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TO : **Cyprus Investment Firms**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **May 30, 2017**

CIRCULAR No : **C213**

SUBJECT : **Questions & Answers on 'Country-by-country reporting' requirements**

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The Cyprus Securities and Exchange Commission ('the CySEC') wishes to inform the Cyprus Investment Firms (the 'CIFs') that the European Banking Authority (the 'EBA') has published questions and answers (the 'Q&A') regarding the 'Country-by-country reporting' requirements as set in Part II, Section 2, paragraph 18 of Directive DI144-2014-14 of the Cyprus Securities and Exchange Commission for the Prudential supervision of investment firms (the '[Directive](#)')<sup>1</sup>, (transposition of Article 89 of the [Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013](#)).

More specifically:

1. Paragraph 18, section 2, Part II of the Directive states that:

*'1) From 1 January 2015 CIFs are required to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year:*

- (a) Name, nature of activities and geographical location*
- (b) Turnover;*
- (c) Number of employees on a full time equivalent basis;*
- (d) Profit or loss before tax;*
- (e) Tax on profit or loss;*
- (f) Public subsidies received'*

*'2) The information referred to in subparagraph (1) shall be audited in accordance with the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and shall be published, where possible, as an annex to the annual financial statements or, where applicable, to the consolidated financial statements of the CIF concerned'.*

2. The Q&A intends to provide summarized clarifications regarding the Country-by-country reporting requirements.

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<sup>1</sup> The Directive applies to CIFs as defined in paragraph 2 of this Directive.

**a. Scope of disclosures and intra-group transactions** ([Question ID: 2014 1045](#))

CIFs are required to disclose information on a consolidated basis as set out in Q&A [1248](#) – that is the prudential scope of consolidation and not the accounting scope.

**b. Location of disclosure requirements** ([Question ID: 2014 1044](#))

The required information needs to be disclosed as either of the following:

- i. Annex to the financial statements
- ii. Part of the financial statements' notes
- iii. As a separate audited document

Note that if the required information is disclosed as a separate audited document, then it should be submitted to CySEC via Portal.

This, however, does not discharge the CIFs' obligation to publish the information required by Paragraph 18, section 2, Part II of the Directive.

**c. Definition of 'Tax'** ([Question ID: 2014 1043](#))

The disclosure requirement of 'profit or loss before tax' and 'tax on profit or loss' should only include current tax expense and not deferred taxes or provisions for uncertain tax liabilities.

**d. Definition of 'Turnover'** ([Question ID: 2014 1249](#))

The definition of turnover should be coherent with the CIFs' audited financial statements.

**e. Definition of 'Establishment'** ([Question ID: 2014 1248](#))

The term 'establishment' should be read as:

- i. Subsidiaries
- ii. Branches
- iii. Any other relevant entities through which a CIF has a physical presence in a particular country.

Note that the term 'establishment' does not include representative offices, i.e. represent the head office of a CIF in another Member State and does not itself provide investment services or activities.

3. CySEC expects that CIFs will take into account the above clarifications when disclosing their 'Country-by-country reporting' requirements.

Sincerely,

Demetra Kalogerou  
Chairman of Cyprus Securities and Exchange Commission