



Annual Report

for the year ended on 31 December 2010

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Board of the Cyprus Securities and Exchange Commission

Chairman

Giorgos Charalambous

Vice-chairman

Christina Christou (as of 23.07.2010)

Akis Hadjipieris (until 03.05.2010)

Members

Spyros Kokkinos

Menelaos Kyprianou

Marios Moiseos

Representative of the Governor of the Central Bank of Cyprus

Constantinos Trikoupis



Chairman's Statement

The major developments in the Cyprus economy and financial sector during 2010 portray a mixed picture, presenting both positive and negative features.

The Cyprus economy has entered a phase of recovery in the second half of 2010, following the recession that occurred in 2009 and early 2010. Despite this favourable development, the unemployment rate has continued to exhibit an upward trend (reaching 6.9% by the end of 2010) while the fiscal deficit in 2010 remained at 5.3% of the GDP, which continues to raise concerns regarding the implications for the medium-term stability of the Cyprus economy.

In the Cyprus capital market sector, amongst the positive developments, it is worth mentioning the strengthening of the regulatory and supervisory framework, in line with the ongoing reform of the regulatory regime in the European financial sector, and the rapid growth of investment services in Cyprus, despite the serious problems accumulated by the global economic crisis.

On the other hand, we note the reversal of the favourable climate that prevailed in 2009 in the Cyprus stock market, along with the reduction of trading volumes and the plummeting stock prices in 2010. The General Index of the Cyprus Stock Exchange fell by 33.2% as compared with a 45% rise in 2009. The behaviour of the General Index continued to be linked, to a large extent, to the difficult conditions facing the Athens Stock Exchange, which stem from the serious problems plaguing the Greek economy.

At the European Union level, the decisions taken and the measures adopted in 2010 represent a milestone in the development of a single securities market, characterized by integrity, transparency, reliability and efficiency while at the same time, ensuring increased protection of investors. More specifically, the structure of the supervisory framework in the European Union changed from the 1st January 2011, with the establishment of three independent supervisory authorities with responsibilities in the areas of securities, credit institutions and insurance organisations. In addition, the European Systemic Risk Board (ESRB) was set up with a view to monitoring, evaluating and making recommendations for the prevention or timely management of systemic risks which might endanger the stability of the European financial system.

The European Securities and Markets Authority (ESMA), of which the Cyprus Securities and Exchange Commission (CySEC) is a member, has duties and powers (like those assigned to the other two European supervisory authorities responsible for credit institutions and insurance organisations) which enable it to effectively contribute to the coordination and greater convergence of supervisory rules that apply on a national level. It will also play a key role in implementing a new mechanism for the quick handling of disputes between the supervisory authorities of Member States concerning the interpretation and application of rules as well as crisis situations in the financial sector.

A very significant development was the assignment of a supervisory role to ESMA for Credit Rating Agencies (CRA), as well as an enhanced role in new areas which now form part of the European regulatory framework, such as hedge funds and OTC derivatives.

The aforementioned drastic changes pose challenges not only for ESMA but also for its members, the national supervisory authorities, which are called to operate closely with ESMA and implement the new regulations at national level where appropriate. For the CySEC, in addition to the harmonisation of Cyprus legislation with the new European law, there is a need to effectively fulfil duties arising from the fact that Cyprus is the home member state of two CRAs. This necessitates the involvement of the CySEC in the assessment of the applications for the two organisations in close cooperation with ESMA and other competent authorities of Member States. It is considered that the task to be carried out by the CySEC in the aforementioned sector is quite difficult due to the complexity of the issues that it has been called to manage for the first time, in tight timeframes. The problem of inadequate staffing within the CySEC makes the above task even more difficult.

In view of the above, the CySEC has amended its action plan, by changing priorities. In addition to the actions related to the CRAs, which have been given first priority, changes within the regulatory framework for collective investment schemes have been moved up on the scale of priorities. These cover both the Undertakings for Collective Investment in Transferable Securities (UCITS) (including UCITS Directive IV) as well as the draft European legislation on Alternative Investment Fund Managers (AIFMD). Thus, better prospects are created for the further development of Cyprus as a regional financial centre.

Despite the prevailing uncertainty and adverse conditions in the international economic scene and the instability of the international securities markets, Cyprus was able to show remarkable performance in the Investment Firms Sector in 2010. It would be worth mentioning the very strong interest from foreign organisations to operate in Cyprus, providing cross-border investment services mainly in the European Union, Russia and the Middle East. As a result, the number of Cypriot Investment Firms (CIFs) which are authorised by the CySEC increased from 68 at the end of 2009 to 91 at the end of the year. It should be noted that the number of CIFs continued to exhibit a steep growth in early 2011. The many advantages of Cyprus as a business centre (favourable taxation, excellent support services, etc.) as well as the confidence that the Cyprus regulatory and supervisory framework inspires to investors, have contributed to this development.

In view of the diverse and significant developments briefly outlined above, the CySEC, in revising its action plan, has taken steps to strengthen its internal infrastructure. The objective is to be able to respond promptly and in the most efficient manner to the challenges arising from new developments. The actions focused mainly on the following areas:

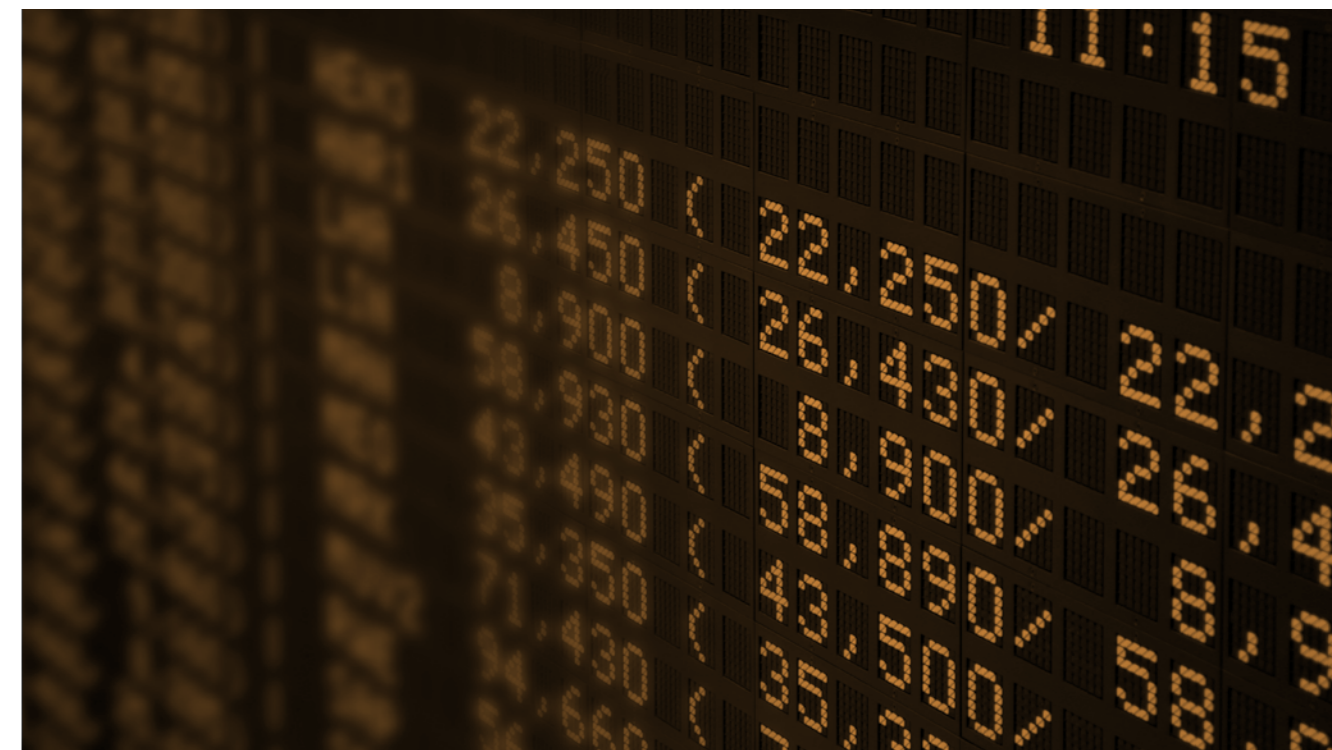
- a) Quantitative and qualitative enhancement of human resources with particular emphasis on participation in educational programmes related to new regulations in the European Union.
- b) Study for the reorganisation of internal operations with the aim of increasing specialization and simplification of procedures.
- c) Exploring the opportunities offered by modern technology for better market monitoring, improving supervision and raising productivity. In this area four major projects are underway.

In summary, it is believed that the situation in the broader capital market in Cyprus in 2010 was satisfactory, compared to that of many European and other countries. Despite the accumulation of difficulties and problems caused by the global economic crisis, the financial system in the Cyprus capital market was fairly stable, showed a remarkable expansion and was one of the few driving forces for the Cyprus economy during the year under review. This fact allows us to be optimistic for an even better performance in the medium-term future when the Cyprus economy fully recovers from the current difficult situation.

The CySEC played an important role in producing these positive results. I would like to highlight in particular the contribution of the staff of the CySEC, to whom I express my sincere thanks for the hard work, high sense of responsibility and commitment demonstrated throughout the year. Furthermore, undivided and invaluable was the support and assistance of the Vice-chairman, the former Vice-chairman, as well as the other members of the Board, to whom I wish to express my appreciation and my sincere thanks.

Giorgos Charalambous

Chairman of the Cyprus Securities and Exchange Commission



Section A

1. Vision and Strategic Objectives
2. Changes in the European Supervisory and Regulatory Framework
3. Developments in the Cyprus Capital Market
4. New Obligations for the Cyprus Securities and Exchange Commission
5. Investor Protection
6. Developments in the Cyprus Securities and Exchange Commission

1. Vision and Strategic Objectives

According to the institutional framework governing the establishment and operation of the CySEC, its mission is to ensure and safeguard the operation of a **fair, orderly, efficient and transparent securities market** in Cyprus. Within this framework, in July 2007, the Board of the CySEC set out its vision as follows:

“The Cyprus Securities and Exchange Commission, through its fair and effective supervision, should enjoy the respect of the supervised institutions, the other Supervisory Authorities both in Cyprus and abroad and the investors”.

In order to achieve its vision and meet its legal obligations, the CySEC aims to achieve the following strategic objectives:

- to promote the reform of the regulatory and supervisory framework in order to protect investors and safeguard the smooth operation of the securities market;
- to ensure investors are well informed and protected and at the same time to upgrade the investor education system;
- to develop a regulatory framework that promotes competition, innovation, effectiveness and efficiency and attracts financially healthy and dynamic financial institutions; to contribute to the further enhancement of the reputation and credibility of Cyprus as a successful regional financial centre;
- to contribute to the sound organisation and operation of dynamic financial institutions that are able to fully meet their obligations emanating from the relevant regulatory framework;
- to ensure that the CySEC continues to operate with transparency, consistency, efficiency and effectiveness.

The Strategic Plan of the CySEC is presented in detail in Appendix 1 – Section D

2. Changes in the European Supervisory and Regulatory Framework

2.1 Changes in the European System of Financial Supervision

The year 2010 was one of restructuring for the European system of financial supervision, due to the multitude of comprehensive and substantial changes in the regulatory and supervisory framework of the financial sector within the European Union.

These changes, arising mainly from recommendations made in the de Larosière report, are aimed at rectifying the considerable omissions and weaknesses in the European system of supervision which came to light with the recent financial crisis, as well as ensuring the health, stability and reliability of the financial system.

A fundamental change is the creation of three independent European Supervisory Authorities (ESAs) for the securities, banking and insurance sectors, with quite extensive powers in order for them to play an active role in the elimination of inconsistencies in the implementation of the European Acquis by the EU Member States and in the creation of a uniformly supervised European financial market.

Moreover, a significant development is the creation of a new body, the European Systemic Risk Board (ESRB), which will monitor and assess potential threats to the financial stability across the EU in order to provide an early warning and/or recommendations for action to address them, especially for potentially systemic risks.

The ESAs will have the power to issue Binding Technical Standards, which the Member States will be obliged to adopt. These Binding Technical Standards will only cover certain areas specified in the European Legislation. Therefore it is expected that the divergence between Member States will gradually disappear in these areas, since all the national supervisory Authorities will have to adopt the same technical standards.

In regard to sectors for which the issue of the above standards is not provided, the European Supervisory Authorities maintain the right to issue Guidelines and Recommendations, which are not binding for the Member States. However the new mechanism “Comply or Explain” has been introduced, which provides that if a Member State fails to comply with the Guidelines and Recommendations, it should explain the reason or rationale behind this divergence.

In addition, procedures for the prompt settlement of disputes between the supervisory authorities of the Member States are being introduced. These are mechanisms that provide for the intervention of the ESAs, as mediators, in order to reconcile any divergence which may arise in the interpretation and implementation of European Law between the supervisory authorities of the Member States in an efficient and prompt manner (within a period of a few months). In the previous system, the settlement of such matters was reached through appeal to the European Court of Justice, a process which required several years.

Furthermore, it is now possible to take pan-European measures in emergency situations. Specifically, in exceptional cases, which will be declared as cases of emergency, the ESAs will have the power to adopt measures within the shortest period of time with a pan-European effect. For example, a temporary ban on short-selling in the European stock exchanges. It should be noted that in such cases where national supervisory authorities do not comply with the above measures and decisions, the ESAs will have the power to issue binding instructions directly to the supervised institutions in a Member State, essentially bypassing the national supervisory Authorities.

2.2 Changes to the Regulatory Framework

The European Commission, in response to the findings of the de Larosière group and the decisions of the Economic and Financial Affairs Council (ECOFIN), has submitted proposals for new Directives and Regulations regarding the Credit Rating Agencies (CRA Regulation), the Alternative Investment Fund Managers (Directive on Alternative Investment Fund Managers), the demands for Capital Requirements (Capital Requirements Directive), and the Undertakings for Collective Investment in Transferable Securities (UCITS Directive), on the basis of the new supervisory architecture of the financial sector in the EU.

3. Developments in the Cyprus Securities Market

3.1 New Challenges for the Cyprus Securities and Exchange Commission

The reforms in the European System of Financial Supervision are placing increasing responsibilities on the CySEC and are significantly influencing the Cyprus securities market. Apart from the extensive reforms to be brought about in the current legal framework, there is a pressing need for the CySEC to acquire the necessary expertise in new and complex areas. In addition, the need for stronger ties and closer cooperation between the Member States' national supervisory authorities is more obvious than ever. In order to meet these needs and to adequately address the above challenges, in the context of also fulfilling its own strategic objectives, the CySEC proceeded with taking measures to strengthen the regulatory and supervisory framework, as well as its operational efficiency and effectiveness. The changes made or set into motion by the CySEC are consistent with the strategic objectives for a balanced and effective supervisory framework that ensures a high level of protection to investors and which promotes healthy competition that makes the Cyprus capital market worthy of the vision of Cyprus becoming an international and regional financial centre.

3.2 New Tax Regimes for the Undertakings for Collective Investments

An important development that occurred in 2010 was the passing of two laws by the Cyprus Parliament, which provide for amendments in the tax regime regarding investments in Undertakings for Collective Investments (UCIs) and essentially pave the way for the creation and development of the Cyprus mutual funds market. For decades, the UCIs were internationally considered as one of the most effective forms of investment, since they are collective investment schemes, and are based on the notion that many investors with the same investment philosophy and common goals, pool their money together rather than investing individually, thus creating a considerably larger capital which essentially consists of units of equal value. A particular category of UCIs are the open-ended Undertakings for the Collective Investment in Transferable Securities (UCITS), which are subject to supervision by the CySEC.

These aforementioned changes in the tax regime that applies to the investments in UCIs regulate in a uniform way the taxation of the UCIs own income, as well as the income of unit-holders resulting from investments in these entities.

These tax amendments are expected to contribute significantly to the strengthening of the sector since the UCIs will become more efficient and therefore more competitive both at the European level as well as internationally, thereby creating favourable conditions for attracting foreign funds in the Republic of Cyprus. It should be noted that attempts to remove any disincentives in relation to the collective investment funds sector with the review of the existing tax regime, date back to around 1999 and are part of the efforts to attract foreign capital, in order to promote the aspiration of Cyprus becoming a robust international regional financial centre. The strengthening of the UCIs sector, which is now expected to have a notable growth, comparable to the growth of the sector abroad, is expected to contribute to the achievement of the aforesaid aspiration.

3.3 Harmonisation of the Legislation for the Undertakings for Collective Investment

In October 2010 the harmonisation process of the Cyprus Legislation with the European Directive 2009/65/EC (UCITS IV) of the European Parliament and Council on the coordination of laws, regulations and administrative provisions relating to Undertakings for the Collective Investment in Transferable Securities (UCITS), which replaced the Directive 85/611/EEC.

As a result, the current UCITS Law will be replaced by the new Law on Open-Ended Undertakings for Collective Investments (UCIs). Additionally, the CySEC will issue a number of new Directives in order for the Implementation Measures of the new European Directive (UCITS IV) to be transposed into Cyprus national law. The transposition should be completed by July 2011.

The proposed Draft Law on Open-Ended Undertakings for Collective Investments (UCIs) will radically reform the UCITS legislation as far as it concerns the structure, organisation and operation of open-ended collective investments in transferable securities and other liquid financial assets, their investment policy, their tax status, the supervisory competence of the CySEC and other related issues. These reforms aim to create a modern and flexible regulatory framework that will facilitate the development of the UCIs sector in the Republic, under an effective system of supervision.

For the time being, the UCIs draft law integrates within its scope, all undertakings for collective investments in transferable securities and other open-ended liquid financial assets whose units are marketed in the Republic. A future objective of this new UCIs legislation is to also cover other forms of collective investment entities. The European Directive for Alternative Investment Fund Managers already provides the impetus for future further extension of the regulatory scope of collective management.

3.4 Draft Law on the Regulation of Companies Offering Administration and Trustee Services For Private Entities and Related Matters

In January 2011, the CySEC released a Consultation Paper regarding the Draft Law on Regulation of Companies Offering Administration and Trustee Services For Private Entities and Related Matters. The introduction of a regulatory framework for Companies Offering Administration & Trustee Services had been subject to debate and deliberation in the past. In view of the anew preparation of the Draft Law by the CySEC, it was deemed necessary to repeat the consultation process with the interested parties. On the basis of the proposed Draft Law the administration services and the persons entitled to offer them are defined.

3.5 Supervised Institutions

3.5.1 Cyprus Stock Exchange

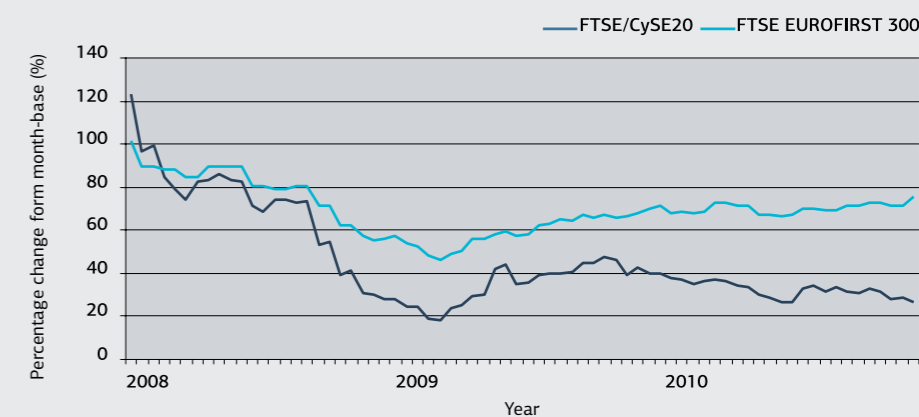
The CySEC supervises the only licenced regulated market currently operating in the Republic namely the Cyprus Stock Exchange (CSE). In addition, the Securities and Exchange Commission supervises the CSE as a market operator which operates a Multilateral Trading Facility (MTF).

The Cyprus securities market continued to be considerably affected by the adverse conditions in the Athens Stock Exchange and generally by the negative developments in the Greek economy. To a lesser extent, the CSE was also affected by the uncertainty surrounding the state of both the Cyprus economy and the world.

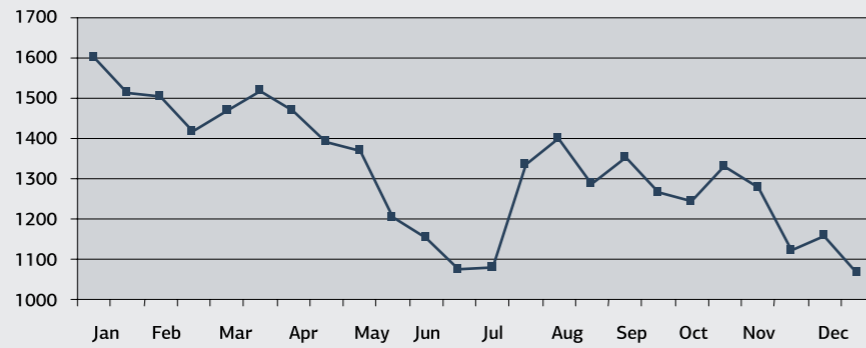
During 2010, the FTSE/CySE 20 index, which consists of twenty selected securities that constitute a representative sample of the Cyprus stock market, presented a marked declining trend, closing the year with an annual decline of 33.5% (Graph 1). This decline is in contrast to the trend of share prices in Europe where the FTSE EuroFirst 300 index showed an increase of 5.8%.

The behaviour of the FTSE/CySE 20 index in the last three years is characterized by profound volatility, with large fluctuations from year to year as well as throughout each year, as illustrated in the graph (Graph 1). Comparable fluctuations have been observed in the CSE General Index (Graph 2) and the index of the Athens Stock Exchange. This phenomenon is due to the fact that the securities of the two largest companies on the CSE are also listed on the Athens Stock Exchange, and their prices are heavily influenced by the conditions in the Greek market.

Graph 1
FTSE / CySE 20 and EuroFirst 300 indices
Month-base is January 2007

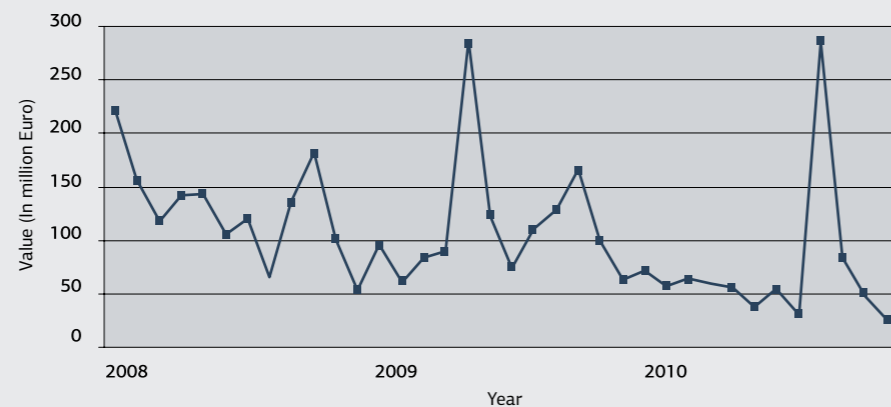


Graph 2
CSE General Index - 2010



The adverse climate, which undermined investor confidence, is reflected not only in the prices but also in the sluggish activity in the CSE. More specifically, in 2010 the total volume of securities transactions fell by 36.6% compared to 2009. (Graph 3)

Graph 3
Total Monthly CSE Trading Volume

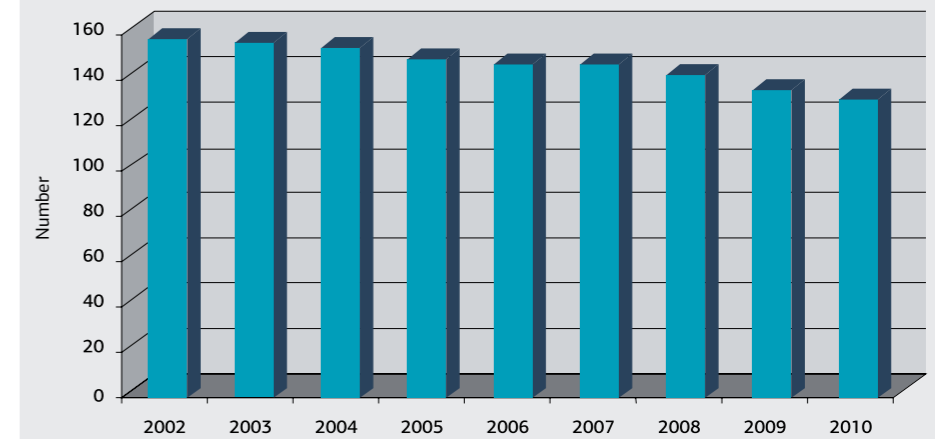


3.5.2 Issuers of Securities Listed on the Cyprus Stock Exchange

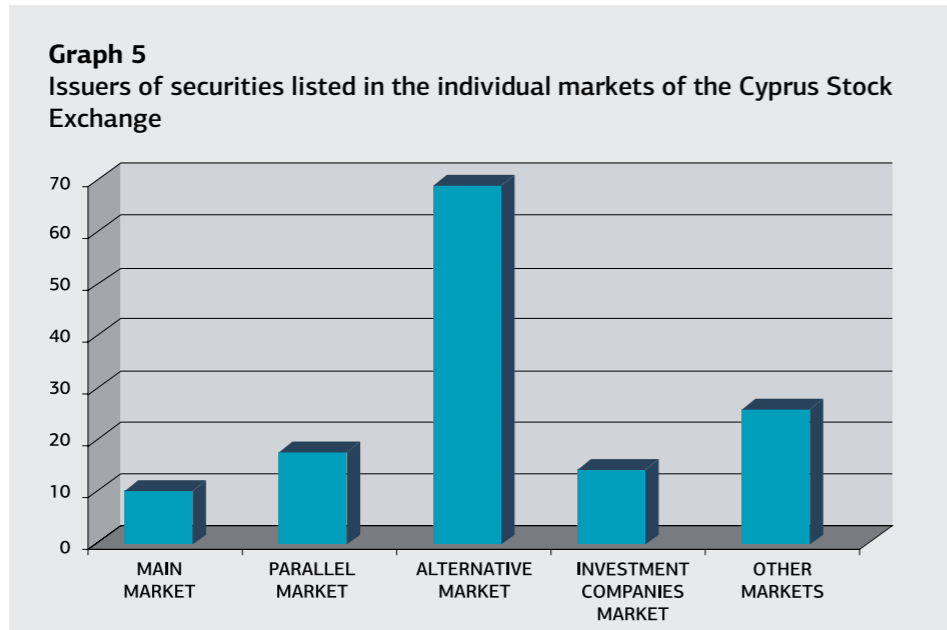
By the end of 2010, there were 123 issuers of securities listed on the CSE, whose home Member State is the Republic of Cyprus and are subject to supervision by the CySEC. Their number has shown a declining trend since the end of 2002, at which time there were 154 issuers (Graph 4). This is mainly due to the increased number of acquisitions and the consequent delisting of the securities of the acquired companies from the CSE.

It should be noted that the number of issuers for 2010 does not include the 6 companies that were introduced in the Multilateral Trading Facility (Emerging Companies Market - ECM), which has been in operation since March 2010. Also, the number of issuers for 2010 does not include 12 companies that are subject to CySEC supervision and whose home Member State is the Republic of Cyprus, but whose issued securities are listed on regulated markets in other Member States.

Graph 4
Issuers of securities listed on the Cyprus Stock Exchange

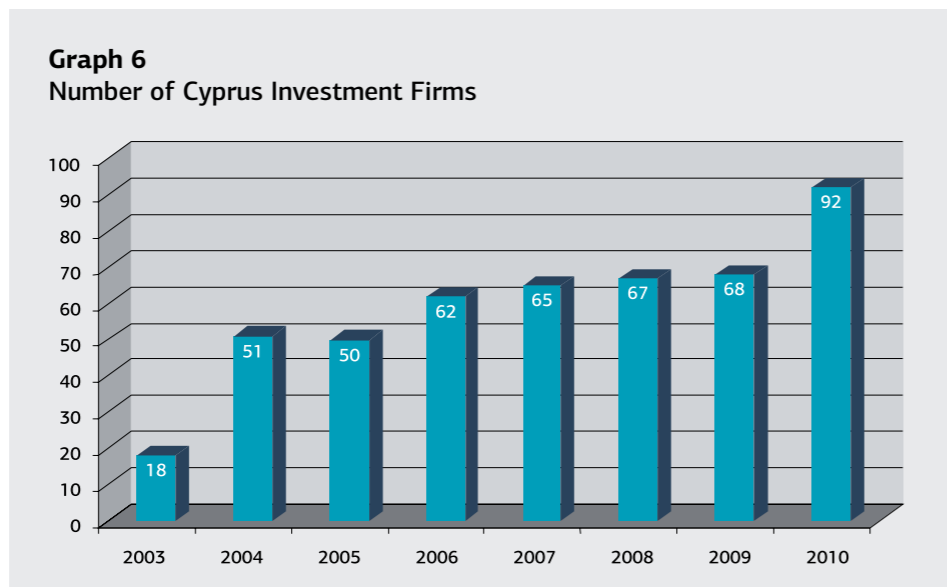


The distribution of the issuers of securities in the individual markets of the CSE at the end of 2010 is shown in Graph 5.



3.5.3 Cyprus Investment Firms (CIFs)

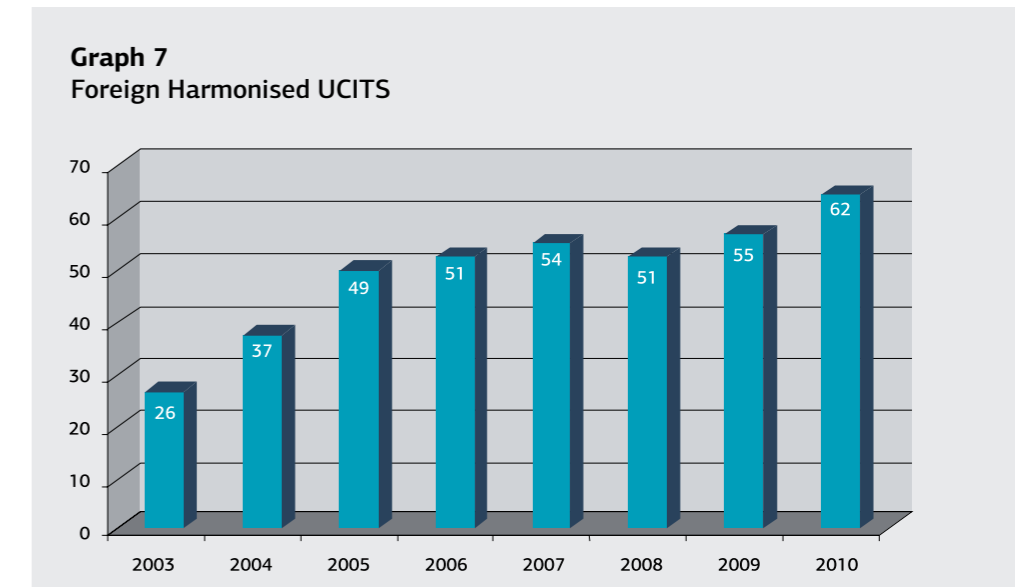
By the end of 2010, the CySEC supervised a total of 91 CIFs, a number remarkably higher than the 68 CIFs which it supervised in 2009. This growth reflects the increased number of applications for acquiring new CIF operating licences that the CySEC received. (Graph 6).



In the course of 2010, the CySEC received 31 applications for new CIF operating licence compared to 24 applications received in 2009. Additionally the CySEC received applications from the existing CIFs, for extension of the operating licences (24 applications), for the free provision of services (24 applications), for the termination of operations (2 applications) and a significant number of applications for changes to CIFs' particulars. The flow of applications continues at a steady pace during the first months of 2011. Notably increased interest is shown by enterprises whose major shareholders are mainly from Russia and the Middle East.

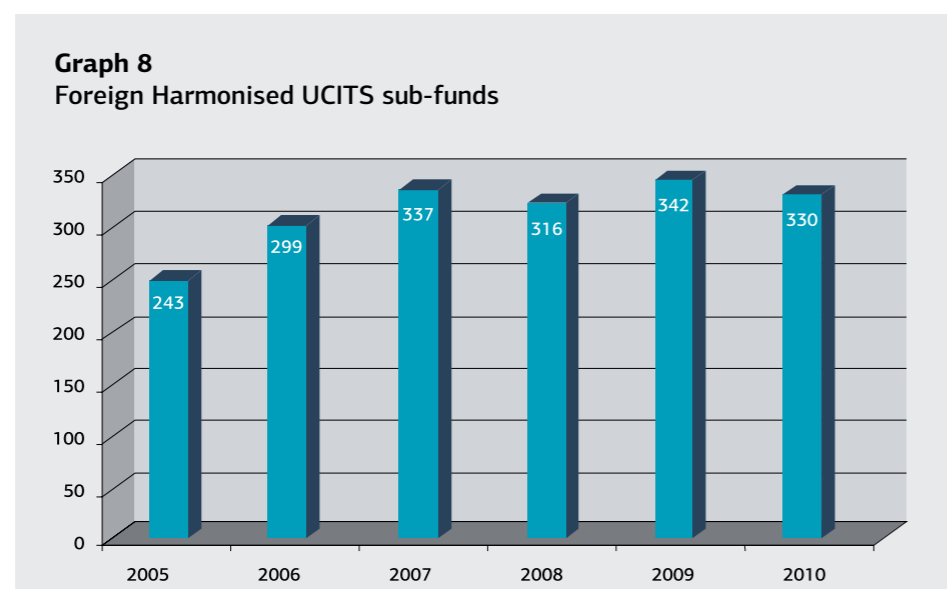
3.5.4 Undertakings for the Collective Investment in Transferable Securities (UCITS)

In 2010, the number of foreign harmonised UCITS increased in relation to 2009 from 35 to 41 single schemes, and from 20 to 21 umbrella schemes (Graph 7).



During the year under review, 10 foreign harmonised UCITS registered with the CySEC in order for their units to be marketed in the Republic, whereas the marketing of the units of 2 foreign harmonised UCITS in the Republic was terminated at their own request and 1 due to a merger with another UCITS.

In 2010 the number of foreign non-harmonised UCITS remained at the levels of 2009 regarding the single schemes, as well as those with umbrella schemes, whereas in 2010 the total number of sub-funds under the umbrella schemes decreased to 312 in regard to harmonised UCITS (342 in 2009) and 18 (26 in 2009) in regard to non-harmonised UCITS (Graph 8).



3.5.5 Credit Rating Agencies (CRAs)

In 2010, the CySEC received the first two applications for the registration of a Credit Rating Agency (CRA) in accordance with the relevant European Regulation.

4. New Obligations for the Cyprus Securities and Exchange Commission

4.1 New Obligations for the Cyprus Securities and Exchange Commission stemming from changes in the European System of Financial Supervision

The challenges and responsibilities of the CySEC, stemming from the previously mentioned changes, are sizeable. On the one hand, extensive reform of the existing legislative framework should be carried out to incorporate the new European legislations such as, for instance, the regulation of the activities of the alternative investment funds (hedge funds, private equity funds, etc.). On the other hand, there is a need for the prompt development of the necessary expertise in new and complex areas such as, for instance, the activities of the CRAs which comprise a new category of entities supervised by the CySEC.

4.1.1 Drafting of New Legislation

The new European Directives which will have to be transposed into Cyprus Law include the Directive on Alternative Investment Fund Managers, the new Capital Requirements Directive and the Directive on the Undertakings for the Collective Investment in Transferable Securities (UCITS IV).

Also, in addition to the transposition of the aforementioned to Cyprus legislation, there is a large number of draft laws at national level that are not necessarily derived from European Directives, which also require the attention of the CySEC. For example the draft law on the regulation of companies offering administration and trustee services for private entities, the draft law on Undertakings for Collective Investment in so far as it concerns the Private Collective Investment Schemes and the draft law on Illegal Financial Transactions (eg Pyramid Scheme or Ponzi Schemes).

4.1.2 New Competences and Responsibilities

Apart from the drafting and expression of views on proposed legislation, there is a multitude of new competences deriving from the said and/or other recent legislation which the CySEC is required to exercise. These competences intensify the need of the CySEC to acquire new expertise in order to be able to cope with the new responsibilities and obligations assigned to it.

The new competences and responsibilities of the CySEC include the granting of operating licences and supervision (in cooperation with ESMA) of CRAs which are based in Cyprus, the granting of operating licences and supervision of companies that are involved in the provision of services for the executing of transactions in foreign exchange with spot delivery (without physical delivery), the supervision of compliance with the legislation on the Prevention and Combating of Money Laundering Acts insofar as it relates to the trustees, the safeguarding of financial stability and crisis management (in cooperation with other supervisory authorities within the framework and participation in the European Systemic Risk Board), as well as addressing the increased need for financial education of the public.

Furthermore, the CySEC monitors and participates in the implementation process of the Target2Securities platform, which will provide a single technical platform for the settlement of all transactions in shares and bonds that will be negotiated in the European Union and settled in Central Bank money. The development of this platform was launched in 2006 and is expected to be completed in 2014. Its main objective is the harmonisation

of the individual European systems of securities settlement and their integration in a single unified system. The common operating rules, standards and pricing provided by the system for all European transactions will contribute to reducing the complexity of the existing structures of the securities markets, thereby reducing the costs arising from the lack of harmonisation on a legal, technical and financial level.

4.1.3 New Types of Supervised Institutions

Specifically, with the passing of the new legislation, it is expected that the competences of the CySEC will be extended to include competences such as the granting of licences and supervision of Credit Rating Agencies, the granting of licences and supervision of Undertakings for Collective Investments (Private Collective Investment Schemes and non-UCITS) and the supervision relating to the Alternative Investment Fund Managers.

With the adoption of the European Regulation on CRAs, Cyprus will be one of the few countries in the European Union, which will have to set up procedures for the granting of licences and supervision of such entities since there are two CRAs domiciled in Cyprus.

Due to the recent revision of the taxation regarding the Undertakings for Collective Investment, it is anticipated that there will be a keen interest to establish domestic Undertakings for the Collective Investment in Transferable Securities (UCITS) as well as the respective Management Companies.

Furthermore, with the completion of the institutional framework for the Undertakings of Collective Investment, including the Private Collective Investment Schemes which are now under the supervision of the Central Bank of Cyprus, it is anticipated that more than 50 additional entities will fall under the supervision of the CySEC.

4.1.4 Increased European and International Obligations

As a result of the formal legal adoption of the new structure of financial supervision in the European Union the Committee of European Securities Regulators (CESR) was transformed into a European Supervisory Authority (ESA) which will have a much more important role in the new European System of Financial Supervision. Consequently it is anticipated that the amount of time that will have to be committed by the CySEC, by way of participation in the various working groups and expert groups, will be much greater than it has been to date.

Moreover, it is deemed that within the framework of government policy for Cyprus to become a regional financial centre, there is a need to intensify the participation of Cyprus, through the CySEC, in the International Organisation of Securities Commissions (IOSCO). It should be noted that, despite the fact that, to date the CySEC's participation in the IOSCO meetings and working groups has been very limited, its engagement with the supervisory authorities of third countries (non EU) is continually growing in recent years due to the international activities of CIFs and, therefore, the intensification of this participation is deemed absolutely necessary.

With the transformation of CESR to one of the ESAs, the European Securities Markets Authority (ESMA), the ESMA expert groups are expected to play a much more important role in the decision making process. This enhanced role will necessitate for the CySEC to participate in all meetings of the said expert groups.

Additionally, there are programmes of a technical nature that should be implemented shortly or have already been implemented at the European Union level and the CySEC is participating in their implementation in cooperation with the corresponding supervisory authorities of other Member States. Examples of such programmes are the Transaction Reporting Exchange Mechanism (TREM), the Instrument Reference Database System (IRDS) and the UCITS Network. The TREM is a mechanism for the exchange of information amongst supervisory authorities in regard to transactions in transferrable securities carried out by investment firms. The said mechanism, in which Cyprus also participates via the CySEC, has been operating on a daily basis since 2007. The IRDS for Financial Instruments constitutes a collective database for the whole of Europe with the purpose of assisting in the categorisation and distribution of information regarding transactions to the competent Supervisory Authorities. The UCITS network, although it has a similar philosophy and operation to the TREM mechanism, it is a specialized system for the collection and distribution of information in connection with transactions in units of UCITS. Currently it is under review in order for the final technical specifications to be determined through cooperation with all of the supervisory authorities of the Member States.

Another project currently under way is the pan-European electronic network of Officially Appointed Mechanisms (OAM) for the central storage of important regulated information of companies whose securities are listed on European stock exchanges. This is in accordance with the Directive 2004/109/EC on the harmonisation of transparency requirements in relation to the information about issuers whose securities are admitted to trading on a regulated market. The CySEC will be responsible for monitoring the Cyprus mechanism and ensuring that the technical operation complies with EU Directives.

5. Investor Protection

5.1 Nation-wide Market Research

During the year, the CySEC commissioned the performance of a nation-wide market research, in order to ascertain the level of public awareness on issues related to the securities market and investments in transferable securities. The research also aimed to identify any biases and erroneous practices of the public concerning investments in securities. Moreover, via this market research, an attempt was made to determine the level of awareness of the Cypriot public regarding the existence, role and competences of the CySEC, as well as the level of public confidence in it.

The aforementioned research was conducted in the framework of the strategic objective set by the CySEC for the upgrading of investor education and protection.

The research findings are deemed particularly important and useful to the CySEC and will help in the design of a well-targeted policy for the investor education programme. The findings have shown that despite the fact that there is a growing interest in financial education and awareness, the level of public knowledge remains low. It has also become evident that the main sources of information for investors are the television, the financial newspapers/columns and the internet. More information regarding the survey can be found in Section C - Department of Strategy, Economic Analysis and International Relations - 3. Financial Education for Investors, below.

5.2 Dealing with Violations Concerning Market Abuse and Non-compliance with Transparency Requirements

One of the strategic objectives of the CySEC is to ensure compliance of the supervised institutions with their legal obligations, as well as to afford maximum protection of the investors. Within this framework, the CySEC takes a strict approach to violations involving acts of market abuse and violations relating to non-compliance with the new high standards of information disclosure (transparency requirements), by imposing higher and therefore more preventive sanctions (Table 1).

Table 1: Investigations of potential violations

Investigations for potential violations concerning	2010	2009
The Market Abuse Law	16	41
The CySEC Law – Power to collect information, entry and investigation	11	3
Provision of investment services by non-approved IFs	11	7
Complaints submitted by investors	17	19
Obligation to submit a public take-over bid	3	6
Continuous obligations of issuers, etc.	10	5
Total	68	81

Despite the fact that during 2010, fewer investigations were conducted regarding potential violations of the Insider Dealing and Market Manipulation (Market Abuse) Law, the investigations conducted in 2010 were much larger and more serious compared to those of 2009. In 2010, fines imposed totalled €9.3 million, compared to €622 thousand in 2009 (Table 2).

Table 2: Fines imposed

Fines imposed for violations concerning:	2010	2009
The provision of investment services	301.000	100.000
Public takeover bids	-	160.000
Prospectuses	-	46.000
Insider dealing and market abuse	7.053.300	225.000
Transparency requirements	194.000	91.000
False or misleading information/representations or non-compliance to a request by the CySEC for the provision of information	1.006.000	-
The Securities and Cyprus Stock Exchange Laws	752.454	-
Total €	9.306.754	622.000

6. Developments in the Cyprus Securities and Exchange Commission

5.3 Financial Services Ombudsman

During 2010, the Cyprus House of Representatives unanimously approved the Law which provides for the establishment and operation of the Financial Services Ombudsman for the settlement of disputes of financial nature. This institution will deal with consumer complaints against financial institutions, concerning financial services. The Financial Services Ombudsman will be providing mediation with the objective of enabling an amicable out-of-court settlement of such disputes, in a sufficient, fair and impartial manner, following transparent, fast and efficient procedures, and safeguarding the interests of consumers.

Representatives of the CySEC were invited to and attended a number of sessions of the Parliamentary Committee on Legal Affairs while the said draft law was being read, to contribute in terms of knowledge and experience. It should be noted that in accordance with the provisions of the Law, the Chairman and the two Vice-chairmen of the eight-member board of the Financial Services Ombudsman, will be from the three supervisory authorities, namely the Central Bank of Cyprus, the CySEC and the Insurance Companies Control Service.

Determined to respond in the most efficient manner to the challenges outlined along with meeting its strategic objective of becoming an effective and dynamic organisation, the CySEC, has taken steps to further improve its organisation, its operations and its infrastructures, as well its internal procedures, in accordance with the current and international developments.

6.1 Internal Organisation and Upgrading of Infrastructure

6.1.1 Creation of Risk Based Supervision Framework for Investment Firms

In 2010, the CySEC, within the framework of its aforementioned objective, proceeded with a deeper and more thorough analysis of the requirements for the development of a risk based system for the supervision of the investment firms, the implementation methodology and application of the project, as well as its subsequent management.

The risk based supervision framework will consist of procedures, methodologies and tools used by the CySEC to promptly identify and assess the risks facing each supervised institution. The implementation of this system will be based on international best practices and its aim will be to upgrade, as well as to promote effectiveness and transparency in the supervision of the investment firms by the CySEC. Furthermore, the implementation of this system will help reduce the workload of the Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies, since the departmental resources will be allocated more efficiently and objectively in the supervision of institutions which pose the higher risks.

The CySEC decided to implement the risk based supervision framework for investment firms following the example of a number of other European supervisory authorities and taking into account a multitude of factors affecting the effective supervision of investment firms. Such factors are the exponential growth of the regional and international financial markets, the ongoing development and implementation of new legislation for investment firms, the large and growing number of supervised CIFs, as well as the fact that the size of a CIF is not always representative of the risks deriving from its activities at the national level.

The preparation and implementation of the system, which requires an enormous amount of work and the use of highly specialized knowledge, is expected to be completed within two years from to the time of assignment.

6.1.2 Creation of a CIFs Database

Over the course of the year, the project to create the CRD Electronic Database for the CIFs progressed further. This Electronic Database will completely automate the process of maintaining records and processing and analysing statistical data regarding the capital adequacy of the CIFs. In accordance with their legal obligations, the CIFs will submit information directly to the database on a regular basis. The database will store, and also process this enormous volume of information in order to prepare reports automatically and quickly regarding the capital adequacy of the CIFs, thus significantly reducing the time allocated by the relevant CySEC Department to monitor the CIFs' compliance to their capital adequacy obligations. The use of this database is expected to begin during the first half of 2011.

Furthermore, in 2010 the implementation of the project for the creation of a CIFs electronic general database proceeded. This general database will enable the automation of processes and applications for the registration/recording and analyzing of statistical data in relation to the CIFs. The design of this database was completed in 2009. The data which will be kept in this specialized electronic archive will contain inter alia details of shareholders, directors, executives as well as economic indicators and figures. The project is expected to be completed in the second quarter of 2011.

6.1.3 Document Management System

The Document Management System (DMS) will be the core management of documents and operations of the CySEC and will provide the possibility of easy and safe storage of documents as well as automatic forwarding of documents for quick processing. The implementation of the system was postponed due to the detection of certain technical features which needed further study and clarification. In conjunction with this project, the CySEC is in the process of an analysis (legal and technical) for the possibility of introducing the electronic signature. With the introduction of the electronic signature, on the one hand the supervised institutions will be given the possibility to submit documents electronically and on the other hand, the CySEC will be able to receive securely and accept documents, which will be channelled directly into the document management system, in electronic format.

6.2 Human Resources

6.2.1 Changes in the Training Policy

In 2010, the CySEC, in pursuit of its strategic objective for upgrading its internal organisation and infrastructure and better development of human resources, and having taken the new major developments and requirements in the field of financial markets into consideration, recognized the need to review its policy on matters of personnel training.

Amongst other things, it was decided that there was a need for training in specialized matters relating to supervisory authorities, and that the implementation of a series of internal seminars for officers needed to be considered. It was also decided that participation in the 3L3 training programme should be continued. The 3L3 programme was held by CESR, CEBS and CEIOPS in the field of securities markets, banking and insurance respectively and will be continued by the three ESAs.

It was also decided that each Department of the CySEC will prepare an annual training programme for its officers, taking into consideration the strategic objectives and the overall education policy of the CySEC having assessed the particular educational needs of each individual employee.

6.2.2 Creation of the New Department of Strategy, Economic Analysis and International Relations

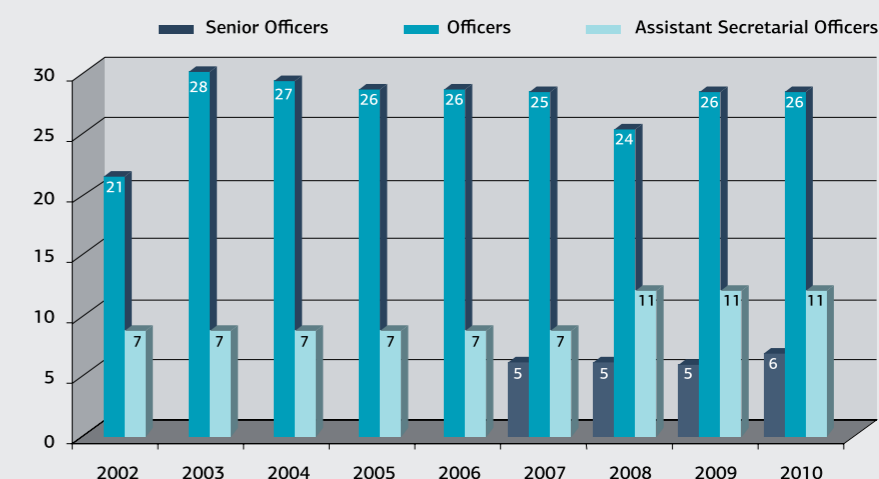
The Department of Strategy, Economic Analysis and International Relations was created in 2010 by a decision of the Board of the CySEC, as a result of the aforementioned changes at a European level, the recognition of the need for closer cooperation among EU national supervisory authorities and also for the better internal organisation and coordination of the CySEC activities. Competencies delegated to the newly established department include the effective operation of a CySEC planning system, the submission of recommendations to the Chairman, Vice-chairman and Board for matters of Strategy and Policy, the improvement of the internal and external communication system and the implementation of the programme for the education of the public in financial matters. The strengthening of international relations, as well as the coordination of the affairs and communication with other competent supervisory authorities of the Cyprus financial sector, and the representation of the CySEC at a technical level in the High level Committee of Supervisors of the Financial Sector of the Republic of Cyprus and in the National Committee for Financial Stability have also been assigned to the newly created Department. The responsibilities of the Department are detailed in Appendix 3 - Section D of this Report.

6.2.3 Increase of Personnel Positions in the Budget

As a result of the global financial crisis and the major reforms which took place at European level, it is expected that the number of entities supervised by the CySEC will increase significantly, as will the competences and obligations of the CySEC as a regulatory and supervisory authority.

Consequently, it is necessary to strengthen the resources available and the personnel in particular, both quantitatively as well as qualitatively (in terms of knowledge and skills). The issue of quantitative strengthening was repeatedly raised by the CySEC in both the Ministry of Finance as well as the House of Representatives. As a result of intensive consultations a supplementary budget was approved for 2010 to increase the number of Officers positions by six and Assistant Secretarial Officers positions by one. Despite the fact that this increase does not reflect the true additional needs of the CySEC in order to be able to respond effectively to its growing and complex obligations, it is nevertheless an important step in the right direction.

Graph 9
Personnel of the Cyprus Securities and Exchange Commission





Section B

Cyprus Securities and Exchange Commission

Cyprus Securities and Exchange Commission

In order for a securities market to operate smoothly, effectively and efficiently and at the same time safeguard, inter alia, the adequate protection of investors, it needs to have rules of operation and a robust legislative framework. This legislative framework governs the operation of both the securities market as such, as well as of those who operate in it, for instance, the issuers of securities (public companies), investment firms, investment funds as well as investors. The supervision of the compliance with these rules and the legislative framework in general, is assigned to a supervisory authority, which is entrusted with the duty to monitor the market and take both preventive and dissuasive measures for the achievement of the legislative aims and objectives.

1. Role and responsibilities

By virtue of the Cyprus Securities and Exchange Commission Law of 2009, the general supervision of the securities market and of the transactions in transferable securities carried out in the Republic is assigned to the CySEC. The scope of the supervision also extends outside the Republic with regard to transactions carried out by Investment Firms that are under the supervision of the CySEC. The CySEC exercises the powers and competences assigned to it by the legislation and its task is to study, suggest measures to other competent authorities and take measures to safeguard the integrity of the financial transactions and generally to safeguard the effectiveness and fair operation of the securities market.

The main responsibilities of the CySEC are set out in Article 25 of the Law and may be summarised as follows:

- To grant operating licences to Cyprus Investment Firms (CIFs), Regulated Markets, Credit Rating Agencies, UCITS and UCITS Management Companies and to suspend and revoke such licences;
- To supervise and oversee the operation of the Cyprus Stock Exchange and of the organised markets in the Republic and the transactions carried out therein;
- To supervise and oversee companies listed on a regulated market, CIFs, Credit Rating Agencies, UCITS and UCITS Management Companies;
- To carry out inspections of companies listed on a regulated market, CIFs, Credit Rating Agencies, UCITS and UCITS Management Companies;
- To carry out investigations which are necessary for the exercise of its legal competences and on behalf of other competent authorities abroad;
- To request and collect information which is necessary or useful for the exercise of its legal competences and to demand with a request in writing the provision of information from any natural person, legal entity or body that is considered able to provide such information;
- To impose administrative and disciplinary sanctions provided for by the Law;
- To request the cessation of a practice which is contrary to the legislation under its supervision;
- To apply to the competent court of law for an order to block, freeze or prevent the alienation of or the transaction involving certain assets;
- To issue regulatory Directives and Decisions;

- To cooperate and exchange data and information with other supervisory authorities in the Republic, with competent supervisory authorities abroad and with other organisations.

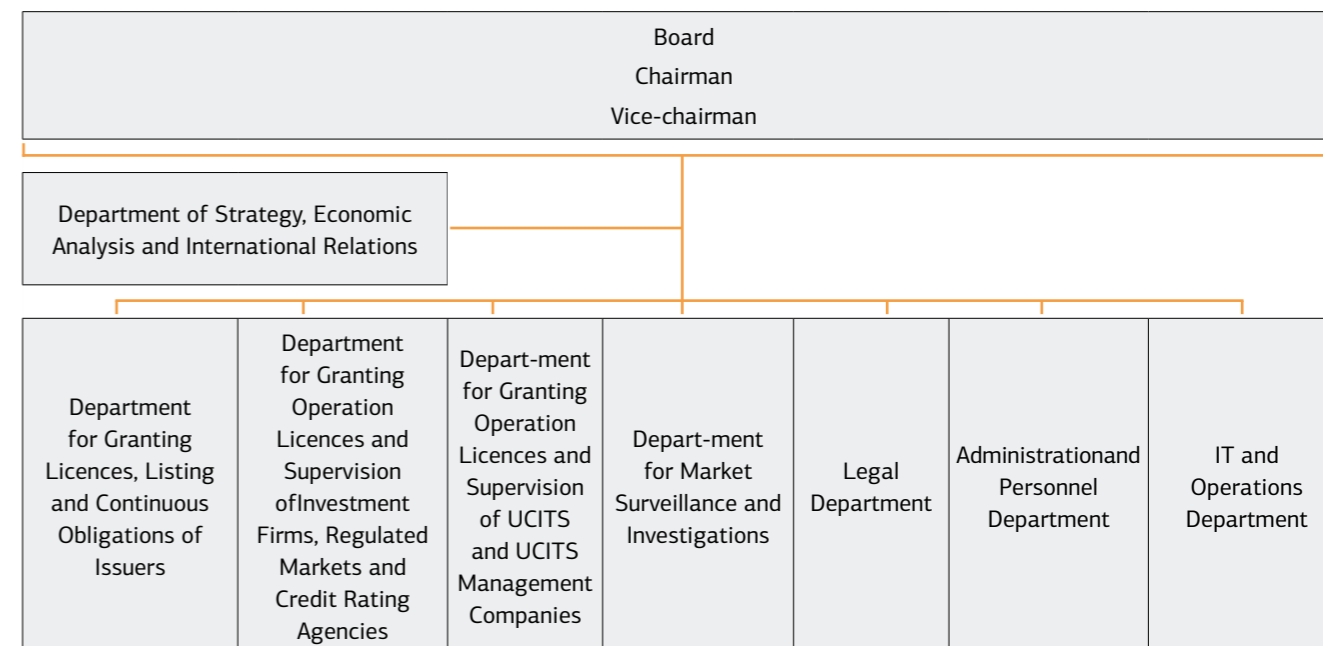
Further to the above responsibilities and by virtue of other legislations, the exercise of the powers and responsibilities provided for in the following Laws has also been assigned to the CySEC:

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

The Laws granting responsibilities and powers of the CySEC are listed in detail in Annex 2 - Section D of this report.

2. Internal Organisation

2.1 Organisational Structure



2.2 The Board

The CySEC is managed by a five-member Board which consists of the Chairman and the Vice-Chairman, who are employed on a full time and exclusive basis, and three other members. A representative of the Governor of the Central Bank is present at the Board meetings and has the right to introduce issues for discussion on the agenda, participate in the discussions and express his opinion but has no voting rights.

The members of the Board are appointed by the Council of Ministers on the suggestion of the Minister of Finance. They serve a five-year term which may be renewed for another five years.

2.3 Departments

The operations of the CySEC are divided into the following eight Departments:

- Department of Strategy, Economic Analysis and International Relations;
- Department for Granting Licences, Listing and Continuous Obligations of Issuers;
- Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies;
- Department for Granting Operating licences and Supervision of UCITS and UCITS Management Companies;
- Department for Market Surveillance and Investigations;
- Legal Department;
- Administration and Personnel Department;
- IT and Operations Department.

2.4 Personnel

By the end of 2010, the CySEC employed a total of forty-five persons (44 in 2009), namely the executive Chairman and the executive Vice-chairman, six senior officers (5 in 2009), twenty-six officers (26 in 2009) and eleven assistant secretarial officers (11 in 2009). (Table 3).

Department	2010			2009		
	Senior Officers	Officers	Assistant Secretarial Officers	Senior Officers	Officers	Assistant Secretarial Officers
Strategy, Economic Analysis and International Relations	1	-	-	1	1	-
Granting Licences Listing and Continuous Obligations of Issuers	1	5	1	1	6	1
Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies ¹	1	10	3	1	8	3
Granting Operating licences and Supervision of UCITS and UCITS Management Companies	1	1	-	-	2	-
Market Surveillance and Investigations	1	4	2	1	4	2
Legal ²	1	3	-	1	3	-
Administration and Personnel	-	1	4	-	1	4
IT and Operations ³	-	1	1	-	1	1
	6	26	11	5	26	11

¹ In 2010, the Department of Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies employed one temporary assistant secretarial officer (1 in 2009)

² In 2010, the Legal Department employed one officer under a fixed-term contract (1 in 2009)

³ In 2010 the IT & Operations Department employed one officer under a fixed-term contract (1 in 2009)

3. Changes and expansion in the field of Supervised Entities

Within the last few years, the CySEC has been reformed as an organisation, while at the same time gradual change have been made to its responsibilities and competences.

In the 90's the emphasis of supervision could be characterized in accordance with the then relevant legislation in force, as being stock market-oriented with its main focus being on companies that issued securities listed on the Cyprus Stock Exchange.

In 2002, within the framework of harmonisation of the Cyprus legislation with the Acquis Communautaire, the Investment Firms (IFs) Law entered into force, under which the provision of investment services is permitted only upon relevant authorisation of the company offering such services, by the CySEC or the Central Bank of Cyprus, in cases of credit institutions. With the passage of this legislation, the responsibility for licensing and supervision of the then-'brokerage firms' was transferred to the CySEC. The large increase in the number of CIFs and the wide range and complexity in some circumstances regarding the services they offer, has led the CySEC to the reorganisation of its priorities. From 2004 until today, in view of the continuous and unrelenting interest from local and foreign organisations to obtain a licence to provide investment services, more emphasis has been given on the timely processing of applications for licences and the subsequent monitoring of these undertakings for compliance with their statutory obligations.

Alongside the above, and especially after the change in the tax regime for Undertakings for Collective Investments, it is expected that an increased interest will be observed in the said sub-sector, thus highlighting mutual funds as one of the emerging sub-sectors of the Cypriot market in financial services.

4. Activities of the Cyprus Securities and Exchange Commission

The activities of the CySEC include the following:

- The monitoring of the compliance of companies listed on the Cyprus Stock Exchange/organised market with their continuous obligations in general and in particular with those related to annual accounts, preliminary results, corporate governance, the timely and complete disclosure of material information etc.;
- The approval of prospectuses for public offers of transferable securities or their admission for trading on a regulated market;
- The supervision of public takeover bids;
- The granting of operating licences to CIFs or Investment Firms from third countries for the establishment of a branch in the Republic and the monitoring of their compliance with the provisions of the law governing their operation;
- The granting of operating licences to regulated markets and the monitoring of their compliance with the provisions of the law governing their operation;
- The granting of operating licences to Credit Rating Agencies and the monitoring of their compliance with the provisions of the law governing their operation;
- The exercise of its competences emanating from the law for the prevention and combating of legalisation of proceeds from illegal acts or activities;

- The granting of operating licences to UCITS, UCITS Management Companies or Management Companies from third countries and the monitoring of their compliance with the provisions of the law governing their operation;
- The examination of notifications for the cross-border provision of services and the establishment of a branch by a Management Company of an EU Member State in the Republic;
- The examination of notifications and applications for the marketing through Distributors in the Republic of units of foreign UCITS and the supervision and implementation of the Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Law;
- The investigation of cases regarding, inter alia, CIFs or companies listed on the Cyprus Stock Exchange or a regulated market;
- The monitoring of the stock exchange market and transactions;
- The supervision and enforcement of the Insider Dealing and Market Manipulation (Market Abuse) Law;
- The review and/or drafting of legislation governing the securities market as well as the study for the preparation and submission of draft laws;
- The study, preparation and issue of Directives pursuant to the legislation on both the CySEC and the securities market;
- Administrative issues regarding the operation of the CySEC;
- The conducting of studies on issues relating to the CySEC and the securities market in general;
- Investor awareness and education as regards securities market issues;
- The participation in committees and technical committees at a national and European Union level which fall within the competences of the CySEC.

An overview of the duties of the individual Departments is presented in Annex 3 – Section D of this Report.

5. Historical Background

5.1 Period between 1996 – 2000

The 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, the CySEC remained understaffed employing only four persons (three officers and one assistant secretarial officer).

5.2 Period between 2001 and July 2009

The 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 organisation. 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.

The CySEC is an independent public supervisory authority and is one of the five⁴ Authorities supervising the financial sector in Cyprus. On the basis of the new Law, the 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.

5.3 Period between July 2009 and Today

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

Contrary to the past, the 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, the 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, the CySEC has now 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 the 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.

⁴ The five authorities consist of the Central Bank of Cyprus, the CySEC, the Insurance Companies Control Service, the Supervision and Development of Cooperative Societies and the Supervisory Authority for Occupational Retirement Funds.



Section C

Reports of the Individual Departments

1. Department of Strategy, Economic Analysis and International Relations
2. Department of Granting Licences, Listing and Continuous Obligations of Issuers
3. Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies
4. Department for Granting Operating licences and Supervision of UCITS and UCITS Management Companies
5. Department for Market Surveillance and Investigations
6. Legal Department
7. Administration and Personnel Department
8. IT and Operations Department

Department of Strategy, Economic Analysis and International Relations

The Department of Strategy, Economic Analysis and International Relations was created in 2010 by decision of the CySEC Board. The Department has been assigned important responsibilities such as the effective operation of a CySEC planning system, the submission of recommendations to the Chairman, Vice-chairman and Board for matters of Strategy and Policy, the improvement of the internal and external communication system and the implementation of the programme for the education of the public in financial matters, the strengthening of international relations, the coordination of the affairs and communication with other competent supervisory authorities of the Cyprus financial sector, and the representation of the CySEC at a technical level in the High level Committee of Supervisors of the Financial Sector of the Republic of Cyprus and in the National Committee for Financial Stability.

The establishment of the Department of Strategy, Economic Analysis and International Relations was deemed necessary as a result of significant changes at the European level, the recognition of the need for closer cooperation between the national supervisory authorities of the EU Member States but also to improve internal organisation and coordination of CySEC operations.

The duties of the Department are detailed in Section D of this Report.

The Department of Strategy, Economic Analysis and International Relations, within the framework of the Strategic Plan which was adopted by the Board of the CySEC in 2007, has set its objectives to include the following:

- To ensure convergence in the practical implementation of European Directives and close cooperation with other supervisory authorities in Europe, through the regular participation of Department officers in the relevant committees and working groups of ESMA.
- The upgrading of the system of investors' education through the formulation and implementation of targeted educational programmes for the public regarding the securities market, financial instruments and their rights in relation to investments held and the investment services offered to them.
- Contributing to the enhancement of the reputation and credibility of Cyprus as a successful peripheral financial centre through close cooperation with supervisory authorities and other stakeholders of the market.
- Contributing to the improvement of CySEC internal organisation and the preparation and implementation of communication policy.

1. Issues of Internal Planning

Within the framework of its duties, the Department closely monitors the implementation of Board decisions and coordinates the drawing up and monitoring of the implementation of the CySEC Action Plan based on the individual action plans of other Departments.

2. Issues of Internal and External Communication

In cooperation with the external communications advisor, the Department has prepared a comprehensive proposal for internal and external communications as well as crisis management. Within the framework of improving internal communications, the Department organised presentations concerning issues of public interest to the CySEC personnel, for example the presentation of the final findings of CySEC Market Research, with regard to determining the level of Cyprus' public awareness on issues related to the securities market and transferable securities.

Also, one of the main duties of the Department in the field of external communications is the preparation and publication of the Annual Report.

3. Issues of Financial Education of Investors

The Department is responsible for the submission of recommendations regarding the education programmes of the public in financial matters, but also for the application and monitoring of the implementation of educational programmes for the public.

During 2010, the CySEC continued its efforts regarding the design and development of a programme for the increase of awareness and education of investors in financial matters with a focus on those related to the area of the securities market.

In the course of 2010, the Department, on behalf of the CySEC, had the responsibility to have a nation-wide market research carried out, in order to ascertain the level of public awareness on issues related to the securities market and investments in transferable securities. The decision to conduct the market research had been discussed and decided upon in 2009 in the framework of the Advisory Committee for Public Financial Education. This Committee was established in 2007 and consists of representatives from of the CySEC, the Central Bank of Cyprus, the Supervision and Development Authority of Cooperative Societies, the Insurance Companies Control Service, the Ministry of Finance, the Ministry of Commerce, Industry and Tourism, the University of Cyprus, the Consumers Association and the Association of Investors. Apart from the aforementioned objectives the said market research was carried out in order to ascertain any biases and patterns of behaviour of the public with regard to investments in transferrable securities, to determine the correct direction and priorities of the Programme of Investor Education and finally, to ascertain the recognisability of the CySEC and the level of public confidence in its work.

The market research consisted of two separate sections. One comprised the quantitative part and was based on a predetermined questionnaire conducted by telephone to a random sample of one thousand people all over Cyprus and the other which comprised the qualitative part of the research which was carried out with individual interviews in accordance with a prescribed discussion guide, with 50 experts from the broader financial sector, such as investment advisors, economists, bankers and finance professors.

The market research findings are considered important and especially useful for the CySEC and its work, since they will assist in the design and promotion of appropriate and better targeted educational programmes for those groups and subgroups of the population which are more vulnerable to investment risks and do not have the necessary knowledge and experience background.

In the beginning of 2010, the CySEC completed its regular publication of a series of informative articles in newspapers, financial magazines and websites with the publication of two articles on the Undertakings of Collective Investments (UCI) and the publication of an article explaining the challenges and opportunities for the financial sector of Cyprus after the recent financial crisis. At present, after the positive response from the public regarding the readability and usefulness of these informative articles, we are considering the preparation and publication of an educational booklet to be widely distributed to the public. This will contain all the articles issued by the CySEC, along with other relevant information.

4. International Relations

The Department has been delegated the responsibility of communication with the competent supervisory authorities and foreign organisations as well as the negotiation and entering into Memoranda of Understanding with supervisory authorities abroad. During 2010 negotiations with two competent foreign authorities continued and were initiated with a third. In the process, it was concluded in all three cases that the Multilateral Memorandum of Understanding of the International Organisation of Securities Commissions (IOSCO MMoU) is a sufficient basis for cooperation.

Upon the Department's undertaking of International Relations, an internal study was conducted and a comprehensive proposal was submitted regarding the improvement in organisation, operation and coordination of issues concerning international relations of the CySEC. In general terms the notifications provided for by the European Directives made by the CySEC and to the CySEC will continue to be dealt with by the relevant departments whereas the remaining communication and cooperation matters with other foreign supervisory authorities will be dealt with by the Department.

5. Coordination and Representation of the Commission

Internal coordination with regard to the participation of the CySEC in CESR (ESMA since 2011) is carried out by the Senior Officer of the Department who has also been assigned the role of "contact person" in the European Systemic Risk Board - ESRB, which began preparatory work in 2010.

The Senior Officer of the Department has also been assigned the task of coordination with the Ministry of Finance and the Planning Bureau on European Union issues insofar as relating to the responsibilities of the CySEC. In light of the fact that in the second half of 2012, the Cyprus Republic will assume the presidency of the European Union, this has become a particularly important task.

The Senior Officer participates, alongside the Chairman and Vice-chairman, in the High Level Committee of Supervisory Authorities of the Financial Sector of the Republic as well as the National Committee for Financial Stability.

6. Training of Officers and participation in seminars

An officer participated in a training seminar of the Ministry of Finance on the "Reduction of Administrative Burdens arising from Laws/ Decrees/ Circulars/ Orders of the Republic of Cyprus" in the context of Better Regulation in Cyprus.

The Senior Officer participated in a training seminar of the European Central Bank, with the objective of increasing awareness on the operation of the newly established European Systemic Risk Board and the duties and responsibilities of the 'Contact persons'.

7. Participation in committees and groups of ESMA

The Senior Officer of the Department represents the CySEC in the ESMA Review Panel which is responsible for contributing to the regulatory convergence of EU legislation and practices followed by the Member States through mapping and critical reviews as well as through exerting peer pressure among the Members.

The Senior Officer of the Department also participated (mainly from a distance) in the special panel for the transition to the new scheme from CESR to ESMA.

An Officer of the Department also participates from a distance in the ESMA Committee for Economic and Market Analysis (CEMA) .

Department for Granting Licences, Listing and Continuous Obligations of Issuers

The Department for Granting Licences, Listing and Continuous Obligations of Issuers, within the framework of the Strategic Plan adopted by the CySEC Board in 2007, has the following objectives:

- To promote the reform of the legislative, regulatory and supervisory framework that governs Issuers through its contribution to the issue of the CySEC Directives, to the identification of points of law that need to be amended and the review of proposed amendments;
- To ensure convergence in the implementation of European Directives and close cooperation with other European Supervisory Authorities on matters regarding Issuers through the regular participation of the Department officers in the relevant committees and working groups of ESMA.

1. Consideration of applications for approval of Prospectuses for public offer or listing of securities on a regulated market – Monitoring of the implementation of the Public Offer and Prospectus Law

Pursuant to the Public Offer and Prospectus Law of 2005 – Law.114 (I)/2005, the CySEC is the competent Supervisory Authority for the approval of Prospectuses for public offers or listing of securities on a regulated market where Cyprus is the Member State of origin of the Issuer. Pursuant to this Law the CySEC approves the Prospectus provided that its content complies with the provisions of the Law and the Regulatory Acts issued by virtue of that Law.

Regarding the admission of securities to the regulated markets of the Cyprus Stock Exchange, under the current framework, the Board of the Cyprus Stock Exchange bears the responsibility for the examination as to whether the issuer of the securities satisfies the basic conditions for admission in to the Cyprus Stock Exchange. One such admission requirement is the publication of a Prospectus in cases where Cyprus is the home Member State of the issuer, approved by the CySEC.

1.1 Applications for approval of Prospectuses for public offer or listing of transferable securities on a regulated market

The examination of applications for approval of Prospectuses pursuant to the legislative framework in force includes ensuring that the Prospectus is complete in terms of containing all the necessary information required by the Public Offer and Prospectus Law and Regulation 809/2004 of the European Commission. This information should be consistent and comprehensible.

In 2010 the CySEC received thirteen applications (9 in 2009) 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. The CySEC has examined these applications, as well as two pending applications which were submitted in 2009. The CySEC approved the Prospectuses for 11 of them (9 approvals in 2009). The examination of the remaining four applications received in 2010 was completed in 2011.

In 2009 the CySEC also received 6 applications (5 in 2009) for the approval of a Prospectus Supplement pursuant to the aforesaid Law. The CySEC examined these applications and issued the relevant approvals for 4 of them. One application for the

approval of a Prospectus Supplement was withdrawn by the issuer since the relevant public offer was withdrawn whereas in another application, the Board of the CySEC decided that there was no obligation to publish a Prospectus Supplement.

Five (5) of the above sanctioned Prospectuses and their counterpart Supplement Prospectuses (1 Prospectus and counterpart Prospectus Supplement in 2009) were sent at the request of the issuer, to the competent supervisory authorities of three host Member States of the European Union where a public offer of such securities and/ or admission on a regulated market was also carried out.

1.2 Monitoring of the compliance with the Public Offer and Prospectus Law

Within the framework of the Public Offer and Prospectus Law of 2005, officers of the Department monitor the announcements of issuers regarding the issue/offer of transferable securities or the admission of transferable securities on a regulated market on a continuous basis. The purpose of this is to ensure their compliance with the 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, officers of the Department monitor notifications of approved Prospectuses by the competent Supervisory Authorities of other EU Member States on a continuous basis. These mainly concern Public Offers made in the Republic of Cyprus regarding transferable securities issued by issuers whose home Member State is other than Cyprus. All the above notifications are listed on the website of the CySEC.

In those 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, they were referred to the Department of Market Surveillance and Investigations for further investigation.

1.3 Documents equivalent to a Prospectus

During 2010 no documents of any kind were submitted to the CySEC for examination as to whether they were considered equivalent to the Prospectus within the framework of the relevant exceptions provided by the Law. In 2009, in one case the CySEC, upon request of the issuer, examined the information contained in a Public Takeover Bid Document in respect to the securities offered as consideration to determine whether such information is regarded as equivalent to the Prospectus. In this case, the CySEC considered the information equivalent to the Prospectus and granted an exemption.

1.4 Transfer of competence for the approval of a Prospectus

During 2010, the CySEC received applications from 4 issuers (2 in 2009) whose home Member State according to the 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. One of these applications was eventually withdrawn by the issuer. The CySEC examined the three remaining applications and decided in accordance with Article 26(8) of the Law to transfer the competence for the approval of these specific 3 (2 in 2009) Prospectuses to the Supervisory Authority of another EU Member State, on the condition that each competent Authority concerned had given its consent.

2. Public Takeover Bids for the acquisition of companies the securities of which are listed on regulated markets

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), the CySEC is the competent authority for the supervision of Public Takeover Bids in the cases where the target company's registered office is in the Republic and its securities are traded on a regulated market in the Republic. Moreover, in case the Public Takeover Bid refers to a company, the securities of which are not admitted to trading on a regulated market in the EU Member State where the company has its registered office, the 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 made for the purpose of harmonisation with European Directive 2004/25/EC on takeover bids and the extent of its implementation derives from the said Directive.

2.1 Public Takeover Bid Documents

The aim of the examination of the Public Takeover Bid Documents is the monitoring of 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 completeness of information provided under the said Law and the CySEC Directive TB3/2007 regarding the content of the Public Takeover Bid Document.

In 2010, 7 Public Takeover Bid Documents (5 in the 2009) were submitted to the CySEC following the relevant announcement by the Offerors, for voluntary or mandatory offers for the acquisition of 100% of the securities of a corresponding number of issuers with securities listed on the Cyprus Stock Exchange.

In 2010 the CySEC examined the said Documents as well as 1 Document submitted in 2009 and decided to authorize the publication of 6 of them. The CySEC prohibited the publication of the remaining 2 of the above Public Takeover Bid Documents since it decided that the requirements of the Public Takeover Bids Law of 2007 were not being met.

2.2 Exemptions from the obligation for a Public Takeover Bid

In 2010, 18 (22 in 2009) applications for exemption from the obligation of making a mandatory Public Takeover Bid were also submitted to the CySEC. The CySEC examined the said applications and issued a decision (approval or rejection) for all of them.

2.3 Applications to exercise the right of Squeeze-out

In 2010, the CySEC received 3 (6 in 2009) applications by the Offerors 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. The CySEC examined the said applications and issued the relevant approval for all of them.

2.4 Monitoring of the compliance with the Public Takeover Bids Law of 2007

In 2010 the CySEC investigated one case involving an alleged violation of Article 13 of the Public Takeover Bids Law since the Offerors did not comply immediately, at the relevant time, with the obligation for a mandatory Public Offer to the shareholders. The CySEC, bearing in mind that the Offerors eventually complied with the obligation, decided not to impose any administrative fine on the Offerors for violation of Article 13 of the said Law, but rather to draw their attention to the obligations deriving from the Law.

3. Applications for expansion and diversification of activities

In the year 2010, there were no information memoranda for the expansion of the activities of investment institutions submitted to the CySEC for examination, in accordance to the procedure specified in the Regulatory Decisions issued by the Board of the CSE. In 2009, the CySEC examined and approved the information memoranda of 2 investment institutions, regarding the expansion of their activities and their exemption from the investment restrictions, in order for the memoranda to be put to the vote of the shareholders of the issuers, at the Annual General Meetings.

4. Continuous obligations of listed companies

The CySEC is the competent authority responsible for ensuring compliance with the provisions of the Transparency Requirements (Transferable Securities Trading on a Regulated Market) Law of 2007 and 2009 which relates to the Transparency Requirements concerning information about the Issuers whose securities are admitted to trading on a regulated market. The Law was made for the purpose of harmonisation with the Directive 2004/109/EC of the European Parliament and Council regarding the harmonisation of the transparency requirements. The said Law concerns issuers whose home Member State is the Republic of Cyprus and their transferrable securities are traded on a regulated market in Cyprus or in another Member State. The objective of this Law is to establish the requirements in relation to the disclosure of periodic and continuous information of issuers whose securities are traded on a regulated market

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

Within the framework of the monitoring of the compliance of issuers whose securities are traded on a regulated market, with their continuous obligations by virtue of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, the CySEC examines the following:

- Their compliance with the provisions of the Law as to their obligation to disclose:
 - > the Annual Financial Report;
 - > the Six-months Financial Report;
 - > the Indicative Results; and
 - > the Interim Management Statement,

- The content of these Reports/ disclosures and, specifically, whether the said financial disclosure was produced according to the provisions of the Law.
- The compliance of issuers with the obligation of timely and complete disclosure of any kind of substantial information.

In monitoring the compliance of issuers with the obligation for publication of the Indicative Results for the year 2008, the CySEC investigated 16 cases involving alleged violation of Article 13 (1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law for non-disclosure of the Indicative Results within prescribed period of time specified by Law and/ or Article 13 (3) of that Law in relation to the contents of the Report accompanying the Indicative Results. An examination of the cases began in 2009 and was completed in 2010 and the CySEC decided to impose administrative fines as follows:

- Impose an administrative fine on two issuers for violation of article 13 (1) of the said Law.
- Impose an administrative fine on four issuers for violation of articles 13 (1) and 13 (3) of the said Law.
- Impose an administrative fine on ten issuers for violation of article 13 (3) of the said Law.

In a number of cases where minor omissions were observed in the indicative results, the CySEC sent letters to the issuers drawing their attention to the provisions of the Law regarding Indicative Results and its publication.

In the year 2010, the CySEC also began monitoring the compliance of issuers with their obligation to publicize the Indicative Results for the year 2009. In the framework of the said inspection, the Commission decided to investigate a number of cases. The aforementioned inspection is expected to be completed in 2011.

In examining the compliance of issuers with their obligation to publicize the Annual Financial Report for the year of 2008, the CySEC proceeded in 2010 with the investigation of a number of cases as follows:

- 2 cases involving the potential violation of Article 9 (1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law because the issuers in question did not publicize their Annual Financial Reports for 2008 within the deadline specified by the Law. The CySEC decided to impose an administrative fine in both cases.
- 4 cases involving the potential violation of Article 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law because the issuers in question did not submit their Annual Financial Reports for 2008 to the CySEC within the deadline specified by the Law. The CySEC decided to impose an administrative fine in all 4 cases.
- 7 cases involving the potential violation of article 9(4)(c)(ii) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law because in the Annual Financial Report for the year of 2008 of the issuers in question, the annual accounts of the parent company were not included. The CySEC decided to impose an administrative fine in all seven cases.

- 1 case involving the potential violation of article 9(5)(c) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law because the issuer in question did not publish the auditors' report regarding its annual accounts of the parent company together with the Annual Financial Report for the year 2008. The CySEC decided to impose an administrative fine in this case.

The CySEC has also sent letters to a large number of issuers drawing their attention to the provisions of the Law regarding the Annual Financial Report and its disclosure.

In the process of the examination of the compliance of issuers with their obligation to publicize the Annual Financial Report for the year of 2009, the CySEC proceeded to investigate 2 cases concerning potential violations of Article 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law because the issuers in question had not disclosed their Annual Financial Reports for 2009 within the deadline specified by the Law. The CySEC decided to impose an administrative fine in both cases.

The monitoring of compliance of the rest of the issuers with the provisions of the legislation on the Annual Financial Report for 2009 and its disclosure began in 2010 and it is expected to be completed in 2011.

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 within the legal framework, the CySEC examined the Financial Statements for the years 2008, 2009 and/ or the six months ended on June 30th 2010, of a number of companies that have securities listed in the Cyprus Stock Exchange.

The selection of the Financial Statements to be examined was made on a sample basis and the purpose of the examination was the identification of the degree of compliance of the said Financial Statements with the International Financial Reporting Standards. The results of the examinations were sent from the CySEC to the companies involved, so that the relevant explanations could be provided and/or they can be taken into consideration in the preparation of the next audited Financial Statements

In one of the cases concerning the examination of the issuer's Financial Statements for the year 2008, the CySEC decided to impose an administrative fine on the issuer for violation of Article 9(4)(c) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law since the annual financial statements were not prepared in accordance with the Companies Law and in particular with all the principles of International Accounting Standards/ International Financial Reporting Standards (IFRS). The CySEC also requested from the issuer in question that the Annual Consolidated Financial Statements for the year 2009 include the relevant disclosures in accordance with the IFRS, and to readjust, where applicable, the comparative figures for 2008.

The process of examination of the Financial Statements for the remaining selected issuers continued in 2011.

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

On two occasions where the Prospectuses involved Public Offer and an initial public offering of securities for trading on a regulated market, it was requested from the issuers to include additional disclosures in the Financial Statements included in the Prospectus, as required by the IFRS.

4.2 Issues arising from the Securities and Cyprus Stock Exchange Laws and Regulations

In 2010, in 6 cases (7 in 2009) the CySEC approved the decision of the Cyprus Stock Exchange Board for the delisting of the securities of issuers. Three of these cases concerned the issuer's noncompliance with its continuous obligations; while the rest of the cases concerned the lack of sufficient dispersion of the share capital of the issuers as a result of public takeover bids.

4.3 Corporate Governance Code

As regards the Corporate Governance Code issued by the Cyprus Stock Exchange, the CySEC continued to monitor the procedure manuals adopted by the issuers that implement certain or all of the provisions of the Code.

In addition to the above, the CySEC continued to monitor the announcements of issuers in cases that involved the implementation of the Corporate Governance Code.

The CySEC also participated in the Task Force established on the initiative of the Ministry of Finance, with the aim to discuss and exchange views regarding the remunerations of the members of the Boards of Directors and high ranking officers of the listed companies and to introduce new provisions in the Corporate Governance Code, pursuant to the Recommendations of the European Union.

5. Participation in ESMA committees

5.1 Permanent Committees of ESMA

The Senior Officer and three officers of the department, participate in the following permanent committees of ESMA:

- Corporate Reporting Standing Committee (former CESR- Fin)

This committee handles issues relating to the endorsement and enforcement of the International Financial Reporting Standards in the European Union, issues regarding control of financial statements as well as issues concerning the periodic financial disclosures as derived from the European Directive on the harmonisation of transparency requirements. During 2010 officers of the Department participated in four meetings of the Committee (4 meetings in 2009).

- Corporate Finance Standing Committee

This 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 disclosure of share holdings in issuers. In relation to the European Directive on Prospectuses, the Commission discusses issues arising from the implementation of the Directive and issues, where deemed necessary, a document with the common positions of the supervisory members of ESMA ('Frequently asked questions regarding prospectuses: common positions agreed by ESMA members').

In the year 2010 an officer of the Department participated in three meetings of the said Committee (3 meetings in 2009).

- European Enforcers Coordination Sessions (EECS)

This committee was established on the basis of Standard 2 of ESMA (Standard no 2 on financial information - coordination of enforcement activities). Participation in this committee includes all the supervisory authorities of the EU Member States which are responsible for the supervision of financial information participate, whether they are members of ESMA or not. In the meetings of the committee, the important enforcement cases of each supervisory authority on matters of International Financial Reporting Standards are discussed, amongst other issues.

During 2010 officers of the Department participated in 8 meetings (7 in 2009) of EECS.

5.2 ESMA Contact groups

An Officer of the Department also monitors the proceedings in the Contact Group of ESMA on matters relating to the Public Takeover Bids network in cooperation with the Legal Department. This contact group aims to exchange information and experiences derived from the implementation of the Directive on Public Takeover Bids.

6. Circulars

During the year, a number of announcements and circulars were issued addressed to the issuers of securities listed in the Cyprus Stock Exchange, which, inter alia, covered the following:

- Obligation for the disclosure of the Indicative Results;
- Publication of a part of the ESMA database of decisions on issues concerning the enforcement of the International Financial Reporting Standards;
- The 12th Update in November 2010 of the document 'Frequently asked questions regarding prospectuses: common positions agreed by ESMA members'.

7. Studies

In 2010, the following issues were reviewed and suggestions/comments were submitted:

- Draft CySEC Directive pursuant to the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, regarding the annual fees of issuers.
- Recommendations of the European Commission regarding the remunerations of the management of listed companies
- Amendments proposed by the European Commission to the European Prospectus Directive 2003/71/EC
- Draft Law concerning the issue of Covered Bonds by Approved Institutions

8. Personnel training

In 2010, the officers of the Department attended seminars on the following topics:

- International Financial Reporting Standards (IAS 24 and IFRS 3)
- Cross-Sector Seminar on Corporate Governance
- The City Code on Takeovers and Mergers 2010
- Seminar on Derivatives and Exchange Traded Funds (ETF's)
- Prospectus Directive review: investors' protection versus market efficiency.

Department for Granting Operation Licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies

The Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies, based on the Strategic Plan adopted by the Board of the CySEC in 2007, has set, inter alia, the following objectives:

- To ensure convergence in the implementation of European Directives and close cooperation with other EU Supervisory Authorities in relation to matters concerning Investment Firms and Regulated Markets, through the regular participation of officers of the Department in the relevant ESMA committees and working groups and contacts with the other Supervisory Authorities of the financial sector of Cyprus.
- To contribute to the sound organisation and operation of dynamic financial institutions that are able to fully meet the obligations emanating from the relevant regulatory framework, through the setting of standards, the training of these institutions and the regular meetings with their associations.

1. Total number of supervised Investment Firms – Regulated Markets – CRAs

By the end of 2010, the CySEC had under its supervision:

- 91 CIFs (68 CIFs in 2009)
- 1 Regulated Market (1 Regulated Market in 2009)
- 0 CRAs (0 CRAs in 2009)

Table 4: Applications

Applications submitted to the CySEC for:	2009	2008
Granting a CIF operating licence	31	24
Extension of a CIF operating licence	24	11
Free provision of services	24	15
Granting a licence for tied agents	10	4
Change of CIF particulars	Significant number	Significant number
Termination of a CIF operating licence	2	8
Registration of a CRA	2	0

2. Applications submitted

2.1 Applications for granting a CIF operating licence

In 2010, the CySEC received 31 new applications for granting of a CIF operating licence (24 new applications in 2009).

In addition to the above, in 2010 another 20 applications for granting a CIF operating licence were under examination that were submitted in previous years (29 in 2009). The CySEC granted 25 CIF operating licences (11 in 2009) and rejected 4 applications for the granting of a CIF operating licence. Furthermore, 3 companies withdrew their applications for the granting of CIF operating licences. With regards to the rest of the applications, the examination of which began in 2010, the decision process of whether to grant a licence or not has either been concluded or it will be concluded in 2011.

2.2 Applications for the extension of a CIF operating licence

In 2010, the CySEC examined 24 applications for the extension of a CIF operating licence which concerned the provision of additional investment and/or ancillary services and/or financial instruments (11 in 2009).

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

In 2010, the CySEC examined 24 applications by CIFs for the free provision of services in other EU Member States and/or third countries (15 in 2009) and 4 applications by CIFs for the establishment of a branch in another EU Member State or third country (2 in 2009).

Furthermore the CySEC examined a significant number of notifications from IFs of Member States for the free provision of services in the Republic and 2 applications from IFs of Member States for the establishment of a branch in the Republic (1 in 2009).

2.4 Applications by tied agents of CIFs and IFs for registration in the public register

In 2010, the CySEC examined 10 applications by tied agents (4 in 2009) for registration in the public register, of which 8 are tied agents acting on behalf of CIFs and the remaining 2 acting on the behalf of IFs of other Member States.

2.5 Applications for changes in the particulars of CIFs

Throughout the year of 2010, the CySEC examined a significant number of applications for approving changes in CIF particulars mainly concerning the organogram, the organisation structure, the internal rules of operation, the activities and the method of operation.

In those cases where the CySEC considered that the above proposed changes did not conform to the relevant legislation, approval was not granted.

2.6 Applications for the termination of a CIF operating licence

In 2010, 2 CIF operating licences were terminated (8 in 2009) due to their non-activation.

2.7 Applications for registration of CRAs

In 2010, 2 requests for the registration of Credit Rating Agencies (CRAs) were submitted. The examination of the applications began in 2010 but has not yet been completed.

3. Monitoring of the compliance of CIFs with their continuous legal obligations

The 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 the CySEC as provided for by the Law.

3.1 Performance of on-site inspections and investigations

In 2010, the CySEC performed four on-site inspections (1 investigation in 2009) in order to establish compliance with continuous obligations.

3.2 Examination of regular reports/documents submitted to CySEC

In the year 2010, the CySEC examined the compliance of the CIFs with certain obligations as specified by the Law, through the submission of information to the CySEC. Furthermore, it examined a sample of the monthly, quarterly and six-months statements submitted in relation to the capital adequacy of the CIFs and their large financial exposures.

The monthly statements for significant cash transactions of the CIFs which were submitted to the CySEC, were also examined.

3.3 Imposition of sanctions

In the cases where the CySEC established non-compliance of CIFs with their continuous obligations as provided for by the Law, depending on the seriousness of the violations, decided:

- To set a deadline for compliance to a number of CIFs;
- To make a reprimand to 4 CIFs (5 in 2009) and one CIF natural person/shareholder
- To impose an administrative fine to 15 CIFs (3 in 2009) and to one CIF natural person/director
- To suspend the operating licence of 1 CIF (1 in 2009);

4. Legislation

4.1 CySEC Directives

With regard to the CIFs, in 2010, one Directive concerning the general assembly of members of the Investor Compensation Fund (ICF) of investment firm customers (1 in 2009) was prepared and published.

Also, with regard to the CRA, in 2010, one Directive was prepared and published (0 in 2009).

4.2 Circulars

In 2010, eight circulars (10 in 2009) were prepared and circulated, the most significant being:

- Public Statement of the Financial Action Task Force (FATF) on countries and jurisdictions which present strategic anti-money laundering and combating financing of terrorism deficiencies.
- Certification of persons employed by CIFs.
- Regarding the persons who perform the management of a CIF.
- Regarding foreign investors who approach CIFs using fake passports.

4.3 Consultation Papers

In the year 2010, two consultation papers (0 in 2009) were prepared pertaining to the CIFs and one consultation paper was prepared (0 in 2009) pertaining to the CRAs.

4.4 Forms

In 2010, four forms (2 in 2009) were prepared and published as follows:

- To submit topics for discussion at the Annual General Assembly and a request to convene an Extraordinary General Assembly.
- To appoint an authorized spokesman in the General Assembly.
- To appoint a representative in the General Assembly.
- To submit candidacy for election of members of the Management Committee in the General Assembly.

A number of the existing Forms were also updated and amended.

5. Participation in Committees and Groups

5.1 ESMA Expert groups and sub-groups

The senior officer and three officers of the Department participate in four different ESMA expert groups or subgroups which are responsible for the preparation and issue of guidelines regarding the implementation of European Directives 2004/39/EC on Markets in Financial Instruments (Markets in Financial Instruments Directive), 2006/73/EC for the implementation of the Directive 2004/39/EC (Implementing Directive of 2004/39/EC), and European Regulation 1060/2009 for CRAs.

In 2010, a total of 24 meetings and 10 teleconferences of the above committees and groups were held (20 in 2009).

5.2 Committees of the Council of the European Union

The senior officer and an officer of the Department participate in 2 technical committees of the Council of the European Union in which the European Commission proposals for the issuing of European Directives/ Regulations are discussed.

In year 2010, there were a total of 4 meetings (1 in 2009).

5.3 Other Committees/Authorities

The senior officer and three officers of the Department participate in the following committees/authorities:

- The Examination Committee responsible for granting professional competence certificates to employees and/or executives of Investment Firms;
- The Administrative Committee of the Investors' Compensation Fund, which is responsible for the administration of the Compensation Fund for Customers of CIFs and other Investment Firms.
- The Advisory Authority which examines issues concerning the prevention of money laundering.

6. Participation in training seminars

The officers of the Department attended training seminars on the following:

- Foreign exchange trading
- Best execution
- Derivative Products and ETF's
- Inducements and conflicts of interest
- Trading book issues and market infrastructure
- Basel II
- MiFID overview
- Regional AML – CFT
- Assessment of IT systems and applications in financial institutions
- European clearing and settlement landscape: business and legal issues

Department for Granting Operating licences and Supervision of UCITS and UCITS Management Companies

In the framework of the Strategic Plan adopted by the Board of the CySEC in 2007, the Department for Granting Operating licences and Supervision of Open-ended UCITS and UCITS Management Companies has set, inter alia, the following objectives:

- To contribute to the completion of the legislative, regulatory and supervisory framework of Cyprus in relation to UCITS in order to fully comply with the relevant European standards and Directives;
- To ensure convergence in the implementation of European Directives and close cooperation with the other EU Supervisory Authorities through the regular participation in the various ESMA committees and working groups;
- To contribute to the introduction of a legislative, regulatory and supervisory framework in relation to the Undertakings for Collective Investments not falling within the provisions of the existing framework for UCITS (e.g. Undertakings for Collective Investments in real estate).

1. Distribution of units of foreign harmonized and non-harmonized UCITS in the Republic

The UCITS based in a Member State other than the Republic, which meet the conditions set forward in European Directive 85/611/EEC as amended, ('foreign harmonized UCITS') and which have been granted an operational licence by the competent supervisory authorities of the said Member State, can market their units in the Republic provided that they comply with the existing regulatory and administrative provisions of the Republic. In order to enable the provision of units from foreign harmonized UCITS in the Republic, a notification procedure is followed based on ESMA guidelines. According to the notification procedure, the UCITS submit a certificate by the competent supervisory authorities of the country of origin, to the CySEC confirming their compliance with the requirements set by the European Directive 85/611/EEC, as amended. Furthermore, the UCITS submit the documents/forms based on which they intend to market their units in the Republic (e.g. the UCITS Regulations, full and simplified Prospectus, annual and six-month statements). Once the completed notification file is submitted, the documents are examined to establish the degree of compliance of the proposed method of marketing the units in the Republic with the UCITS Law and the CySEC Directives issued pursuant to this Law. Within two months at the latest, from the submission date of the completed notification file, the UCITS and its Distributor is informed by the CySEC that it can begin to market its units in the Republic.

UCITS based in a Member State other than the Republic or a third country (outside the EU) which do not satisfy the conditions laid down in the European Directive 85/611/EEC, as amended ("foreign non-harmonized UCITS") require prior authorisation by the CySEC in order to market their units in the Republic.

Specifically, at the end of 2010, the following were in operation:

Number of foreign harmonized UCITS:	2010	2009
Single schemes	41	35
Umbrella schemes	21	20
Total	62	55

Number of foreign non-harmonized UCITS:	2010	2009
Single schemes	1	1
Umbrella schemes	4	4
Total	5	5

Total number of Investment Departments	2010	2009
(sub-funds under the umbrella schemes)	312	342
Harmonized UCITS	18	26
Non-harmonized UCITS	330	368
Total		

Country of origin of foreign UCITS	2010	2009
Number of Harmonized UCITS		
Greece	40	33
Luxembourg	17	16
Ireland	4	4
France	1	2
Total	62	55
Number of non-harmonized UCITS		
Jersey Island - Channel Islands	5	5
Total	5	5

During 2010:

- 10 new foreign harmonised UCITS were registered with the CySEC for the marketing of their units in the Republic of Cyprus.
- The marketing of the units of 2 foreign harmonised UCITS in the Republic, was terminated by request of the UCITS.
- The marketing of units of 1 foreign harmonised UCITS in the Republic, was terminated as a result of its merger with another UCITS.
- The total number of registered Distributors with the CySEC amounted to 14 (13 in 2009). In particular, during 2010 3 new Distributors of harmonized UCITS were registered in the UCITS Distributors' register kept by CySEC and 2 Distributors were deleted due to the termination of the marketing of the UCITS they represented.

2. Cross-border provision of services in the Republic by Management Companies domiciled in an EU Member State other than the Republic

A Management Company which has been granted an operating licence by the competent supervisory authorities of a Member State other than the Republic, pursuant to the national legislation which adopts Directive 85/611/EEC, as was amended, ("harmonized Management Company") and operates in the said Member State, can provide cross-border services in the Republic for which it has been granted a licence, without establishing a branch in the Republic and without the need for granting of an operating licence from the CySEC. The relevant notification should be submitted to the CySEC by the competent supervisory authority of the Member State of origin of the Management Company.

During 2010:

- Two new notifications for the cross-border provision of services in the Republic by harmonized Management Companies established in a Member State other than the Republic were received (2 in 2009).
- Two Management Companies based in a Member State other than the Republic for the provision of cross-border services in the Republic were deleted upon their request.

By the end of 2010 there was a total of eight (8 in 2009) Management Companies based in a Member State other than the Republic, which registered with the CySEC for provision of cross-border services in the Republic.

Member States	2010	2009
France	4	3
Luxemburg	3	3
Austria	1	1
Norway	0	1
Total	8	8

3. Monitoring of the compliance of foreign UCITS, their Distributors in the Republic and foreign Management Companies for cross-border provision of services, with their continuous obligations

The Department monitors the compliance of foreign harmonized and non-harmonized UCITS and their Distributors regarding their continuous obligations which include:

- The submission by Distributors to the CySEC of statements concerning the marketing in the Republic of units of foreign harmonised and non-harmonised UCITS from their registration day/authorisation by the CySEC;
- The submission by UCITS Distributors to the CySEC on a six-monthly basis of lists of their employees involved in the marketing of units of foreign harmonised and non-harmonised UCITS in the Republic;
- The submission by UCITS of the latest available financial statements and prospectuses and the notification by UCITS to the CySEC of any changes in the forms and information submitted;
- The provision of information to the CySEC and to investors in the Republic of significant facts relating to UCITS (e.g. merger/ take-over of UCITS, termination of marketing of UCITS units in the Republic, revocation of issue/redemption of UCITS units, etc.) which may affect the rights of the investors in the Republic;
- The payment by the foreign UCITS and foreign Management Companies of the annual fees, in cooperation with the CySEC Accounting Department.

In reviewing the compliance of foreign UCITS with the duty to inform the CySEC and investors in the Republic on important events relating to UCITS, the CySEC sent letters to two foreign harmonized UCITS drawing their attention to the provisions of the legislation for the effective information of the CySEC and investors in the Republic.

4. Institutional framework

The current legislative framework for UCITS is regulated by the Open-ended Undertakings for the Collective Investment in Transferable Securities (UCITS) and Related Matters Law of 2004, as was amended in 2008 (the 'Law') which harmonizes with the EU Directive 85/611/EEC as amended. In July 2009, the Directive 2009/65/EC of the European Parliament and Council of July 13, 2009 was passed, in relation to the coordination of laws, regulations and administrative provisions relating to certain undertakings for collective investment in transferable securities (UCITS) - (UCITS IV). The deadline for harmonisation with the European Directive UCITS IV is July 2011, when the current Law will be replaced by a new Law that will harmonize the National Legislation with the Directive UCITS IV.

The process of harmonisation of National Legislation with the Directive UCITS IV began in 2010. The Ministry of Finance in cooperation with the CySEC commissioned the undertaking of this project to a Greek Legal Expert. To this end, a working group has been established comprising of officials from the Ministry of Finance and the CySEC (Department of UCITS and Legal Department) which cooperates with the Legal Expert in order to carry out the project.

At the same time, the CySEC decided to proceed with the completion of the existing legislative framework in regard to the establishment of domestic UCITS and Management Companies.

For this purpose:

- the Directive of CySEC as regards the Organisational Requirements, the Ongoing Obligations, the Conditions and Details for the Granting of Authorisation of a Management Company as well as the Certification Process as regards the Executives or Employees of the Management Company was prepared and published in the Official Gazette of the Republic
- the application forms for the granting of operating licences for Management Companies and Investment Companies, as well as the granting of establishment and operating licences for Mutual Funds in the Republic are being reviewed.

5. Participation in the ESMA Investment Management Expert Group

The senior officer of the Department participates in the ESMA Investment Management Expert Group. In 2010 the senior officer of the Department participated in four meetings (3 in 2009) of the said Expert Group.

6. Participation in other committees

The senior officer of the Department participates in the Advisory Committee of the Cyprus Investment Promotion Agency (CIPA) in relation to the Investment Funds.

7. Participation in Seminars

In 2010, officers of the Department attended the following seminars:

- 'Basel II in Cyprus: Lessons, implementation challenges and what to expect to come', which was organized by the Institute of Certified Public Accountants of Cyprus
- 'Implementation of the Key Investor Document', which was organized by the Spanish Securities Market Commission
- 'Derivative Products and ETF's (Exchange Traded Funds), which was organized by the Cyprus Stock Exchange.

Department of Market Surveillance and Investigations

In the context of the Strategic Plan adopted by the Board of the CySEC in 2007, the Department of Market Surveillance and Investigations has set, inter alia, the following objectives:

- The improvement of the Regulatory Framework through the detection and submission of proposals for the elimination of potential weaknesses in the practical implementation of the legislative framework;
- The protection of investors through the faster investigation of cases and the prevention of market abuse practices through educating the CIFs on market abuse issues;
- To contribute to the development of a reliable and efficient market through the prevention and effective suppression of market abuse practices.

1. Potential violations concerning the Insider Dealing and Market Manipulation (Market Abuse) Law

During 2010, the Department of Market Surveillance and Investigations investigated cases concerning potential violations related to the Insider Dealing and Market Manipulation (Market Abuse), Law N.116(I)/2005 ('Market Abuse Law').

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

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

With reference to Article 9(1)(a) of the Market Abuse Law, in 2010 the Market Surveillance and Investigations Department investigated two cases. In one case the investigation was not completed by the end of 2010, while in the other case, the CySEC decided to impose an administrative fine on a person who was in possession of inside information and knew or should have known that the said information was confidential yet proceeded in the acquisition of securities through a proxy person.

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

With reference to Article 19 of the Market Abuse Law, in 2010 the Market Surveillance and Investigations Department investigated six cases. The investigation of three of the cases was not completed by the end of 2010, while in the remaining three cases, the CySEC decided to impose administrative fines for the following reasons:

In the first case a company, by means of two announcements, created the impression to the average investor that it had lost control of voting rights of the issuer's sold securities, whereas it seems that the securities were transferred to the other companies associated/related with the company under review.

In the second case a listed company, through an announcement, created the impression that it had acquired another company at a higher value, while its actual value at the time seemed to be significantly lower.

In the third case a listed company, through an announcement of its financial statements for the years ending on December 31st 2006 and December 31st 2007, gave false or misleading indications regarding the financial instruments of the company, although it knew or should have known that the financial statements were false and/or misleading. In addition, the CySEC decided to impose an administrative fine on each of the company's Directors on account of them failing to establish that the above violation was not due to an error on their behalf.

1.3 Potential violation of Article 13 of the Market Abuse Law and CySEC Directive 5/2005 regarding the Code of Conduct of Directors and Related Persons

With reference to Article 13 of the Market Abuse Law, in 2010 the Department of Market Surveillance and Investigations investigated five cases. In two of the cases, the CySEC decided not to take any further action because there was no evidence of any violation, while in one case the investigation had not been completed by the end of 2010. In the remaining two cases, the CySEC decided to impose administrative fines for the following reasons:

In the first case, companies at a time where they had "close ties" with the Chairman of the Board of Directors of the listed company, proceeded in the disposal of securities in a close period without it being an exceptional or urgent case. Additionally, the CySEC imposed an administrative fine on the Chairman of the Board of Directors since during the time that he was 'Director' he did not take all the necessary precautions in order to avoid any transactions by persons with whom he had close ties during a close period. In the same case, the CySEC imposed an administrative fine on each member of the Board of Directors of the listed company, for violation of Article 13 of the Market Abuse Law, and of paragraph 8(1) of Directive 5/2005 because they granted permission to the Chairman of the Board of Directors to dispose of securities of the listed company, directly or indirectly owned, during a close period.

In the second case, a company that had 'close ties' with a Director of the listed company proceeded, on two occasions, in the disposal of securities of the listed company in a close period and without the prior granting of the necessary written permission.

1.4 Potential violation of Article 11 (1) of the Market Abuse Law and Article 5(I)(i) of the CySEC Directive 1/2005 relating to the obligations of Issuers of Financial Instruments

In 2010 the Department of Market Surveillance and Investigations investigated the compliance of issuers with regard to the profit warning for the first half of 2009. The CySEC decided to issue a circular to draw the attention of issuers to their obligations as derived from the aforementioned provisions of the Law and Directive concerning the announcement of Profitability Notification, as well as to invite them to always comply with these provisions in order to avoid the imposition of sanctions.

1.5 Potential violation of Article 11(e) of the Market Abuse Law in which the issuers of financial instruments, among other things must disclose all significant changes concerning previously publicized confidential information after the occurrence of the said changes, in the same manner used for public disclosure of the original information.

With reference to Article 11 (e) of the Market Abuse Law, in 2010 the Department of Market Surveillance and Investigations investigated one case in which the CySEC decided to impose an administrative fine on the listed company because it failed to disclose the changes that had been made to its previously publicized information.

1.6 Potential violation of Article 18(1) of the Market Abuse Law where persons exercising managerial duties at an issuer must disclose every transaction conducted for their own behalf which involves the financial instruments of the issuer.

With reference to Article 18(1) of the Market Abuse Law, in 2010 the Department of Market Surveillance and Investigations investigated two cases. In one case, the CySEC decided that there was no evidence of any violation, whereas in the other case, the CySEC decided to impose an administrative fine on a company that had 'close ties' with a Director of the issuer due to the fact that it failed to disclose its transactions.

2. Potential violation of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law and the Cyprus Securities and Exchange Commission Law

During 2010 the Department of Market Surveillance and Investigations proceeded in the investigation of cases in relation to potential violations concerning the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law 64 (I)/2001 as amended and the Cyprus Securities and Exchange Commission Law N.73 (I)/2009 which replaced it.

This category includes cases regarding violation of obligations of any natural or legal entity for prompt, comprehensive and accurate provision of information to the 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 (N.73 (I)/2009).

2.1 Potential violation of Article 42 of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law N. 64(I)/2001 where a person, during the provision of information for any of the objectives of the said Law or the existing Legislation, makes false statements and conceals information from the CySEC

With reference to Article 42 of Law 64 (I)/2001, in 2010 the Department of Market Surveillance and Investigations investigated two cases; in both cases the CySEC decided to impose administrative sanctions for the following reasons:

In the first case, a number of individuals provided information to the investigating officers, and therefore to the CySEC, which was false, misleading and deceptive.

In the second case, a listed company, when providing information to the CySEC in the context of the information collection process, provided information that was false, misleading and deceptive. The CySEC decided to impose an administrative fine on the Directors of the said company, since the violation of Article 42 of Law 64(I)/2001, was due to an error on their behalf.

2.2. Potential violation of Article 41 of the Cyprus Securities and Exchange Commission Law N.73(I)/2009 in which a person makes false statements and withholds information from the CySEC, during the provision of information for any of the objectives of the said Law or the existing Legislation

With reference to Article 41 of the Law, in 2010 the Department of Market Surveillance and Investigations investigated three cases; in one case the investigation was not completed by the end of 2010, whereas in the other two cases the CySEC decided to impose administrative sanctions for the following reasons:

In the first case, a person made misleading statements when providing information to the investigating officers of the CySEC through a testimony.

In the second case, a person made a false statement when providing information to investigating officers of the CySEC through a testimony.

2.3. Potential violation of Article 32 of the Cyprus Securities and Exchange Commission Law, Law 73(I)/2009 regarding the authority of the CySEC to collect information

With regard to Articles 32(3) and 32(5) of the Law, in 2010 the Department of Market Surveillance and Investigations investigated six cases. In five cases the investigation had not been completed by the end of 2010, whereas in one case the CySEC decided to impose an administrative fine on an issuer for violation of Article 32(3) of the Law 73(I)/2009 because they had not complied with a request for the collection of information by the CySEC investigating officers. More specifically, they did not provide the investigating officers with the information which was requested on account of exercising their competences. Additionally, the CySEC decided to impose a daily fine on the issuer for each day of its continued failure to comply with the request for the collection of information by the investigating officers.

3. Potential Violations of the Investment Services and Activities and Regulated Markets Law

This category includes cases of violations by companies which provide or appear to provide investment services, without being duly authorised by the CySEC. These violations are pursuant to Articles 4 and 5 of the Investment Services and Activities and Regulated Markets Law (Law 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 (Law 144(I)/2007).

3.1. Potential violation of Article 4(1) of Law 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 144 (I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated thirteen cases. In eight cases the investigation was not completed by the end of 2010. In two cases, the CySEC decided not to take any further action, since the companies had proceeded to take measures of compliance, including the correction of their website. In one case, due to practical reasons, it was not possible for the CySEC to locate the liable person in order to address the request for information collection. In two cases, the CySEC decided to impose administrative sanctions for the following reasons:

In the first case, a company was providing investment services on a professional basis, namely securities portfolio management, without an operating licence provided for by the Law. Additionally, the CySEC decided to impose an administrative fine on a Director of the company since the company's incompliance was due to an error on his/her behalf.

In the second case a company appears to be providing investment services on a professional basis without a CIF operating licence as provided for by the Law.

3.2.1. Potential violation of Article 6(8) of Law 144(I)/2007 in which the CIF is only permitted to provide investment and ancillary services and/or to exercise only the investment activities specified in its operating licence

With regard to Article 6(8) of Law 144(I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated one case in which the CySEC decided to impose an administrative fine because the CIF was providing portfolio management without the relevant licence from the CySEC for this particular investment service.

3.2.2. Potential violation of Article 36(1) of Law 144(I)/2007 regarding the conduct of business obligations when providing investment services to clients

With regard to Article 36(1) of Law 144(I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated three cases. In two cases the investigation was not completed by the end of 2010, whereas in the third case the CySEC decided not to take any further action, since the matter was settled between the CIF and the client; the complaining client, in addition to having been fully compensated, withdrew all his/her complaints.

4. Potential Violations of Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law

During 2010, the Department of Market Surveillance and Investigations proceeded with the investigation of cases in relation to potential violations regarding the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market Law) Law 190(I)/2007.

In this category, cases of violations in which the 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, are also included. These violations are pursuant to Articles 9 and 40 of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law (Law 190(I)/2007).

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

With regard to Article 9(4) of Law 190(I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated two cases. In one case the investigation was not completed by the end of 2010 whereas in the other case, the CySEC decided to impose an administrative fine on the issuer since he/she had not prepared the annual financial statements for the year which ended on the 31st December 2007 in accordance with the Companies Law. Specifically he/she did not prepare it in accordance with the provisions of the International Accounting Standard (IAS) 24-Related Party Disclosures. In addition, the CySEC decided to impose an administrative fine on each member of the issuer's Board of Directors, due to the fact that the violation of Article 9(4) of Law 190 (I)/2007 was due to an error on their behalf, since the lawful preparation of financial statements is as much the responsibility of the listed company, as it is of the Board of Directors.

4.2. Potential violation of Articles 28(2) and 30(1) of Law 190(I)/2007 regarding the acquisition or disposal of securities which incorporate voting rights

With regard to Articles 28(2) and 30(1) of Law 190(I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated two cases.

In the first case, the CySEC decided to impose an administrative fine on a natural person because he/she did not inform the issuer and the CySEC of the percentage of voting rights he/she held, as a result of an acquisition of securities, which, added to securities already held, resulted in his/her accumulated voting rights to exceed 5% of the total voting rights of the issuer.

In the second case, the CySEC decided not to take any further action on the matter since, based on the written representations received from the person under investigation, it concluded that no violation of the Law took place.

5. Potential Violations of the Takeover Bids Law of 2007

During 2010 the Department of Market Surveillance and Investigations proceeded with the investigation of cases in relation to potential of the Takeover Bids Law (Law 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, gives him/her directly or indirectly the right to control thirty per cent (30%) or more of the voting rights in the said company. This person is obliged to submit a Public Takeover Bid to all the holders of these securities, for all the securities they hold. Violations of this obligation are pursuant to Article 13(1) of the Public Takeover Bids Law (N.41(I) 2007).

With regard to Article 13(1) of the Law 41(I)/2007, in 2010 the Department of Market Surveillance and Investigations investigated three cases. In two cases the investigation was not completed by the end of 2010 whereas in the third case the CySEC decided that a violation had been committed. However, the CySEC did not impose any administrative sanctions on the company, taking the specific circumstances of the said company, which was in the process of liquidation, into account.

6. Potential violations of the Cyprus Securities and Stock Exchange Law

During 2010 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, Law 14(I)/1993.

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

6.1. Potential violation of Article 130 in which the issuing company provides for and ensures the equal treatment of shareholders under the same conditions

With regard to Article 130 of the Law 14(I)/1993, in 2010, the Department of Market Surveillance and Investigations investigated three cases. In two cases the investigation was not completed by the end of 2010 whereas in the third case, the CySEC decided to impose an administrative fine upon the issuer, since the issuer had not ensured the equal treatment of shareholders but instead, favoured the largest shareholder and controller of the company at the expense of the remaining shareholders. Additionally, the CySEC decided to impose an administrative fine on the issuer's Chairman of the Board of Directors, since the issuer's violation was due to an error on his behalf.

6.2. Potential violation of Article 137 of the Law 14(I)/1993 regarding the announcement of the issuing company's transactions with its executive officers and related parties

With reference to Article 137 of the Law 14(I)/1993, in 2010 the Department of Market Surveillance and Investigations investigated one case in which the CySEC decided that the issuer had violated Article 137 of the Law 14(I)/1993 because he/she omitted to announce the transactions which were made by a Director and a company under his/her control.

The CySEC decided to impose an administrative fine on two Directors since the violation of Article 137 Law 14(I)/1993 was due to an error on their behalf.

6.3. Potential violation of Article 5.2.1.5 of the R.A.A.326/2009 of the Law on the Cyprus Securities and Stock Exchange Law 14(I)/1993

The said article states that in the case that any major developments are expected to occur, which may significantly affect the value of the issued securities, the issuer should make every possible effort to maintain absolute confidentiality of this information. If he/she is unable to do so, or he/she identifies the leakage of this information, the issuer must promptly issue a relevant warning announcement. This is especially required in cases of transactions involving the takeover or merger of companies. The issuer may even ask the Board of the Cyprus Stock Exchange to temporarily suspend the trading of

the said securities on the Cyprus Stock Exchange if there is a reasonable probability of the completion of the takeover or merger or if the negotiations are extended to cover a larger number of persons.

In 2010 the Department of Market Surveillance and Investigations, upon receiving a complaint, investigated one case regarding the said article, in which it collected all the necessary information and, following a decision by the CySEC, this information was forwarded to the CSE, which is the competent authority pursuant to R.A.A.326/2009 for the final handling of the case.

7. Cooperation of the CySEC with the Legal Service of the Republic

The CySEC, pursuant to Article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (N.73(I)/2009), in cases where a potential violation possibly constitutes a prima facie criminal offense, shall draw up findings or a report of the facts and submit it with all the information held in its possession to the Attorney General of the Republic.

The CySEC sent three cases to the Attorney General of the Republic in order for the Attorney General to determine whether or not any criminal offenses were committed by individual companies or other natural persons.

8. Monitoring and Investigating Investors' Complaints against Investment Firms, issuers as well as complaints of other nature

In 2010 the CySEC received twelve investor complaints against Investment Firms. In eight cases the investigation was not completed by the end of 2010 whereas in the remaining four cases investigated, no violation was found.

In addition, in 2010 the CySEC received five investor complaints against issuers whose securities are listed on the Cyprus Stock Exchange. In four cases the investigation was not completed by the end of 2010, whereas in the remaining case investigated, no violation was found.

9. Cooperation of the CySEC with other Supervisory Authorities

The CySEC receives requests for assistance from foreign supervisory authorities. Based on these requests, the CySEC may proceed to the collection of information and to waivers of bank confidentiality relating to legal and natural persons as provided by Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (Law 73(I)2009).

In 2010 the CySEC proceeded with twenty-five waivers of bank confidentiality.

10. Announcements and Circulars

10.1 Announcements

During 2010 fourteen warnings were issued regarding companies that have not been granted a CIF operating licence by the CySEC, or do not constitute a bank or cooperative credit institution based in the Republic or a relevant notification from the supervisory authority of another Member State has not being received by the CySEC in relation to these companies.

10.2 Circulars

During 2010 a circular was issued in relation to the Department of Market Surveillance and Investigations. The circular involved issues of compliance with the Market Abuse Law. Specifically, the CySEC, via the said circular, draws the attention of issuers to their obligation in accordance with IP 167/2009 for the issuing of a profit warning before the end of the period to which the financial results refer to, in cases where there has been a substantial deviation from the previously published results for the corresponding period of the previous year or from representations given to the public via statements made by the issuer's executives.

11. Personnel Training

In 2010, four Officers and two Assistant Secretarial Officers of the Department of Market Surveillance and Investigations, attended seminars regarding the following topics:

- CySEC In-House Seminar on the Non-Deliverable Forex
- Core International Financial Reporting Standards
- Short Selling Seminar
- Settlement and Central Registry/Developments in the European Union/ Target 2 Securities - Link Up Markets, etc. from the CSE
- Derivatives Products and Exchange Trading Fund from the CSE
- Clearing and Settlement - Services of Central Depository/Registry from the CSE

12. Participation in Committees and Groups of the European Union

An Officer and Assistant Secretarial Officer of the Department of Market Surveillance and Investigations, participate in the following committees of the ESMA:

- Standing Committee of the European Securities and Markets Authority, ESMA-Pol,
- Transaction Reporting Task force,
- Transaction Reporting System Joint Subgroup.

In 2010, an Officer of the Department of Market Surveillance and Investigations participated in four meetings of the Council of the European Union's Working party on Financial Services for the review of the proposal for a Regulation on short selling and certain aspects of Credit Default Swaps.

Legal Department

In the context of the Strategic Plan adopted by the Board of the CySEC in 2007, the Legal Department has set its objectives to be, inter alia, the completion of the legislative and regulatory framework in order to fully comply with the European Directives and Standards as well as to meet the needs of the Cyprus market.

1. Preparation of Regulations, CySEC Directives and Amending Laws

The Legal Department proceeded, in cooperation with the competent Departments of the CySEC, with the legal processing and final issue of the following Laws/CySEC Directives:

- Directive DI 116-2005-06 on the code of conduct of directors and related persons (No. 4424, 23.04.2010, R.A.A.167/2010)
- Directive DI 190-2007-03(A) on the dissemination of regulated information (No.4425, 30.04.2010, R.A.A.183/2010)
- Directive OD190-2007-05 with respect to Third Countries (Equivalent Requirements) (No.4433, 11.06.2010, R.A.A. 254/2010)
- Directive DI 190-2007-06 regarding acquisition or disposal of voting rights from market maker (No. 4433, 11.06.2010, R.A.A.254/2010)
- Directive OD73-2009-01 on the Credit Rating Agencies (No. 4443, 23.07.2010, R.A.A.348/2010)
- Directive DI 116-2005-07 on the code of conduct of directors and related persons (No. 4446, 13.08.2010, R.A.A.364/2010)
- Directive OD144-2007-09 on the general meeting of the members of the ICF for clients of IFs (No. 4448, 27.08.2010, R.A.A.372/2010)
- Directive DI 116-2005-08 on the obligations of issuers of financial instruments (No. 4450, 10.09.2010, R.A.A.378/2010)
- Directive DI 200-2004-08 as regards the organisational requirements, the ongoing obligations, the conditions and details for the granting of authorisation of a Management Company as well as the certification process as regards the executives or employees of the Management Company (No. 482, R.A.A.482/2010, 26.11.2010)
- Directive DI 190-2007-07 regarding the issuers' annual fees (No. 4464, 03.12.2010, R.A.A.490/2010)
- Directive DI 144-2007-05 regarding capital adequacy of CIFs (No. 4467, 22.12.2010, R.A.A.518/2010) and
- Directive DI 144-2007-06 regarding large exposures of CIFs (No. 4467, 22.12.2010, R.A.A.519/2010).

2. Participation in ESMA Committees and Groups

In 2010, officers of the Legal Department participated in the following ESMA meetings:

- In two meetings of the Expert Group concerning the Transparency Directive and
- In eight meetings of the Expert Group concerning Credit Rating Agencies (CRAs)

Representatives of competent supervisory authorities of all Member States participate in the meetings of the said expert groups, as well as representatives from the European Commission and the ESMA secretariat. The CySEC is represented by one Officer of the Legal Department for each expert group.

3. Training Seminars

In 2010, officers of the Legal Department attended the following training seminars/conferences:

- Seminar on "The Foreign Exchange Market without Delivery: An Introduction to Theory and Practice", held at the CySEC offices in Nicosia.
- Seminar on corporate particulars of CIFs and the group in which they belong, held by a legal firm at the CySEC offices in Nicosia.
- Conference on 'Transparency obligations for listed companies: scope for the modernization of the Transparency Directive' held by the European Commission, Unit for Company Law, Corporate Governance and Financial Crime, DG Internal Market and Services, in Brussels.
- Conference of the Provident Fund and Pension Funds in Nicosia.

Administration and Personnel Department

During July 2010, seven new Officer positions and one Assistant Secretarial Officer position were approved by the House of Representatives. The above positions, along with three other Officer and one Office Assistant vacant positions, are expected to be staffed in the beginning of 2011, thus reinforcing the human resources of the CySEC.

1. Financial Issues

Within the framework of the medium-term objective of ensuring the economic autonomy of the CySEC, an annual fee from issuers of listed securities who are supervised by the CySEC was established.

2. Participation in ESMA Committees and Groups

The Department participates in the ESMA group responsible for the development of a common culture and cooperation amongst the EU financial supervisory commissions. This ESMA group has already delivered on its mandate regarding the creation of a common policy for the exchange of personnel of ESMA members, as well as the promotion of a common training in cooperation with the other two Authorities which constitute the third level of the committology for the financial sector; the CEBS (credit institutions) which was succeeded by the European Banking Authority (EBA) and CEIOPS (insurance and pension funds) which was succeeded by the European Insurance and Occupational Pensions Authority (EIOPA). Within the above framework, the study for the development of the CySEC personnel training policy has continued.

IT and Operations Department

In the framework of the Strategic Plan adopted by the Board of the CySEC in 2007, the IT and Operations Department has, inter alia, the following objectives:

- To ensure high standards of information and protection of investors through the regular upgrading of the official website of the CySEC;
- To ensure high standards of operation of the electronic systems of the CySEC through the implementation of the Document Management System and the creation of a Database Management System;
- The continuous training of the CySEC personnel in order to ensure high efficiency through the use of information technology and technology in general.

1. Website

The aim of the CySEC website is the easy provision of useful information on Cyprus Capital Market to investors as well as to other interested parties such as Investment Firms and Issuers. The CySEC offers an "Email Alerts" public service free of charge which automatically notifies subscribers as soon as any significant change/addition is made in the CySEC website.

2. Internal Network

The Department places great importance on the appropriate and safe keeping of information given its confidential nature. In addition, a CySEC personnel training programme was developed on the various IT systems aiming at better familiarisation

3. IT Projects

3.1 Document Management System

The Document Management System (DMS) will form the central core for the management of the CySEC documents and operations. This system will be used as an electronic archive for the CySEC documents. Further to providing document storage and safe-keeping, this system will enhance automation of the workflow by automatically forwarding documents to another department/officer for further processing. Therefore, the CySEC has set up an archive team which operationally comes under the IT and Operations Department.

In addition, the CySEC is currently in the final stages prior to the introduction of the electronic signature which will enable the supervised institutions to send and receive correspondence to and from the CySEC in a secure electronic manner. The electronic forms which will be received by the CySEC will be channelled directly into the Document Management System for quick processing.

3.2 Notification of Transactions

During 2010, the Transaction Reporting Exchange Mechanism (TREM), and specifically the TREM3.0 edition, was further developed in accordance with Article 25 of Directive 2004/39/EC, MiFID.

3.3 Capital Adequacy System

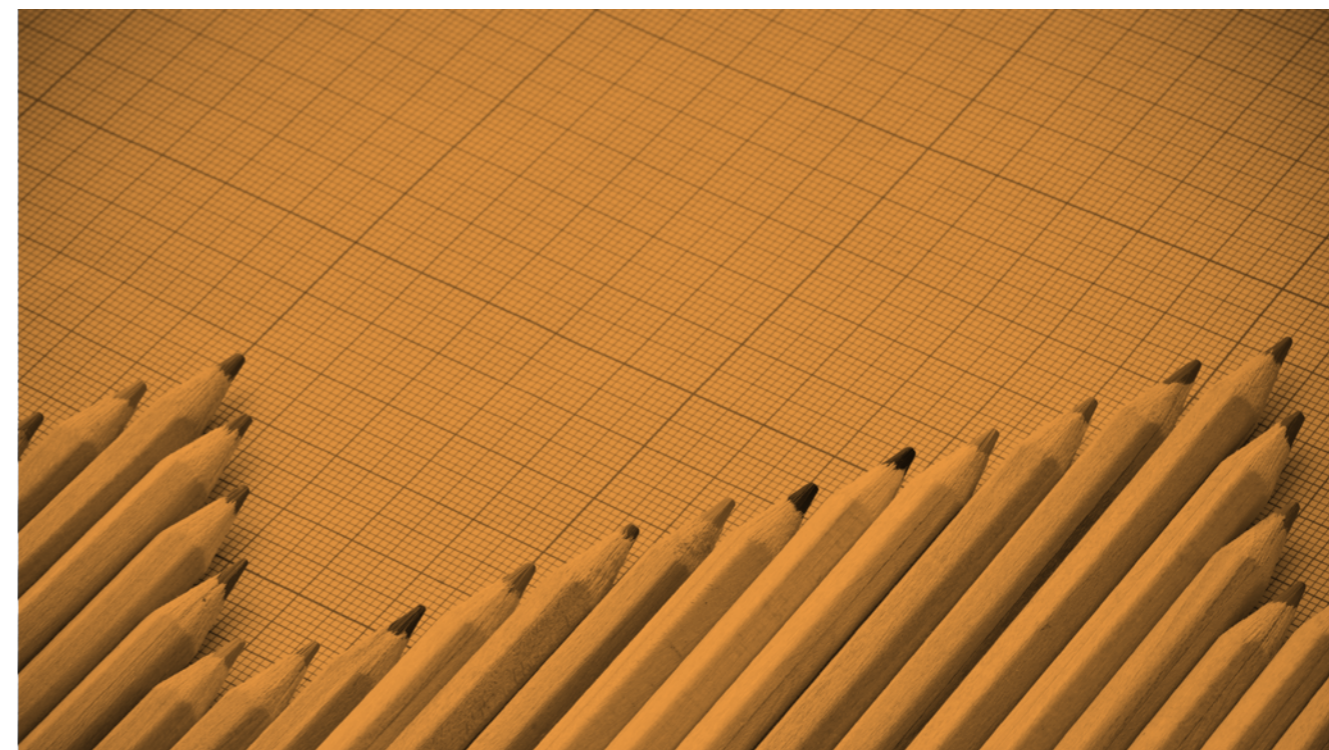
During the year the system of capital adequacy was developed which allows the CySEC to process the specific CIF form 6.1 for calculating capital requirements in accordance with the fundamental approach for credit and market risk and extracting statistics and other useful information. The creation of a system for electronic submission and direct processing of the said form is already being considered, in order to avoid large volumes of archiving since this particular form is rather bulky.

3.4 IF Database System

The Department, in cooperation with the Department for Granting Operating Licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies prepared the technical specifications for the aforementioned system in which all relevant information of the licenced IFs, namely corporate particulars, activities, organisational and share structure, executives, etc. will be stored.

4. European Issues

The officer of the Department participates in the permanent ESMA Committee, the ESMA-ITMG as well as the Transaction Reporting System Joint Sub-Group. During meetings of the representatives of all EU Member States, new IT projects of the Supervisory Authorities and improvements of the current projects are discussed, as well as issues on the upgrading of the quality of the information exchanged through the IT systems. These contacts facilitate the enrichment of knowledge and the better utilisation of information in exercising the responsibilities of the CySEC.



Section D

Annexes

1. Strategic Plan of the Cyprus Securities and Exchange Commission
2. Legislation
3. Duties of the Individual Departments

**Annex 1.
Strategic Plan of the CySEC**

Sector	Strategic Objective	Objective Goal
Regulatory framework	<ul style="list-style-type: none"> To promote the reform of the regulatory and supervisory framework in order to protect investors and safeguard the smooth operation of the securities market 	<ul style="list-style-type: none"> To promote the reform and modernisation of the legislative, regulatory and supervisory framework of Cyprus in order to fully meet the European standards and the needs of the Cyprus securities market; To ensure convergence in the practical implementation of the European Directives and close cooperation with other European Supervisory Authorities.
Investor protection	<ul style="list-style-type: none"> To ensure investors are properly informed and protected. To upgrade the investor education system 	<ul style="list-style-type: none"> To set out high investor information standards; To set out high standards in relation to the obligations of financial institutions when transacting with the public; To ensure compliance with the new high standards of information by introducing and imposing dissuasive sanctions; To formulate and implement well targeted educational programmes for investors regarding: <ul style="list-style-type: none"> The securities market, Financial products, Investor rights relating to their investments and the investment services available to them.
Competitive and Efficient Market	<ul style="list-style-type: none"> To develop the regulatory framework that promotes competition, innovation, effectiveness and efficiency and attracts financially healthy and dynamic financial institutions. To contribute to the further enhancement of the reputation and credibility of Cyprus as a successful regional, financial centre. 	<ul style="list-style-type: none"> To maintain the correct balance between regulation, supervision and enforcement, on the one hand, and the encouragement of healthy competition, development of initiatives and innovation in the securities market, on the other; To closely cooperate with supervisory and other authorities, as well as other market participants.

Sector	Strategic Objective	Objective Goal
Organisation and Operation of Financial Institutions	<ul style="list-style-type: none"> To contribute to the sound organisation and operation of dynamic financial institutions which are able to fully meet their obligations emanating from the relevant regulatory framework 	<ul style="list-style-type: none"> To define capital adequacy levels and standards of organisation, staffing and management of financial institutions in order to ensure their stable and healthy operation and development; To provide assistance to supervised financial institutions in order to ensure their smooth transition to the new regulatory framework.
Organisation and Operation of the CySEC	<ul style="list-style-type: none"> To maintain and further enhance transparency, consistency, efficiency and effectiveness in the operation of the CySEC. 	<ul style="list-style-type: none"> To incorporate impact assessment analysis in the decision making process of the CySEC concerning the introduction of new regulations and changes in supervision; To apply the principle of transparency in the operations and decisions of the CySEC; To upgrade the procedures of cooperation and consultation with supervised institutions, market participants and investors; To formulate and implement a communications policy; To upgrade the system of evaluation of the CySEC's performance and achievement of its stated objectives by the State and the investors.

Annex 2. Legislation

The legislations on the responsibilities and powers of the CySEC are as follows:

- The Cyprus Securities and Exchange Commission Law of 2009 (entered into force on 10.7.2009)
- The Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 – 2007 (abolished on 10.7.2009)
- The Securities and Cyprus Stock Exchange Laws of 1993 – 2009 and the Regulations issued pursuant to these laws
- The Public Takeover Bids Law of 2007 and 2009
- The Securities and Cyprus Stock Exchange (Central Securities Depository and Central Securities Registry) Laws of 1996 -2009
- The Possession, Use and Announcement of Privileged Information, the Supervisory Competence of the Cyprus Securities and Exchange Commission and other Related Issues Laws of 1999 – 2001 and the Regulations of 2000-2002 issued pursuant to these laws (abolished on 9.9.2005)
- The Insider Dealing and Market Manipulation (Market Abuse) Laws of 2005 – 2007
- The Undertakings for Collective Investment in Transferable Securities (UCITS) and Related Issues Laws of 2004 and 2008
- The Investment Firms (IF) Laws of 2002 and 2005 (abolished on 1.11.2007)
- The Investment Services and Activities and Regulated Markets Law of 2007 and 2009
- The Public Offer and Prospectus Law of 2005
- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007 and 2009
- The CySEC was appointed as one of the competent Supervisory Authorities regarding the implementation of the Concealment, Investigation and Confiscation of Proceeds from Certain Criminal Acts Law of 1996 to 2004 and the Prevention and Suppression of Money Laundering Activities Law of 2007

Annex 3. Individual Duties of Departments

A. Department of Strategy, Economic Analysis and International Relations

The duties of the Department of Strategy, Economic Analysis and International Relations mainly include the following:

- **Support of the Chairman and Vice-chairman, and issues of Strategy and Policy**
 - > Involvement in the monitoring and evaluation of developments with regard to the securities market and the institutional framework.
 - > Submission of recommendations to the CySEC Chairman and Vice-chairman for strategy and objectives formulation for the CySEC in the light of developments in the capital market. The recommendations may refer to organisational issues, upgrading and improving the regulatory and supervisory framework, investor education and protection and in general the better implementation of the CySEC objectives.
 - > Monitoring of issues resulting from the decisions taken at the CySEC Board Meetings and the implementation of those decisions.
 - > Monitoring the implementation of the strategic plan of the CySEC and briefing the Chairman and Vice-chairman at regular intervals.
 - > Ensuring the effective operation of the planning procedure and the constructing of individual action plans.
 - > Support of the CySEC Chairman and Vice-chairman to improve the internal coordination of the CySEC operations.
- **Matters of Internal and External Communication**
 - > Submission of recommendations for matters of Internal and External Communications Policy
 - > Preparation and editing of publications of the CySEC (Annual Report, brochures and educational booklets, etc.) as well as of informative articles
 - > Organisation of communication activities, seminars, conferences and other events
 - > Monitoring of domestic and international daily press and the developments at a European and international level
 - > Participation in the internal team for crisis management.
- **Matters of Financial Education**
 - > Submission of recommendations for financial educational programmes for the public
 - > Application/monitoring of the implementation of financial educational programmes for the public
 - > Coordination and participation in the Advisory Committee for Public Financial Education

- **International Relations**

- > Communication with competent supervisory authorities and organisations (e.g. IOSCO, IMF, etc.) abroad (except for notifications to and from the CySEC which are carried out directly by the competent Departments).
- > Negotiation and agreement of Memoranda of Understanding with competent supervisory authorities abroad.

- **Coordination and representation of the CySEC**

- > Internal Coordination in relation to ESMA and the representation of the CySEC on the Review Panel of ESMA, as well as participation in expert groups of ESMA - Post Ecofin Task Force subgroup and CEMA.
- > Coordination and cooperation with Government Departments such as the Ministry of Finance and the Office of Planning, regarding Cyprus' obligations as a member of the European Union (in cooperation with the Legal Department), and other issues.
- > Internal coordination of relationships and communication with the other competent supervisory authorities of the Cyprus financial sector.
- > Representation of the CySEC (together with the Chairman and the Vice-chairman) at the Committee of the Supervisory Authorities of the Financial Sector of the Republic
- > Representation of the CySEC (together with the Vice-chairman) at the Committee on Financial Stability

B. Department for Granting Licences, Listing and Continuous Obligations of Issuers

The duties of the Department for Granting Licences, Listing and Continuous Obligations of Issuers mainly include the following:

- The examination of applications for the approval of prospectuses for the public offer of transferable securities or their admission to trading on a regulated market pursuant to the Public Offer and Prospectus Law of 2005;
- The monitoring of the compliance with the Public Offer and Prospectus Law of 2005;
- The examination of Public Takeover Bid documents for the public takeover of companies whose securities are listed on a regulated market;
- The monitoring of the compliance with the Public Takeover Bids Law of 2007;
- The examination of applications of Issuers for the expansion/diversification of their activities;
- The monitoring of the compliance of companies whose transferable 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 and, more specifically, as regards their obligations for providing regular information;
- The monitoring of the application and compliance by companies of the Corporate Governance Code;

- The participation in Standing Committees, Expert Groups as well as Contact Groups of CESR for issues relating to the Department's responsibilities;
- The review of proposed legislative measures relating to the Department's responsibilities and the submission of relevant proposals.

C. Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies

The duties of the Department for Granting Operating licences and Supervision of Investment Firms, Regulated Markets and Credit Rating Agencies mainly include the following:

- The examination of applications for granting CIF5 operating licences as well as any applications for amendments thereof;
- The examination of applications by CIFs for granting licence for the provision of services outside Cyprus either through a branch or cross-border;
- The examination of applications for the approval of changes in particulars included in the applications for granting a CIF operating licence;
- The examination of applications for approval of tied agents of CIFs;
- The contacts and meetings with companies, which are at the stage of preparing their application for granting of a CIF operating licence for discussing issues relating to their application;
- The contacts and meetings with CIF representatives for discussing issues relating to the business activities of CIFs;
- The monitoring of the compliance of CIFs with their continuous obligations pursuant to the Law;
- The monitoring of the compliance of CIFs with the Prevention and Suppression of Money Laundering Activities Law of 2007;
- The examination of applications for granting a regulated market operating licence as well as any applications for any amendment thereof;
- The examination of applications for the approval of changes in particulars concerning a regulated market – market operator;
- The monitoring of the compliance of regulated markets – market operators with their continuous obligations under the Law;
- The participation in the supervisors colleges (comprising experts from Member States) for the examination of applications for granting a CRA operating licence;
- The participation in the supervisors colleges (comprising experts from Member States) for the monitoring of the compliance by CRAs with their continuous obligations pursuant to the EU Regulation;
- The study, preparation and issue of the CySEC Directives, Circulars and Forms pursuant to the Investment Services and Activities and Regulated Markets Laws of 2007 and 2009;
- The study of legal framework for Credit Rating Agencies;
- The training of the entities involved;

- The participation in experts groups of the European Securities and Markets Authority (ESMA) on issues relating to the Department's responsibilities;
- The participation in meetings of the European Securities Committee as experts – advisors of the Ministry of Finance;
- The participation in the Examination Committee responsible for granting professional competence certificates to employees/executives of Investment Firms;
- The participation in the Administrative Committee of the Compensation Fund for Investors Customers of CIFs and other Investment Firms;
- The participation in the Advisory Authority which examines issues concerning the prevention of money laundering and terrorist financing.

D. Department for Granting Operating licences and Supervision of UCITS and UCITS Management Companies

The duties of the Department for Granting Operating licences and Supervision of UCITS and UCITS Management Companies mainly include the following:

- The examination of applications for granting a licence to operate a local UCITS Management Company;
- The examination of applications for granting a licence for establishment and operation of a local UCITS;
- The examination of notifications for the marketing in the Republic of foreign units of UCITS domiciled in an EU Member State and which are subject to the European Directive 85/611/EEC (harmonized UCITS);
- The examination of applications for granting a licence to market in the Republic of foreign units of UCITS which are either domiciled in an EU Member State or in a State other than an EU Member State (third country) and which are not subject to the European Directive 85/611/EEC (non-harmonized UCITS);
- The examination of notifications for the establishment and cross-border provision of services in the Republic by foreign UCITS Management Companies domiciled in an EU Member State (harmonized Management Companies);
- The examination of applications for granting a licence for establishment and cross-border provision of services in the Republic by foreign Management Companies domiciled in a third country (non-harmonized Management Companies);
- The monitoring of the compliance of local UCITS Management Companies and local UCITS with their continuous obligations;
- The monitoring of the compliance of foreign harmonized and non-harmonized UCITS which market their units in the Republic and of foreign harmonized and non-harmonized Management Companies with their continuous obligations;
- The submission of suggestions for amendments to the legislation aiming at the improvement of the existing legislative framework;
- The study, preparation and issue of the CySEC Directives, Circulars and Forms pursuant to the Undertaking of Collective Investment in Transferable Securities (UCITS) and Related Issues Laws of 2004 -2008;
- The examination of proposed legislations concerning UCITS and their Management Companies and the submission of relevant suggestions;

- The examination of proposed legislations concerning UCITS and their Management Companies and the submission of relevant suggestions;
- The participation in the CESR's Investment Management Expert Group;
- Participation in the Advisory Committee of the Cyprus Investment Promotion Agency (CIPA) regarding the Investment Funds.

E. Department for Market Surveillance and Investigations

The duties of the Department for Market Surveillance and Investigations mainly include the following:

- The investigation of potential violations of the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005 (N.116(I)/2005);
- The investigation of potential violations of the Securities and Cyprus Stock Exchange Laws and Regulations;
- The conduct of investigations on Issuers whose securities are listed on the Cyprus Stock Exchange;
- The conduct of investigations on Investment Firms;
- The investigation of Investors' Complaints;
- The daily monitoring of Stock Exchange meetings through modern electronic real-time monitoring systems;
- The issue of circulars or announcements to Issuers, Investment Firms and the public;
- The monitoring of the application of the provisions of the Corporate Governance Code;
- The participation in ESMA's operational groups on issues relating to the Department's responsibilities.

F. Legal Department

The duties of the Legal Department mainly include the following:

- The monitoring of the legislation on securities market;
- The preparation and submission of suggestions for the amendment of the relevant legislation;
- The preparation and submission of suggestions for the issue of secondary legislation (Directives of the CySEC);
- The maintenance of a register for cases pending before the Court, the monitoring, coordination and cooperation with external legal consultants of the CySEC;
- The keeping of minutes of the meetings of the Board of the CySEC – filing of decisions – board composition register - decision announcements
- The legal support of the CySEC (correspondence – internal legal opinions - investigations);
- The harmonisation of national Legislation with that of the European Union;
- The communication with Supervisory Authorities abroad – exchange of information and protocols of cooperation;
- The legal support – provision of guidelines to market participants, lawyers, auditors, investors, etc regarding the interpretation and application of the legislation on securities market

G. Department of Administration and Personnel

The duties of the Administration and Personnel Department mainly include the following:

- **Personnel Issues**
 - > Monitoring the observance of Personnel Regulations;
 - > Monitoring of personnel training issues;
 - > Study of the needs in personnel as well as the announcement of new vacancies;
 - > Keeping of the records of the Provident Fund of the CySEC employees.
 - > Keeping of the records of the Employees' Welfare Fund of the CySEC.
 - > Coordination of the Health Care plan of the CySEC employees.
- **Financial Issues**
 - > Preparation of the CySEC budget and the monitoring of its accurate execution;
 - > Undertaking and monitoring the collection of fees/fines and the payment of expenses;
 - > Preparation of Financial Statements;
 - > Conduct of bids for the supply of consumables and equipment to cover the needs of the CySEC;
- **Other**
 - > Provision of secretarial support to the other Departments;
 - > Management of correspondence and telephone centre;
 - > Care for the correct management and maintenance of the equipment;
 - > Maintenance of the offices which house the CySEC;
 - > Provision of secretarial support to the Compensation Fund for Customers of Cyprus Investment Firms and other Investment Firms;
 - > Participation in the CESR Committee for the Development of a Common Culture amongst the European Supervisory Authorities on security market issues.
 - > CySEC safety issues.

H. IT and Operations Department

The duties of the IT and Operations Department mainly include the following:

- The creation, implementation, monitoring and improvement of systems which are necessary for both the IT Department and for other Departments;
- The regular update of the CySEC's website;
- The improvement of the way of presentation of the information as derived from electronic or non electronic forms of the CySEC;
- The management and monitoring, especially as regards safety issues, of the internal network and the various systems of the CySEC;
- The monitoring and coordination of the implementation of the Document Management System as well as the required training of the CySEC personnel;
- The monitoring and coordination of the implementation and continuous development of CESR's IT projects in relation to the CySEC, such as Transaction Reporting (TREM), Regulated Information Central Storage Mechanism (OAM-Officially Appointed Mechanisms);
- The participation in CESR-TECH group which deals with IT issues;
- The creation of the new CySEC Main Archive which will include all the incoming and outgoing documents, their categorization and classification according to the level of confidentiality and the access rights.