No. 4525 17.10.2011 R.A.A. 389/2011) regarding large exposures of IFs, which repeals Directives DI144-2007-06 (with reference R.A.A. 519/2010) and DI144-2007-06(A) (with reference R.A.A. 218/2011).
- Directive DI144-2007-07 (No. 4525 17.10.2011 R.A.A. 390/2011) regarding market transparency requirements, which repeals Directive DI144-2007-07 (with reference R.A.A. 269/2008).
- Directive DI144-2007-08 (No. 4525 17.10.2011 R.A.A. 391/2011) regarding the prevention of money laundering and terrorist financing, which repeals Directives DI144- 2007-08 (with reference R.A.A. 95/2009) and DI144-2007-08(A) (with reference R.A.A. 151/2009).
- Directive DI144-2007-09 (No. 4525 17.10.2011 R.A.A. 392/2011) regarding the General Meetings of the members of ICF for Clients of IFs, which repeals Directive DI144-2007-09 (with reference R.A.A. 372/2010).
- Directive DI144-2007-10 (No. 4525 17.10.2011 R.A.A. 393/2011) regarding the preventive assessment of holding in CIF's capital, which repeals Directive DI144-2007-10 (with reference R.A.A. 279/2011).
- Directive DI144-2007-11 (No. 4525 17.10.2011 R.A.A. 394/2011) regarding IF Financial Conglomerates, which repeals Directive 1-2005 (with reference R.A.A. 495/2005).
- Directive DI144-2007-12 regarding the definition of the term "material change" and the notification of information.

(B) CySEC Directives on Market Abuse

- Directive DI116-2005-01 (No. 4525 17.10.2011 R.A.A. 404/2011) regarding the obligations of issuers of financial instruments, which repeals Directives 1/2005 (with reference R.A.A. 443/2005), DI116-2005-03 (with reference R.A.A. 204/2008), DI116-2005-05 (with reference R.A.A. 167/2009) and DI116-2005-08 (with reference R.A.A. 378/2010). This Directive was further amended in 2011 with

Directive DI116-2005-01(A) (No. 4534 2.12.2011 R.A.A. 497/2011).

- Directive DI116-2005-02 (No. 4525 17.10.2011 R.A.A. 405/2011) regarding elements taken into account when assessing market manipulation, which repeals Directive 2/2005 (with reference R.A.A. 444/2005).
- Directive DI116-2005-03 (No. 4525 17.10.2011 R.A.A. 406/2011) regarding market manipulation methods, which repeals Directive 3/2005 (with reference R.A.A. 445/2005).
- Directive DI116-2005-04 (No. 4525 17.10.2011 R.A.A. 407/2011) regarding the accepted market practices, which repeals Directive 4/2005 (with reference R.A.A. 446/2005).
- Directive DI116-2005-05 (No. 4525 17.10.2011 R.A.A. 408/2011) regarding the code of conduct of advisors and related persons, which repeals Directives 5/2005 (with reference R.A.A. 447/2005), CSE Directive 1/2006 (with reference R.A.A. 226/2006), CSE Directive 2/2006 (with reference R.A.A.333/2006), CSE Directive 1/2007 (with reference R.A.A. 131/2007), Directive DI116-2005-01 (with reference R.A.A. 60/2008), Directive DI116-2005-02 (with reference R.A.A. 131/2008), Directive DI116-2005-04 (with reference R.A.A. 354/2008), Directive DI116-2005-06 (with reference R.A.A. 167/2010) and Directive DI116-2005-07 (with reference R.A.A. 364/2008).
- Directive DI116-2005-06 (No. 4525 17.10.2011 R.A.A. 409/2011) regarding the notification of transactions of persons discharging managerial responsibilities within an issuer and of the persons closely associated with them, which repeals Directive 6/2005 (with reference R.A.A. 574/2005).

(C) **CySEC Directives on Public Takeover Bids**

- Directive DI41-2007-01 of 2012 regarding the Announcement of Intention or Final Intention to make a takeover bid.
- Directive DI41-2007-02 of 2012 regarding Public Takeover Bid charges.
- Directive DI41-2007-03 of 2012 regarding the content of the Public Takeover Bid Offer.
- Directive DI41-2007-04 of 2012 regarding the criteria to be taken into account in evaluating the expert's independence.

(D) **CySEC Directives on Transparency**

- Directive DI190-2007-01 of 2012 regarding the notification of major holdings in an issuer.
- Directive DI190-2007-02 of 2012 regarding the conditions of independence between management companies and IF and their parent companies to be exempted from the obligation to aggregate their holdings.
- Directive DI190-2007-03 of 2012 regarding the dissemination of regulated information.
- Directive DI190-2007-04 of 2012 regarding the content of the annual financial report.
- Directive DI190-2007-05 of 2012 regarding Third Countries (equivalent requirements).
- Directive DI190-2007-06 of 2012 regarding the Acquisition or Disposal of Voting Rights from Market Maker (separate texts).

(E) **General Directives that relate to CySEC**

- Directive DI73-2009-01 regarding Credit Rating Agencies.
- CSE Directive 01/2011 of 2012 regarding notification of the acquisition or disposal of major holdings.

Annex B – CySEC Directives published to implement the Open-Ended Undertakings for Collective Investment Law of 2012

The Directives of CySEC that have been published during the year to implement the Open-Ended Undertakings for Collective Investment Law of 2012 are as follows:

- Directive as regards the regulation of any specific issue relating to the constitution, functioning and dissolution of UCITS operating with multiple compartments (DI78-2012-19)
- Directive for the avoidance of market timing and late trading practices when offering units in undertakings for collective investment in transferable securities (UCITS) (DI78-2012-12)
- Directive on the conditions for conducting securities lending, sales with right or obligation of repurchase and reverse repurchase/repurchase agreements as techniques and instruments, which relate to transferable securities and money market instruments for the purpose of UCITS efficient portfolio management (DI78-2012-14)
- Directive as regards capital guaranteed or performance guaranteed UCITS or UCITS with protection of invested capital (DI78-2012-18)
- Directive regarding the periodical reports submitted to the Commission by Management Companies with state of domicile another member state which provide cross border activity within the territory of the Republic of Cyprus (DI78-2012-04)
- Directive regarding the Conditions for Authorization and Ongoing Obligations of a Management Company and the Agreement between a Depositary and a Management Company of an Undertaking on Collective Investments in Transferable Securities and other related issues (DI78-2012-03)
- Directive regarding UCITS master-feeder structures (DI78-2012-20)
- Directive regarding the mergers of UCITS (DI78-2012-25)
- Directive regarding the access to information related to the notification procedure of Undertakings of Collective Investments in Transferable Securities (DI78-2012-24)
- Directive on the provision of collective portfolio management services within the territory of the Republic of Cyprus through the establishment of a branch by a Management Company authorized in a third country or a authorized in a member state which does not fulfill the requirements and conditions set out by Directive 2009/65/EC (DI78-2012-02)
- Directive on the procedures and conditions for granting a Management Company operation license and as regards the submission of an application for granting a Management Company operation license (DI78-2012-01)
- Directive as regards the procedure and conditions for granting a UCITS operation license (DI78-2012-07)
- Directive on the delegation of one or more functions and tasks of the Management Company to a third party (DI78-2012-05)
- Directive regarding the specification of the subjects that constitute the content of the rules of the Mutual Fund and of the instruments of incorporation of a Variable Capital Investment Company (DI78-2012-08)
- Directive regarding the methods and rules of UCITS assets valuation (DI78-2012-15)
- Directive regarding the inaccuracy of the net value of its assets due to error or violation rule on permissible investment or lending policy of the UCITS (DI78-2012-16)
- Directive on UCITS permitted investment limits (DI78-2012-13)
- Directive on the obligations borne by the Variable Capital Investment Company because of the admission to trading of its shares on a stock exchange market (DI78-2012-17)
- Directive regarding the information submitted for the provision of an operational license for exchange traded UCTS, their obligations because of their admission and trading of exchange traded UCITS units, as well as every other issue or other necessary detail, regarding the operation of this type of UCITS (DI78-2012-23)

- Directive regarding the terms and the procedure for the marketing network of UCITS' units in the Republic of Cyprus, the organisation of the marketing network and the obligations of the persons participating in the network (DI78-2012-11)
- Directive regarding the rules to be followed by UCITS for the launch of advertisements (DI78-2012-10)
- Directive on the transfer of the Variable Capital Investment Company's and the Management Company's registered office to and from the Republic (DI78-2012-31)
- Directive regarding the continuous operation of a Common Fund to and from the Republic (DI78-2012-28)
- Directive regarding UCITS that reproduce composition index, shares or bonds (DI78-2012-22)
- Directive regarding UCITS that invest in units of other UCITS or alternative investment funds (DI78-2012-21)
- Directive on the common draft merger plan prepared by the merging and receiving UCITS (DI78-2012-26)
- Directive on specific issues regarding the division of UCITS (DI78-2012-27)
- Directive regarding organisational requirements of UCITS Depositary (DI78-2012-32)
- Directive regarding the presentation of the content of the prospectus, the reports, the condensed statements of the UCITS, the Key Investor Information and the reports of section 114 of the Law (DI78-2012-09)
- Directive regarding the dissolution and liquidation of a Common Fund (DI78-2012-29)
- Directive regarding the marketing in the Republic of Cyprus of foreign undertakings for collective investment that do not fall within scope of application of the Directive 2009/65/EC, in the territory of the Republic (DI78-2012-33)
- Directive on the procedure for the suspension of the Management Company's operational license (DI78-2012-06)
- Directive regarding fees and annual contributions of UCITS, UCI and Management Companies (DI78-2012-34)
- Directive regarding the notification of events to the Commission for the UCITS domiciled in another member state and which are subject to the Directive 2009/65/EU (DI78-2012-30)