



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

ANNUAL
REPORT

2016

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ABBREVIATIONS

AIFMD:	Alternative Investment Fund Managers Directive
AIFMs:	Alternative Investment Fund Managers
AIFs:	Alternative Investment Funds
ASPs:	Administrative Service Providers
CFIA:	Cyprus Financial Investor Association
CIFs:	Cyprus Investment Firms
CIPA:	Cyprus Investment Promotion Agency
CRAs:	Credit Rating Agencies
CSE:	Cyprus Stock Exchange
CSSDA:	Co-operative Societies' Supervision and Development Authority
CySEC:	Cyprus Securities and Exchange Commission
EBA:	European Banking Authority
EIOPA:	European Insurance and Occupational Pensions Authority
ESMA:	European Securities and Markets Authority
ESRB:	European Systemic Risk Board
EU:	European Union
FO:	The Financial Ombudsman of the Republic of Cyprus
ICF:	Investors' Compensation Fund
ICPAC:	Institute of Certified Public Accountants of Cyprus
IFs:	Investment Firms
IOSCO:	International Organization of Securities Commissions
MOKAS:	Money Laundering Combat Unit
MTF:	Multilateral Trading Facility
PREU:	Permanent Representation of the Republic of Cyprus to the EU
UCITS:	Undertakings for Collective Investments in Transferable Securities
UNSC:	United Nations Security Council

CHAIRWOMAN STATEMENT



Year 2016 has been full of developments, for the Cyprus economy, as well as for the Cyprus Securities and Exchange Commission (CySEC).

The Republic of Cyprus has successfully completed the macroeconomic adjustment program agreed in the previous years and its economy return to a path of recovery, with growth rate close to 3% of GDP, one of the highest growth rates in the European Union. The financial sector, together with tourism and shipping sectors, have supported the growth prospects of the Cyprus economy, while important investment has taken place in other areas, either as a result of government initiatives or by the private sector. Unemployment showed signs of decrease, although it remains at a high rate, while private consumption has recorded an annual growth of 2,4%, exports rose by 5,3% and imports rose by 4,2%.

These positive developments were picked up by the international rating agencies which responded by multiple upgrades of the credit rating of Cyprus, enabling its access to credit in the international capital markets with preferable terms. The prospects for years 2017 and 2018 are very positive according to the Ministry of Finance, with annual growth rate anticipated to exceed 2,5% of GDP. Further, according to the winter forecast of the European Commission, public debt is expected to fall below 100% of GDP by 2018.

Despite these promising developments and forecasts, our intense and concerted efforts towards the full reinstate of international investor confidence in Cyprus must continue unbattered.

Year 2016 has been a significant year for CySEC, since it has completed 20 years since its establishment. Until 2000, there existed only two laws that regulated the transferable securities market and the workings of the Cyprus Securities and Exchange Commission. During those early years, CySEC employed only a small number of Officers and its powers were fairly limited. Today, 20 years on, CySEC is an independent public supervisory Authority, with all the necessary tools to ensure the smooth working and healthy development of the Cyprus securities market and the compliance of the entities under its supervision with the legal framework in place. Further, its supervisory mandate has been widened substantially with the addition of new groups of supervised entities, including collective investment funds, investment fund managers and administrative service providers. The development and transformation of CySEC in these last years has resulted in CySEC having acquired today the responsibility to supervise over 600 entities.

In the framework of the celebrations of its 20 years, CySEC has conducted a big event at the Presidential Palace, in the presence of the President of the Republic, the Minister of Finance and the Chairman of the European Securities and Exchange Commission (ESMA).

In 2016, similarly to the previous years, CySEC continued to perform its duties for ensuring the fair functioning of the securities market and its healthy and robust development.

With regards to supervision, all supervised entities have been set under the umbrella of its Risk Based Supervision Framework. Through the use of this framework, which was implemented at the end of 2015 and was utilised in preparing the plan for inspections of 2016, the focus is placed on those areas and entities that pose the most important risks. In specific, the supervised entities were categorised according to a high, medium and low risk profile which dictates the frequency and depth of the supervisory checks to be undertaken at each of them.

In 2016 the financial sector continued to contribute substantially to the wider services sector and in the growth of the Cyprus economy in general, while it showed prospects for further expansion. Indicatively, there are 132 applications for authorization of new supervised entities before the CySEC. Of these, 61 applications concern licensing Investment Firms and 56 the very promising collective investment sector, while the remaining 15 applications concern the licensing of companies providing administrative services.

In addition to licensing and oversight, which is a continuous process, CySEC has focused its efforts on shaping and implementing the new strategic plan announced in early 2017 for the next five years, which aims to further develop the market through Innovation and education.

In particular, CySEC intends to further enrich the securities sector with new products and services. Within 2017, the upgraded regulatory framework for new types of Registered Alternative Investments and the new category of licensed managers that are “under the limits” or “mini managers” is expected to be submitted to the House of Representatives for voting. Consideration is also being given to institutionalizing the operations of companies providing services relating to the management of Alternative Investment Funds, which are currently unregulated.

Priority will also be bestowed to the use of financial technology, known as FinTech, such as the blockchain technology that was behind the development and operation of digital currencies, and promises to change the way assets and currency are transferred. Already, other competent Authorities, startups and prominent financial institutions are looking into the use and benefits that it can provide to the financial sector.

CySEC is a member of the special committee set up by ESMA for the coordinated regulatory and supervisory handling of new or innovative financial instruments or services. CySEC also participates in the Blockchain technology for Algorithmic Regulation and Compliance (BARAC), a research consortium dedicated to knowledge transfer in relation to Blockchain technology. In addition, the project will explore how Blockchain technology can be used to capture financial activity data for both compliance and law enforcement purposes.

CySEC, like all Supervisory Authorities, wishes to understand both the benefits and risks stemming from the introduction of new technologies to the securities markets and to assess whether there is a need for regulatory action to facilitate the benefits or mitigate the risks that may arise.

CySEC’s goal is also that, by the end of 2017 and early 2018, the introduction of the new stock brokerage product Crowdfunding will be launched to finance start-ups that offer innovative products.

From a legislative point of view, the 4th European Directive on the Prevention of Money Laundering and Counter Terrorism, which inter alia will oblige supervised entities to identify and assess the risks that may arise from such actions and to apply appropriate preventive measures, will be transposed into national law by 2017.

At the same time, emphasis will be placed on the prompt preparation of the Cyprus Investment Firms (CIFs) for the adoption of the European Directive MiFID II which comes into operation in January 2018. This is the single most important European regulatory change, as it is expected to radically alter the financial landscape. Among other things, it will limit over-the-counter transactions and strengthen the CIFs’ corporate governance code. The draft Law has already been tabled before the House of Representatives and is expected to be

adopted by 2017. The MiFID II Directive also provides for increased powers for national supervisors in terms of product governance and intervention powers in cases where products are deemed to pose significant risks to investors.

Also, the obligations of listed companies will be further increased by the implementation of the new harmonizing Law governing the audit profession, which was voted by the House of Representatives in May this year. Companies will be obliged to set up Audit Committees to monitor the work of auditors, while at the same time the structure of the presentation of financial results will radically change to include more detailed information to allow enhanced transparency.

In 2016, CySEC was strengthened with human resources through staffing with additional permanent positions and in 2017 an emphasis will be placed on training. The reinforcement of the various functions of CySEC has been further strengthened through the hiring of services and the participation in the program for the temporary employment of new graduates fostered by the Human Resource Development Authority.

All the above show that Cyprus continues to have substantial advantages and being an attractive investment destination, and reflect the efforts made by CySEC to continuously and substantially improve the legislative and supervisory framework of the Cyprus securities market, in line with those of other advanced financial centers in EU Member States and third countries. Undoubtedly, a modern, well-organized and adequately supervised securities market contributes significantly to the development of the financial sector and of the wider economy.

I would like to thank the CySEC staff for their hard work and their valuable contribution towards the achievement of CySEC objectives. I would also like to express my sincere gratitude to the Vice-Chairman for his continued support and the excellent cooperation we have, as well as to the rest of the members of the CySEC Board and the members whose term was completed last year. Further, I would like to express my sincere gratitude to Finance Minister Haris Georgiades, the staff of his Ministry, as well as all the stakeholders in the securities market for their overall contribution and cooperation. Finally, I would like to thank my colleagues in IOSCO and the national supervisors of other countries, and in particular the Supervisory Authorities in the other EU Member States and ESMA for our excellent cooperation and mutual support in the context of the supervision of the single financial market.

Demetra Kalogerou

Chairwoman of the Cyprus Securities and Exchange Commission

THE COMMISSION

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... most
... reliable
... and attractive
... investment
... destinations.



THE COMMISSION

The Cyprus Securities and Exchange Commission (CySEC) is a public independent Supervisory Authority, responsible for the supervision of the investment services market in transferable securities and of the transactions in transferable securities carried out in the Republic of Cyprus or from the Republic of Cyprus. CySEC was established in accordance with section 5 of the Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a legal entity of public Law. The operation of CySEC is under the scope of the Law that Regulates the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Matters (L73(I)/2009), as amended.

2.1 VISION, MISSION AND STRATEGIC OBJECTIVES

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

The mission of CySEC is the exercise of effective supervision that ensures the protection of the investors and the sound development of the securities market.

In order to realise its vision and mission, and to fulfil its legal obligations, CySEC focuses in the implementation of five Strategic Objectives, which are the following:

I. The continuous reform of the regulatory and supervisory framework of the Cypriot securities market, based on the EU Directives and Regulations and the international practice

The implementation of this strategic objective shall ensure the high degree of investor protection and the smooth operation of the market and the harmonisation of the legal framework of the Cypriot securities market with the European aquis.

II. To ensure the full compliance of the supervised entities with their obligations in accordance with the relevant regulatory framework

The implementation of this strategic objective shall result in the effective supervision of the supervised entities and shall assist in the enhancement of market confidence in the Cyprus financial system.

III. The contribution and continuous development of the investor education system

The implementation of this strategy shall improve the level of knowledge of the investors on investments and their ability to make proper investment decisions.

IV. The contribution to the promotion and attraction of new, robust and dynamic financial organisations

The implementation of this strategic objective shall contribute in the improvement of the reputation and credibility of Cyprus as investment centre and shall highlight its prospects to become an international financial centre.

V. The continuous improvement and modernisation of the operations of CySEC

The implementation of this strategic objective shall lead to an increase in the efficiency, effectiveness and transparency of the operations and procedures of CySEC and aims in **reducing the bureaucracy and the time of execution of operations.**

2.2 ROLE AND RESPONSIBILITIES

In accordance with the Cyprus Securities and Exchange Commission Law of 2009, CySEC is responsible to ensure the smooth operation and systematic development of the securities market and the monitoring of the transactions in transferable securities carried out in the Republic of Cyprus. The scope of its supervision extends out of the Republic, for transactions performed by investment firms (IFs) under CySEC's supervision. CySEC exercises the powers and competencies assigned to it by Law and its task is to conduct research, suggest measures to other competent Authorities and take measures to safeguard the integrity of the performed stock exchange transactions and, in general, the assurance of the efficiency and fair operation of the securities market.

To be able to operate properly, effectively and efficiently, and to ensure, amongst other things, the protection of investors, a securities market needs to have detailed rules regarding its operation and, in general, an appropriate and complete legal framework. This framework governs the operation of the market and all those that operate therein, for example, the Issuers of securities (public companies), IFs, investment funds, as well as the investors themselves. The supervision of the compliance with those rules and with the legal framework in general, is assigned to CySEC, which is responsible for the monitoring of the market and taking precautionary and suppressive measures to achieve the legal goals and objectives.

The main competencies and responsibilities of the CySEC are defined in Section 25 of the Law Regulating the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Issues (L73(I)/2009) and may be summarised as follows:

- To examine applications and grant authorisations to the entities under its supervision, as well as, to suspend and revoke the relevant authorisations;
- To supervise and monitor the operation of the Cyprus Stock Exchange and of other regulated markets of the Republic and the transactions performed in those markets;
- To supervise and conduct audits to the entities under its supervision in order to ensure their compliance with the legislation that governs their operation;
- To conduct investigations that are necessary for the exercise of the competencies assigned to it by law and on behalf of other foreign Competent Authorities;
- To require and collect necessary or useful information for the exercise of the competencies assigned to it by law and demand in writing the provision of the information from any natural or legal person or entity that it considers to be in a position to provide the required information;
- To impose the administrative and disciplinary penalties provided by the law;
- To demand the cessation of practices contrary to the relevant legislation;
- To apply to a competent court to issue an order to block or charge or freeze assets or to prevent the alienation of assets or a transaction in assets;
- To issue Directives and Decisions of regulatory content;
- To cooperate and exchange information and documents with other public authorities of the Republic, Competent Supervisory Authorities abroad and other organisations.

Further to the above competencies, CySEC is assigned with the exercise of powers and competencies as these are provided in the following laws:

- The Public Offer and Prospectus Laws of 2005-2014;
- The Law on Insider Trading and Market Manipulation (Market Abuse) of 2005 - 2013;
- The Takeover Law of 2007-2015;
- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Laws of 2007-2016;
- The Law regulating Firms Providing Administrative Services and Related Matters of 2012.

2.3 MANAGEMENT AND STRUCTURE

2.3.1 Board

CySEC is governed by a five member Board comprised by the Chairman/Chairwoman and the Vice-Chairman/Chairwoman, providing their services on an exclusive and full time basis, and three non-executive members. The members of the Board are appointed by the Council of Ministers after a proposal by the Minister of Finance and their term is for five years with a right of renewal for five additional years.

The CySEC Board is comprised of the following persons:

CYSEC BOARD AS OF 31 MAY 2017		
Name	Position	Date of Appointment
Demetra Kalogerou	Chairwoman	15 September 2011
Andreas Andreou	Vice-Chairman	28 September 2011
Anastasia Anastasiadi	Member	14 July 2016
Nicole Phinopoulou	Member	02 November 2016
John Georgoulas	Member	24 February 2017



Chairwoman

Demetra Kalogerou

Mrs. Kalogerou was appointed Chairwoman of the Securities and Exchange Commission in September 2011. Mrs. Kalogerou is also a member of the Committee of Public Supervision, which has been established to supervise audit firms. Furthermore, from September of 2013 until June of 2014, Mrs. Kalogerou has been a member of the Resolution Authority, with the Minister of Finance and the Governor of Central Bank of Cyprus, which supervised the implementation of the resolution of the second largest financial institution in Cyprus.

Mrs. Kalogerou was previously employed at the Cyprus Stock Exchange (CSE) as a Senior Officer and her duties included the supervision of transactions in transferable securities and the various CSE markets, the monitoring of compliance of listed public companies with their continuous obligations, the research and development of new products, as well as the promotion of financial markets.

Because of the above duties, during her fifteen years of employment with the CSE Mrs. Kalogerou developed an in-depth knowledge on all aspects of the securities market and acquired extensive experience in matters relating to the smooth and orderly development of securities markets and investor protection. Mrs. Kalogerou holds a BSc in Economics and Business Administration, an MSc in Economics of Public Policy and an MPhil in Finance.



Vice-Chairman
Andreas Andreou

Mr. Andreas Andreou was appointed in the office of Vice-Chairman of the Securities and Exchange Commission in September 2011, whereas in July 2015 his office was renewed for another five years. He has extensive work experience, both, in the legal and the broader financial sector. Prior to his appointment in CySEC, he exercised the legal profession for years until his appointment as the head of the legal department and Secretary of the Board of a large investment firm. Furthermore, he served as Director in a Management Company, as well as in other companies of the same group. Every year, Mr. Andreou participates, inter-alia, in IOSCO and ESRB meetings as a representative of CySEC. Mr. Andreou holds a Law degree and an MSc in European and International Commercial Law from the University of Leicester in England. He has been a founding member of the Cyprus Association of Directors and is a member from the Cyprus Bar Association since 1996, whereas in 1995, he became a Barrister, member of Lincoln's Inn in London. He participated in numerous local and international conventions about the economy, and he was a speaker in many of them.



Member
Anastasia Anastassiadi

Mrs. Anastassiadi graduated from the London School of Economics and Political Science with a BSc (Hons) in Actuarial Science. She is a Fellow of the Institute of Actuaries in the UK and has 20 years of total consulting experience. Mrs. Anastassiadi joined Aon Hewitt in 2010. She is the lead Investment Consultant for a number of pension funds and Insurance companies which she advises on strategic investment matters and implementation as well as providing general investment related support. She joined Aon Hewitt after three years in the pensions structuring team at BNP Paribas in London where she assisted trustees of pension funds to develop derivative based risk-mitigating investment strategies for their schemes. Her main countries of focus were the UK, Ireland, Italy, Netherlands and Sweden.

Prior to that she was a senior investment consultant at PSolve Consultants advising pension schemes of several companies on all aspects of their investment arrangements, including setting innovative risk management strategies and selecting specialist fund managers. These strategies utilise interest rate swaps and equity derivatives to efficiently assist schemes to protect funding levels. She was also responsible for the research into alternative asset classes and maintaining the companies buy list for such managers.

She was previously with the Financial Services Authority in London in the Risk Assessment Division where she led projects analysing systemic risks in insurance and financial firms. She also worked for the Government Actuary's Department in the UK where she was involved in social security work for governments around the world (including Cyprus and the Middle East) as well as pensions-related work for local UK authorities.



Member

Nicole Phinopoulou

Ms. Phinopoulou holds an LLB (Law) degree (Hons), Master's degree LLM (Masters in Corporate and Commercial Law) from the University College London of the United Kingdom and her professional qualifications include a Postgraduate Diploma in Legal Practice (Inns of Court) and a Postgraduate Diploma on Mechanics of Project Finance of the International Faculty of Finance (IFF). She specialises in corporate and banking law, with emphasis on investment and financial services (Capital Markets/Financial Services). Ms. Phinopoulou is an active member of the Cyprus Bar Association since 2003 and participates in the Tax Planning, the Private Companies and the Stock Exchange Committees. From 2009 to 2013, she served as a Nominated Admissions Advisor for the New Market of the Cyprus Stock Exchange.



Member

John Georgoulas

John Georgoulas has more than 15 years' experience in finance, strategic planning, public and government affairs acquired in Greece and Cyprus. Since 2010, he is the General Manager of The Economist events in Cyprus organizing two major events every year in the areas of Finance, Public policy and Energy and the General Manager for Cyprus for The Economist - The World in 2013, 2014, 2015, 2016 & 2017 Greece & Cyprus editions. Since March 2013 he is a senior advisor to the Chairman at The Paraskevaides Group, since October 2014 he is the Director of the International Presidential Business Advisory Council in Cyprus and the Acting Managing Director of Global Entrepreneurship Network (GEN) in Cyprus. John holds a BSc in Business Information Systems, a Post Graduate Diploma in Business Administration and a Diploma of Higher Education in Computer Sciences. He is an IVLP alumni of the Department of State of the USA on Entrepreneurship and business management and President of AHEPA (American Hellenic Progressive Educational Association) ACY001 in Cyprus. He is also a member of the Advisory Board of European University in Cyprus, he sits on the board of Friends of Shriners Hospitals for children Cyprus, and is Advisor for Cyprus at Industry Disruptors and a Co-host for Global Entrepreneurship Week and a mentor to The Founder Institute.

2.3.2 Organisational Chart

Based on an evaluation of its needs, as well as for its strategic planning, CySEC proceeded with its internal restructuring.

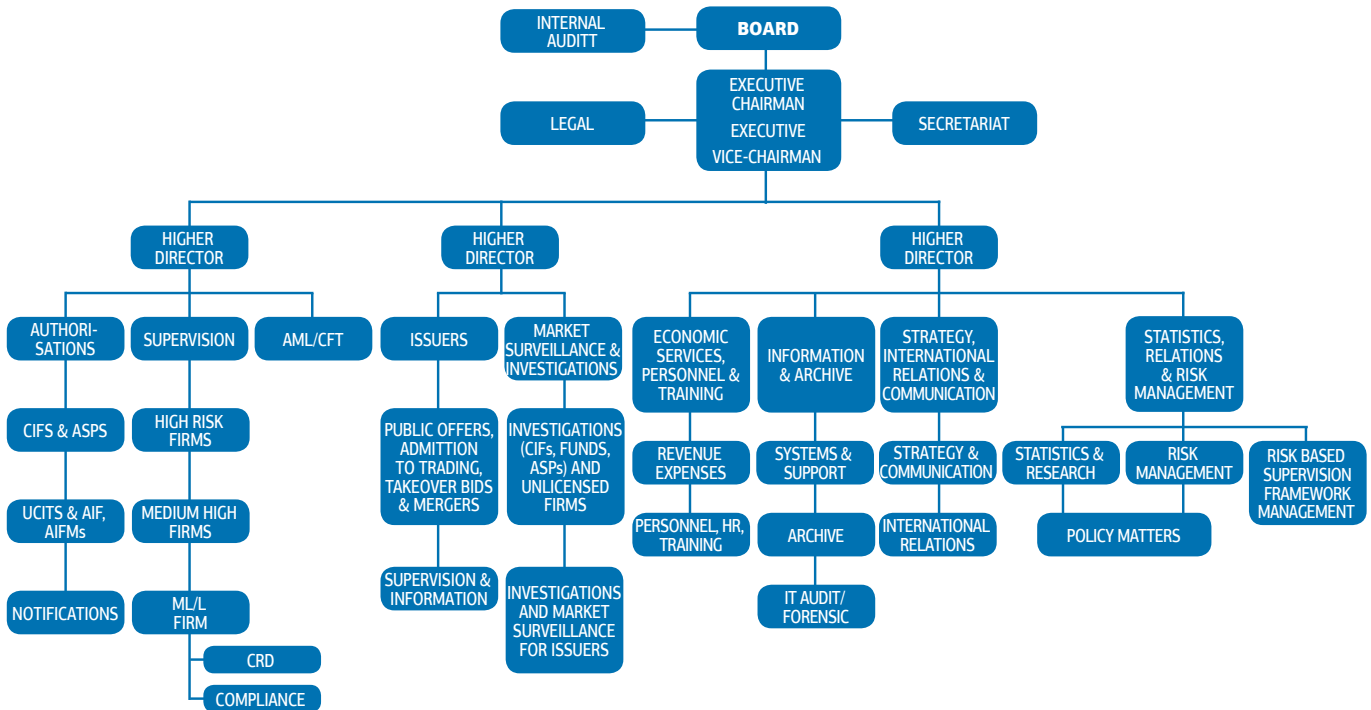
The new internal structure includes the establishment of new Departments according to the demands of CySEC operations and responsibilities, as those have been modified and according to the forecast for their future development. Due to the increase in CySEC work volume, its new structure includes a significant increase in personnel, especially in the Supervision and Licensing Departments. At the same time, efforts are being made for the introduction of intermediary promotion positions due to the increase in the number of personnel, but also because of the need to modernise the Supervisory Authority in response to new market conditions. The implementation of the new structure began in 2015 and continued in 2016 with the hiring of 38 new Officers, 11 Assistant Clerical Officers and 1 Office Assistant.

In 2016 the 10 Departments (10 in 2015) that comprised CySEC included the Strategy and International Relations Department, the Issuers Department, the Authorisations Department, the Supervision Department, the Market Surveillance and Investigations Department, the Legal Department, the Administration and Personnel

Department, the Information Technology and Operations Department, the Statistics, Research and Risk Management Department, and the Anti-Money Laundering Department. CySEC also has an Internal Audit Unit.

In 2016, 2 Officers were promoted to Senior Officers and were positioned in the Administration and Personnel Department and in the Internal Audit Unit. In accordance with the target to form the most effective internal structure, CySEC plans to promote 10 more Officers to Officers A' and 2 Assistant Clerical Officers to Clerical Officers.

The aim of CySEC is to differentiate its internal structure within the next years, on the basis of additional personnel recruitments and according with the new changes and adjustments that will be deemed necessary along the way. The chart that follows outlines the structure of CySEC Departments for the next years.



2.3.3 Departments

Strategy and International Relations Department

The Department of Strategy and International Relations is responsible for the strategic planning of CySEC, the internal and external communication and promotion of its work, international relations, the education of the public on securities market issues and on investment services in transferable securities, and the support of the Chairwoman and the Vice-Chairman on the above issues.

In particular, the tasks of the Strategy and International Relations Department include primarily the support of the Chair and Vice-Chair and matters of strategy and policy, such as involvement in the monitoring and evaluation of developments in the securities market and the institutional framework and submission of proposals to the Chair for the formulation of a strategy and the strategic objectives of CySEC in the light of market developments, monitoring the progress of implementation of the Strategic Plan of CySEC and informing the Chair and Vice-Chair at regular intervals, as well as their support in order to better coordinate the work of the CySEC and its relations with other Cyprus Authorities and bodies.

It also handles internal and external communications issues, including suggestions on communication policy issues, editing of publications, coordinating the organization of communication activities, seminars, conferences and other events, and monitoring the domestic and international daily press and developments at European and international level.

In addition, it is responsible for investor education initiatives, as well as international relations, including communication with competent supervisory authorities and foreign organizations, negotiation and conclusion of Memoranda of Understanding with competent supervisors overseas and monitoring the work of ESMA, the ESRB and IOSCO.

At the same time, the Department of Strategy and International Relations is responsible for the coordination and representation of CySEC, in Cyprus and abroad. This includes, inter alia, cooperation with government departments and the other competent Authorities in the financial sector of Cyprus, the representation of CySEC in the ESMA Review Panel, the ESRB, the Advisory Committee on Penalties from United Nations Security Council resolutions and Restrictive Measures of European Union Regulations and the Board of the Financial Services Ombudsman of Cyprus, as well as participation in the Informal High Level Committee of of the Supervisory Authorities of the Financial Sector.

Issuers Department

The Issuers Department is mainly responsible for the monitoring of the compliance of companies whose shares are listed in a regulated market with their continuous legal obligations, the examination of applications for prospectus approval for a public offer of transferable securities and their listing in a regulated market in accordance with the Public Offer and Prospectus Law, monitoring of the implementation of the Public Offer and Prospectus Law by the afore-mentioned entities, the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed in a regulated market, as well as monitoring the implementation of the Public Takeover Bids Law.

Authorisations Department

The Authorisations Department is responsible for examining applications for granting authorisation to entities that fall within the entities regulated by CySEC. Further, the Authorisations Department examines several applications such as to extend the authorisation of supervised entities, for changes in the ownership structure and changes in the persons who direct their activities, notifications for providing services across borders through the freedom to provide services or through establishing branches, and shares the notifications of UCITS Management Companies or Alternative Investment Fund Managers that concern the marketing or managing of UCITS or Alternative Investment Funds to other EU Member States to the competent Supervisory Authorities.

Supervision Department

Supervision Department duties include supervising organizations authorised by CySEC in relation with their continuing legal obligations, and the supervision of compliance by branches held in Cyprus by entities authorised in other EU Member States with their obligations with regard to the provision of investment services. Also, the Department is responsible for monitoring the compliance on obligations for the provision of shares of foreign harmonized and non-harmonized UCITS in Cyprus, the monitoring of cross-border services in Cyprus by UCITS Management Companies that are based in another EU Member State, and the monitoring of the compliance of foreign harmonized and non-harmonized UCITS and their distributors with their continuous obligations in relation with cross-border service provision. In addition, it is responsible for supervising the obligations of AIFMs and AIFs, supervising the obligations of regulated markets, and training supervised entities and individuals in the above matters.

Market Surveillance and Investigations Department

The Department of Market Surveillance and Investigations is primarily responsible for receiving complaints and their investigation, to conduct investigations on own initiative, to conduct investigations on behalf of a foreign Supervisory Authority and to issue warnings about companies which provide investment services in the Republic without being authorised by CySEC.

Anti-Money Laundering Department

The Department for the Prevention of Money Laundering is responsible for the efficient and effective supervision and implementation of the provisions of the Law and the CySEC Directive for the Prevention and Suppression of Money Laundering and Terrorist Financing. The tasks of the Department include the continuous monitoring of the compliance of supervised entities with their ongoing obligations, through on-site and desk-based inspections, in order to assess the adequacy and suitability of the measures and procedures applied.

Statistics, Research and Risk Management Department

The Department of Statistics, Research and Risk Management is responsible for the consolidation of risk management in all CySEC activities, the management of the supervisory framework (Risk Based Supervision Framework - 'RBSF') and performing statistical analyses in order to assist the oversight role and strategic goals of CySEC. The Department's tasks include mainly risk management to effectively cover all of its forms for CySEC, ensuring their unified monitoring, the specialized treatment and strengthening of risk management as a key element in making all the key decisions in all CySEC levels of operation (Operational Risk Management). It also includes the completion, implementation, monitoring, update and upgrade of the RBSF supervisory framework. In addition, the Department conducts the statistical analysis and studies for the reliable and complete information of CySEC on supervised entities.

Legal Department

The functions of the Legal Department include, in particular, the monitoring the legislation concerning the securities market, the drafting of legislation, the preparation and submission of proposals to amend the legislation with a view to improving and streamlining it, and maintaining a record for the monitoring of CySEC related cases pending in court. Also, it monitors, coordinates and cooperates with CySEC's external lawyers and supports the CySEC Board in a secretariat capacity (record keeping, archiving decisions, keeping composition file, preparing announcements on decisions taken, etc.). It also provides legal support for CySEC (internal advice to the CySEC and revision of documents), prepares advice/ answers questions submitted to CySEC, and handles the harmonization of Cypriot legislation with the EU legislation.

Administration and Personnel Department

The duties of the Administration and Personnel Department include issues relating to the preparation of the budget, monitoring and control of the expenses of the organisation, the preparation of invitations for tenders and the delegation of public contracts, the monitoring of Personnel Rules, issues related to personnel training, the conduct of studies regarding personnel needs and the filling in of vacancies and other responsibilities such as the maintenance of the accounting records of the Provident and Welfare Funds of CySEC's personnel. Furthermore, the Department deals with other current issues such as the administration of the equipment and the maintenance of the building. In addition to the above, it also provides secretarial support to the CIF Investors' Compensation Fund and updates the Public Register of Certified Persons together with the organisation of the examinations for the certification of persons employed in CIFs, Credit Institutions, Management Companies and Investment Companies of Variable Capital.

IT and Operations Department

The IT and Operations Department is responsible for the management and upgrading of the technological infrastructure of the organisation, of the website and the internal network and other issues regarding the adoption of modern technologies and communication by CySEC, in order to ensure the effectiveness and security in data management and the communication performed in the course of the exercise of its activities, as well as, the increase in productivity and reduction in cost.

Internal Audit Unit

The mission of the Internal Audit Unit is to enhance and protect the values of CySEC, providing objective and risk-based assurance, advice and insight. Internal audit is an independent and objective assuring and consulting activity designed to add value and improve the organization's operations. It assists the organisation achieve the objectives of adopting a systematic professional approach to the evaluation and improving the effectiveness of risk management processes, internal control systems and governance.

2.3.4 Personnel

At the end of 2016 CySEC employed on a permanent basis 8 Senior Officers (2015 – 6), 67 Officers (2015 – 31) and 23 Assistant Clerical Officers (2015 – 12). During the year two Officers left CySEC. The analysis of CySEC personnel by Department is presented in the following table.

Department / Function	Senior Officers	Officers	Assistant Clerical Officers	Office Assistants	Total
Strategy and International Relations	1	2	1	0	4
Issuers	1	5	2	0	7
Authorisations	1	9	2	0	12
Supervision	1	16	3	0	20
Anti-Money Laundering	0	11	2	0	12
Statistics, Research and Risk Management	0	4	1	0	5
Investigations and Market Surveillance	1	8	2	0	11
Legal	1	3	1	0	5
Administration and Personnel	1	4	4	1	10
Information Technology and Operations	0	4	2	0	6
Internal Audit	1	1	1	0	3
Chair Support/ Reception/ Archive	0	0	2	0	2
Total	6	67	32	1	99

As at the end of 2016, one Officer of the Legal Department was seconded to the Permanent Representation of Cyprus in EU, in Brussels, while another Officer of the Legal Department was seconded to the Ministry of Finance until September 2016.

In the context of the requirement to increase the CySEC personnel, as at the end of 2016, a number of Officers of the CSE have been seconded to CySEC under the special Memorandum of Cooperation that was signed between CySEC and the CSE in 2012. The CSE Officers were positioned in the CySEC Departments as follows:

Department / Function	Officers	Assistant Clerical Officers	Total
Authorisations	-	1	1
Investigations and Market Surveillance	-	1	1
Administration and Personnel	1	-	1
Information Technology and Operations	1	1	2
Total	2	3	5

Additionally, CySEC continued to participate in the scheme launched by the Human Resource Development Authority for the placement of unemployed graduates in businesses and organisations, to obtain work experience. In total, 4 graduates (2015 – 8) have been employed in various CySEC Departments under this scheme and acquired significant experiences, while assisting in the completion of CySEC’s work.

Also, during 2016 CySEC offered an internship position in the Authorisations Department to two university students.

2.4 BRIEF HISTORIC OVERVIEW

1996 – 2000

CySEC was initially established in 1996 by virtue of section 8 of the Securities and the Cyprus Stock Exchange Law as an “Administrative Collective Supervisory Body.” It had five members and was comprised of the Government Commissionaire, the representative of the Central Bank of Cyprus and another 3 members. All of its members were non-executive.

It should be noted that until 2000 only two Laws governing the securities market were in place, 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. By the end of 1999, the staffing was insufficient, as CySEC employed only four employees (three Officers and one Secretary).

2001 – July 2009

CySEC was established on 20 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.

CySEC is a public corporate body and has the responsibility of supervising the securities market, ensuring its smooth operation and steady development, as well as monitoring the transactions in transferable securities carried out in the Republic of Cyprus. Currently, CySEC is an independent public supervisory Authority and is one of the four Authorities that supervise the financial sector of Cyprus, together with the Central Bank of Cyprus, the Audit Service of Cooperative Institutions, and the Supervisory Authority of Professional Pension Funds. In accordance with the new Law, CySEC is governed by a five-member Council, where the Chairman and Vice-Chairman provide their services on a full time basis.

July 2009 – Today

On 10 July 2009, the new Cyprus Securities and Exchange Commission Law of 2009 (Law.73(I)/2009) came into force replacing the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 to 2007. On 23 May 2014, the Cyprus Securities and Exchange Commission (Amending) Law

of 2014 (Law. 65(I)/2014) which shall be read with the Cyprus Securities and Exchange Commission Laws of 2009 and 2012, as amended, and shall be referred as 'The Cyprus Securities and Exchange Commission Laws of 2009 to 2014', was published.

CySEC has, now, the necessary tools, both dissuasive and repressive, to ensure the regulatory compliance of supervised entities. In the case of an established violation, CySEC has 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. Furthermore, in accordance with the new Law, CySEC has now the following significant new powers:

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

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SECURITIES AND EXCHANGE COMMISSION

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YEAR ASSESSMENT

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3 YEAR ASSESSMENT

3.1 REGULATED ENTITIES

CySEC is responsible for the supervision of the operations and the compliance of groups of organisations with the relevant legislation that governs their activities and which are listed in the table below (Table 1).

Table 1: Entities Regulated by CySEC

ENTITIES
Cyprus Investment Firms (CIFs)
Cypriot Branches of Investment Firms (IFs) established in other EU Member States
CIF Tied Agents
Undertakings for Collective Investments in Transferable Securities (UCITS)
Alternative Investment Funds (AIFs)
Alternative Investment Fund Managers (AIFMs)
UCITS Management Companies
Persons engaged in the marketing of UCITS and AIFs
UCITS and AIFs Depositaries
Cypriot branches of UCITS Management Companies established in other EU Member States
Administrative Service Providers
Regulated Markets
Central Counterparties for the Clearing and Settlement of OTC Derivatives
Repositories of OTC derivatives transactions

At the end of 2016, CySEC supervised 610 entities as follows:

- 214 Cyprus Investment Firms (CIFs)
- 167 Administrative Service Providers
- 1 Regulated Market (CSE)
- 81 Issuers of securities listed at CSE
- 1 Multilateral Trading Facility
- 80 Alternative Investment Funds and Alternative Investment Funds with a Limited Number of Persons,

- including 1 European Venture Capital Fund (EuVECA)
- 13 AIFMs
- 5 UCITS Management Companies
- 4 UCITS funds
- 32 foreign UCITS
- 12 Issuers of securities listed in other regulated markets abroad.

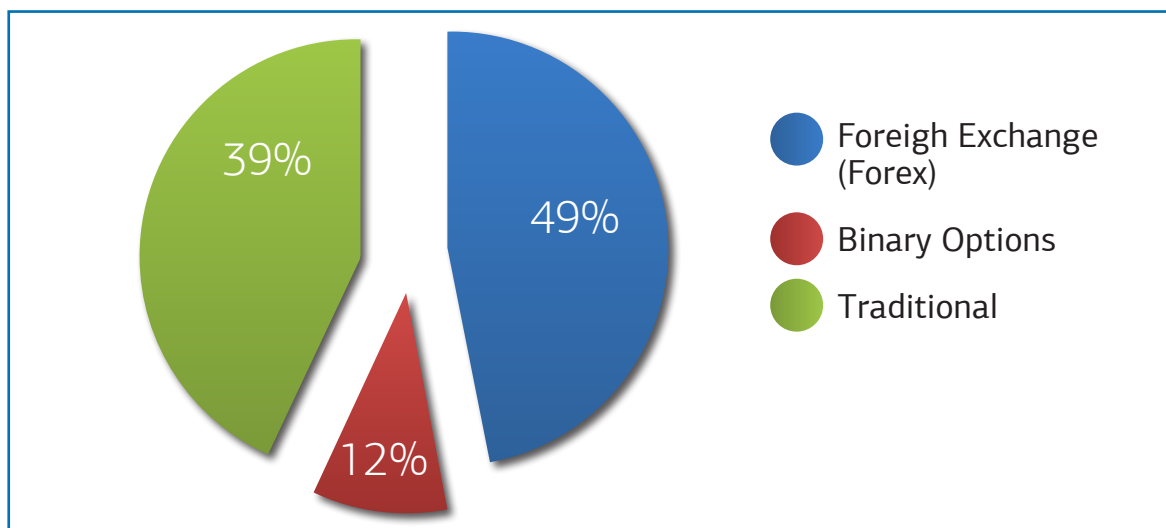
At the same time, by the end of 2015 CySEC had to examine about 134 new applications for authorisation, which included:

- 60 applications for new CIFs
- 33 applications of AIFs and AIFs with Limited Number of Persons
- 21 applications for authorisation of Administrative Service Providers
- 12 applications for AIFMs
- 6 applications for the authorisation of new UCITS
- 2 applications for the authorisation of UCITS Management Companies

The rate of submission of applications to CySEC for the licensing of new supervised entities by Cypriots or foreigners continues unbattered in 2016, despite the difficult international economic climate and the challenges faced by the Cyprus economy in the previous years. As a result of this interest, the total number of supervised entities is expected to rise further, once the above-mentioned 134 applications under consideration are completed. The interest in the investment services sector in Cyprus reflects the fact that Cyprus continues to offer key comparative advantages that make it an attractive investment destination.

Chart 1 below records the number of CIFs per category during 2016. Other charts record data from all other supervised entities collected following the publication of their Annual Report for each year.

Chart 1: Number of CIFs per category



In 2016 CySEC examined 2 applications for a UCITS Management Company, one of which was granted. Also, it granted a license to 1 AIFM. At the same time, it examined and approved 10 applications of AIFs and 28 newly created LNPAIFs.

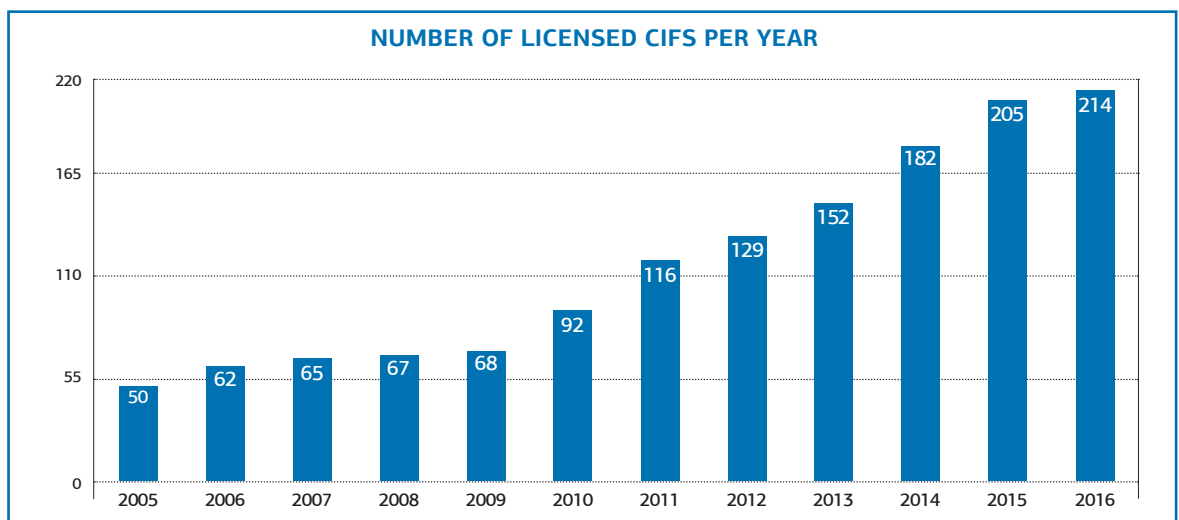
The number of licenses issued by CySEC during 2016 is presented in table 2 below.

Table 2: Number of licenses issued by CySEC

Entity	Number of licenses granted
ASP	24
CIF	29
AIFM	1
UCITS	1
AIF	10
LNPAIF	28

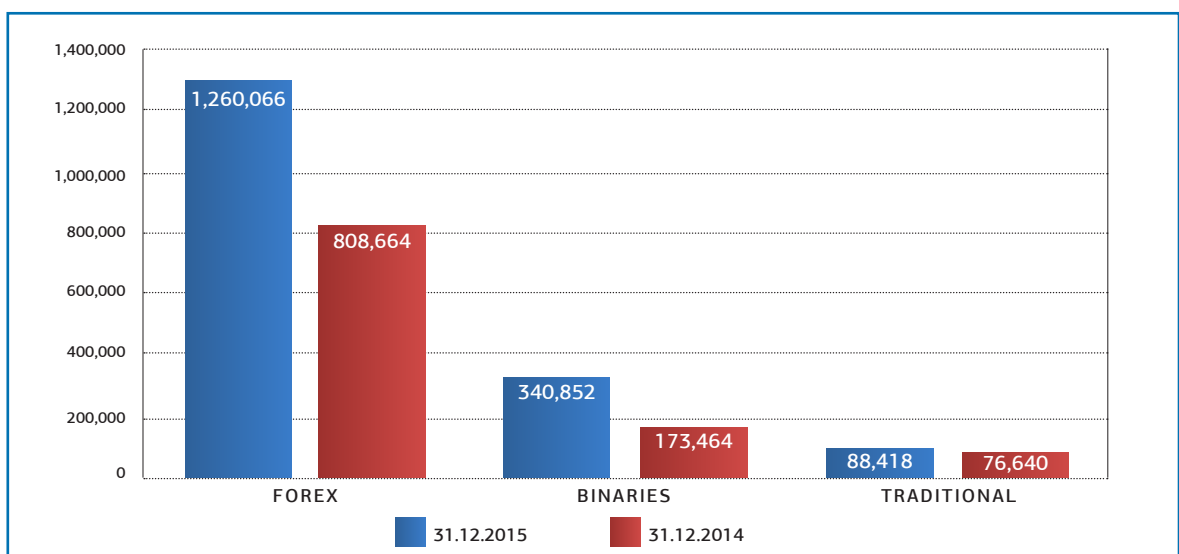
As a result of the interest in the activation of new investment services firms in Cyprus, there is a continuous increase in the number of licensed CIFs over the past years, as presented in Chart 2 below.

Chart 2: Number of licensed CIFs per year



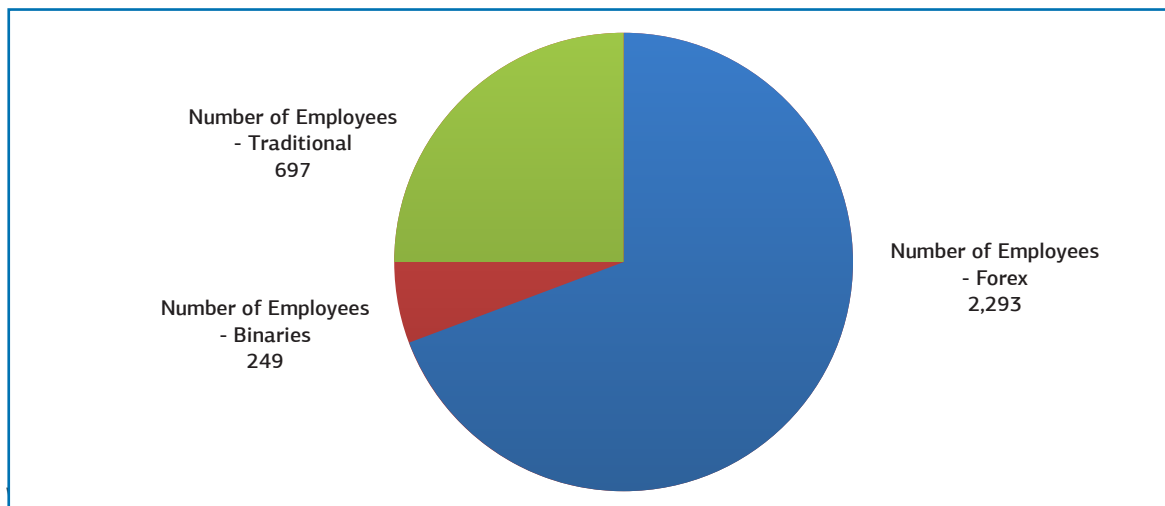
According to the data available to CySEC, an increase in the number of CIF clients is also recorded. Chart 3 below records the number of CIF clients per category during 2015 and compared to 2014, as well as data from all supervised entities collected after the issue of the respective Annual Reports.

Chart 3: CIF clients per category



The continuous increase in the number of licensed CIFs and their activity over recent years has contributed to the employment of highly educated personnel. Indicatively, Chart 4 shows the number of CIF employees at the end of 2015.

Chart 4: Employees at CIFs per category



in 2013 and 2014 respectively, and the institutionalization of the collective asset management sector in the Republic of Cyprus, the scope of activity of supervised entities has been widened.

Specifically, a number of CIFs under CySEC supervision, in addition to the investment services they provide under the Law on CIFs, can under the new institutional framework also manage alternative investment funds, provided that the total assets under management does not exceed the limits set by the AIFM Law.

According to data submitted to CySEC, in 2015, 12 CIFs managed AIFs and/or LNPAIFs, whose total amount of assets under management came to €342.622.378.

The total number of foreign UCITS which market units in the Republic of Cyprus for 2016 decreased in relation to 2015. In the year under review, 1 foreign UCITS (umbrella scheme) was registered with CySEC for marketing of its units in the Republic of Cyprus, while the marketing of 7 foreign UCITS (single scheme) were terminated (Table 3).

Table 3: Foreign UCITS

Number of Foreign UCITS:	2016	2015
Single scheme UCITS	0	6
Umbrella scheme UCITS	27	33
Total	27	39

The home countries for foreign UCITS in 2016 were primarily Luxembourg, and Ireland (Table 4).

Table 4: Foreign UCITS Home Country

Foreign UCITS Home Country	2016	2015
Number of harmonised UCITS		
Greece	0	6
Luxembourg	22	26
Ireland	5	7
France	0	0
Total	27	39

The total number of sub-funds under UCITS umbrella schemes in 2016 has decreased from 494 in 2015 to 358 (Table 5).

Table 5: UCITS sub-funds

Total number of sub-funds under umbrella schemes	2016	2015
Harmonised UCITS	358	494
Non-harmonized UCITS	0	0
Total	358	494

The number of Representatives registered with CySEC in 2016 was decreased to 10 in relation to 12 in 2015.

The number of UCITS Management Firms registered in an EU member-state other than the Republic of Cyprus that offer cross-border services in Cyprus, has increased in comparison to 2015, as can be seen in Table 6 below.

Table 6: UCITS Management Company Home Member-States

UCITS Management Company Home Member-States	2016	2015
France	5	5
Luxembourg	3	3
Liechtenstein	1	1
Greece	5	4
UK	1	0
Total	15	13

CySEC has licensed and supervises one EuVECA (European Venture Capital Fund), which complies with the relevant European Regulation in relation to European Venture Capital Funds and can be marketed in other EU Member States. The investment objective of the specific fund is to invest in small and medium sized enterprises in Cyprus.

Additionally, CySEC supervises the sole licensed regulated market operating in the Republic of Cyprus, the Cyprus Stock Exchange (CSE). CySEC also supervises the CSE as a Multilateral Trading Facility (MTF). The number of firms with transferable securities issued and traded on the CSE, whose home member-state is the Republic of Cyprus and are under CySEC supervision, were 81 at the end of 2016 (2015 - 87). The Issuers in question at the end of 2016 had 86 issued transferable securities.

A total of 167 Administrative Service Provider firms (ASPs) were also under CySEC supervision at the end of 2016, compared to 148 ASPs in 2015. This is a sector that records ongoing growth. The following charts show the growth of the sector through the increase in the number of firms and their employees.

Chart 5: Administrative Service Provider Firms

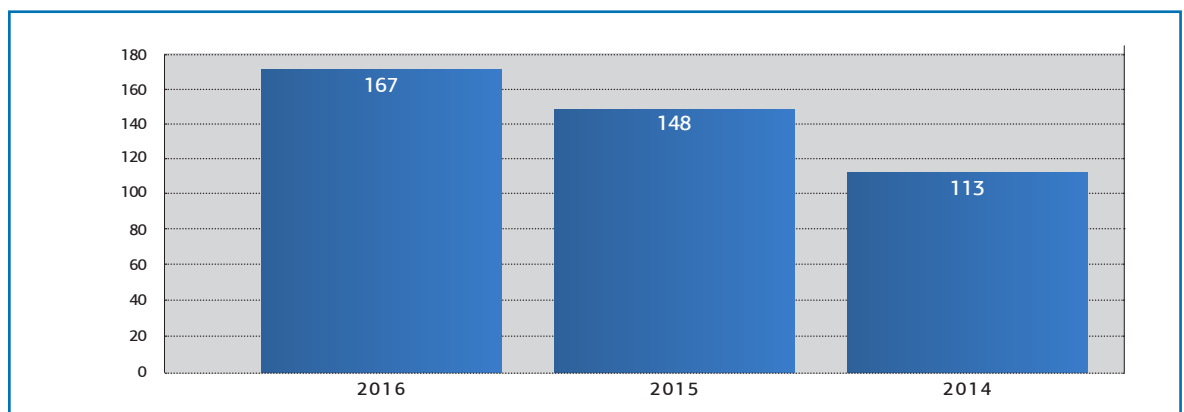
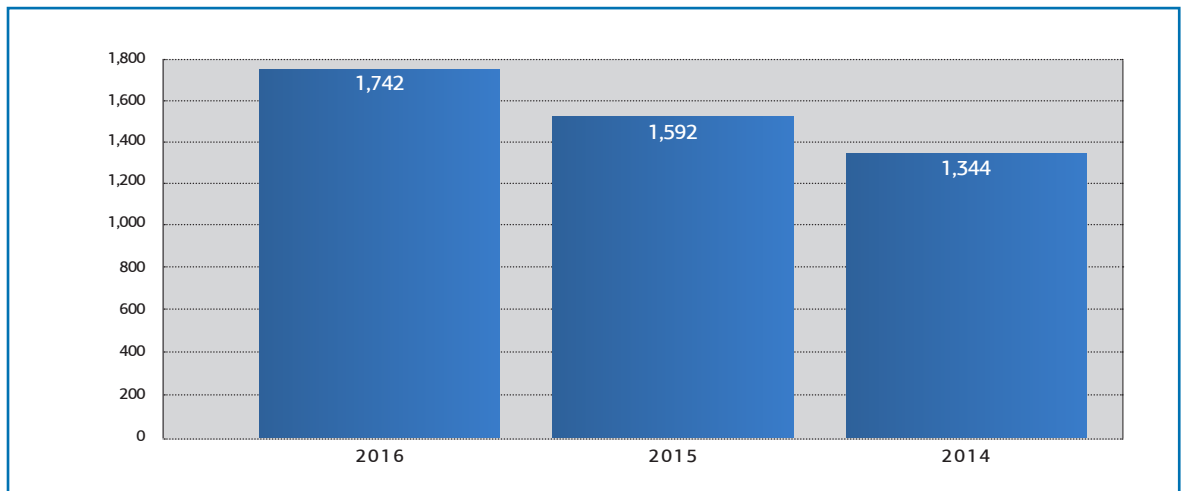
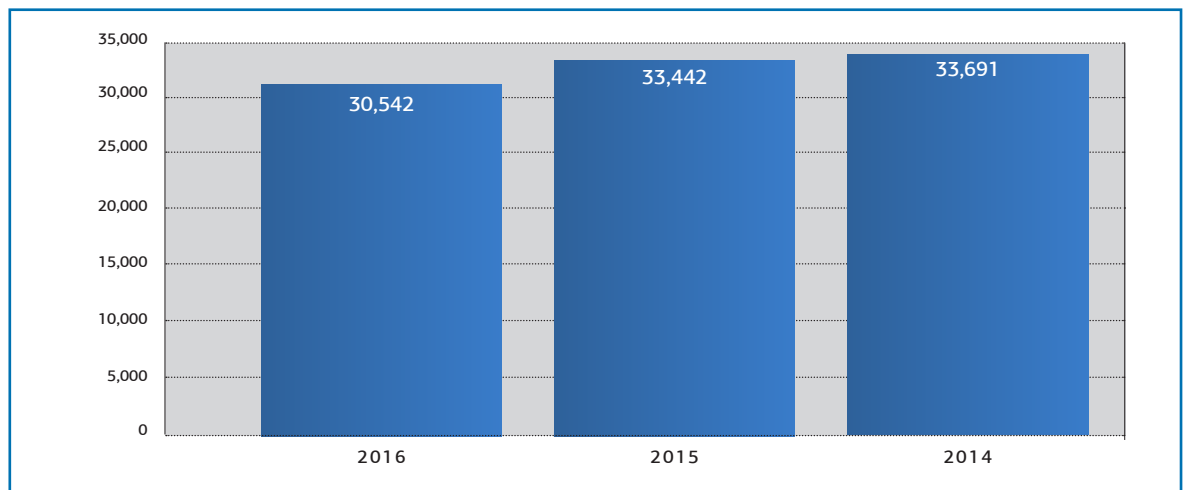


Chart 6: Number of ASP employees



According to data available to CySEC, the number of ASP clients in 2016 was 30,542, showing a small decrease compared to 33,442 in 2015.

Chart 7: ASP client number



3.2 MARKET TRENDS

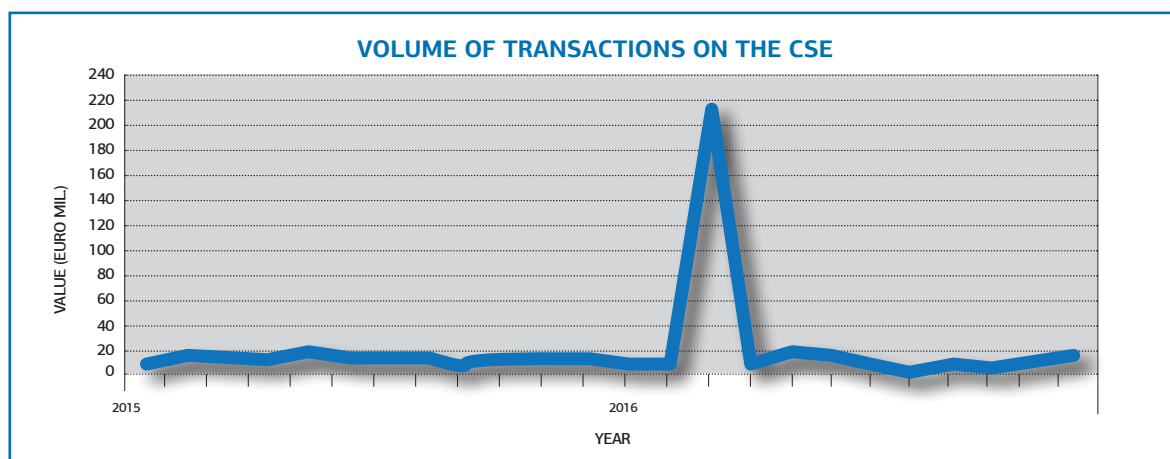
In 2016, Cyprus successfully completed the economic adjustment program in March 2016, with growth rates approaching 3%, one of the highest growth rates in the EU. The financial sector, together with the tourism and shipping played a decisive role in the recovery and development of the Cypriot economy. The banking sector has managed to stabilize, but the challenges remain, notably the need to reduce non-performing loans.

Significant investments were announced and materialised during the year, either through government initiatives or through the private sector. Credit Rating Agencies recognized these positive developments, which led to multiple upgrades of the credit rating of the Republic and allowed Cyprus to gain access to international markets with better borrowing terms. Private consumption recorded an annual growth of 2.4%, exports increased by 5.3% and imports also increased by 4.2%. Unemployment began to decline, but remains high at 12.9%.

The prospects for the years 2017 and 2018 remain very positive, with growth expectations exceeding 2.5% of GDP. Moreover, according to the European Commission's winter forecast, public debt is expected to fall below 100% of GDP by 2018.

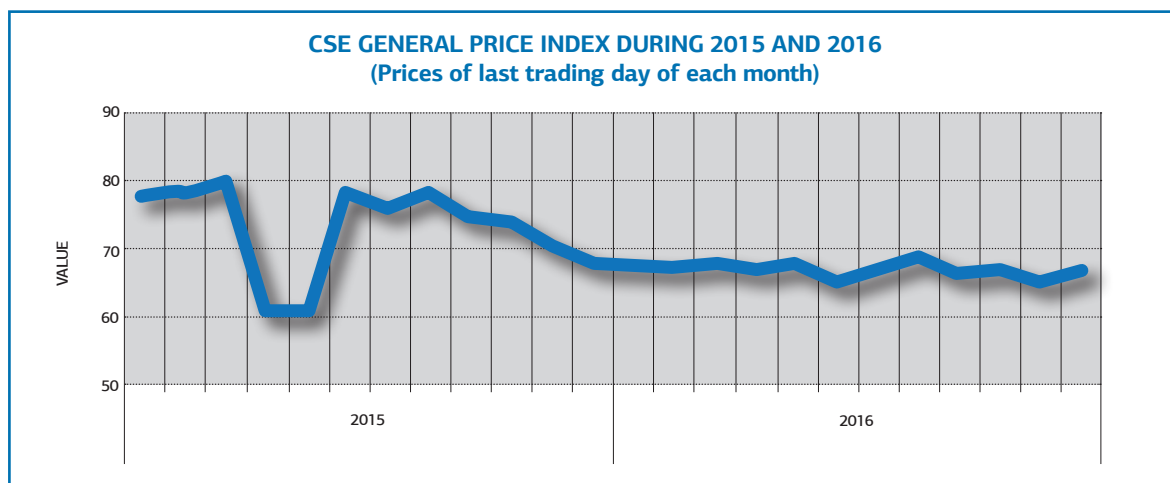
In 2016, the stock market in Cyprus continued to reflect the negative effects of the financial crisis in recent years, despite the fact that the total volume of CSE transactions seems to have doubled. Specifically, the total volume of CSE transactions in 2016 amounted to € 307.7 million, recording an annual increase of 104.23%, compared to €150.66 million in 2015. However, this significant increase was due to 8 transactions of bond liquidation at €207.14 million that took place in March, which constituted 67.32% of the total volume of CSE transactions for the year. As a result, the average daily volume of transactions in 2016 amounted to €1.2 million, compared to € 0.6 million in the previous year. The chart below shows the monthly total volume of transactions in the CSE over the last two years (Chart 8).

Chart 8: Volume of Transactions on the CSE



The CSE General Price Index recorded a downward trend and closed at 66.41 units, recording an annual drop of 1,97%. Its highest point during the year was at 69,80 units on 10th June and the lowest was at 63,32 units on 14th December. (Chart 9).

Chart 9: CSE General Price Index during 2015 and 2016

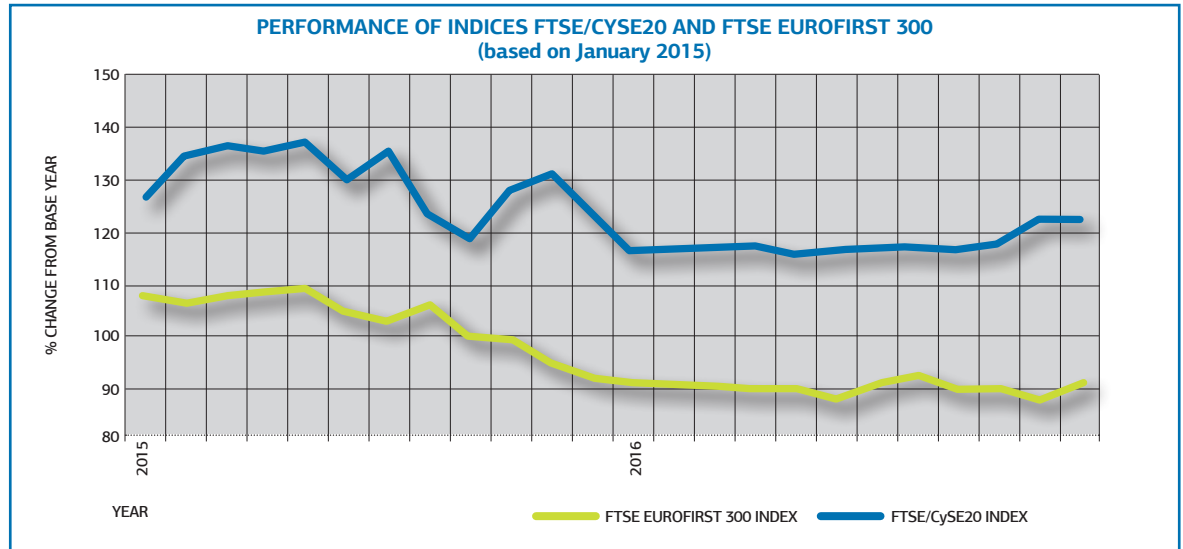


At the end of the year, the Stock Market total value was at €2.3 bln, recording a drop of 1,91% compared to 2015 when the market value was at €2.4 bln. The total capitalisation of all CSE markets in 2016 dropped to €3.99 bln, compared to €5.76 bln at the end of the previous year, marking a drop of 30.67%.

The FTSE/CySE20 index, which consists of a representative sample of 20 shares from the Cyprus stock market, recorded a drop of 0.89% between December 2015 and December 2016. The fluctuation in the FTSE/

CySE20 index throughout the year was smaller than that of the European index FTSE EuroFirst 300, which accounts for the performance of the 300 companies in Europe with the largest capitalisation. The FTSE EuroFirst 300 index recorded a drop of 1.22% between December 2015 and December 2016. In the following chart (Chart 10) the percentage change of the two indices over the past two years, with January 2015 as the base, are represented.

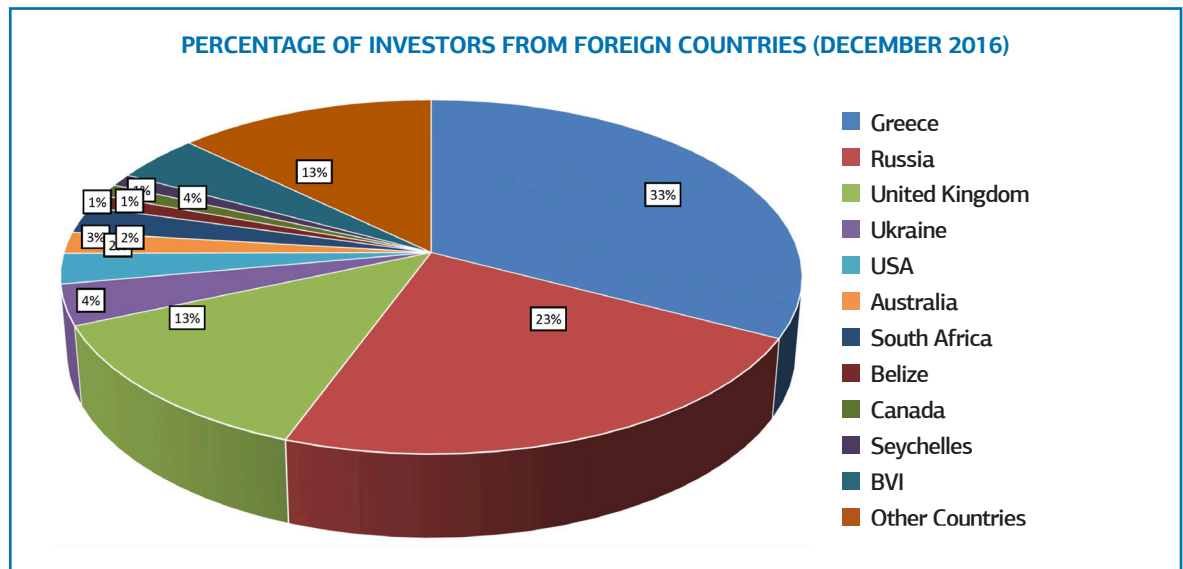
Chart 10: Performance of Indices FTSE/CySE20 and FTSE EuroFirst 300



The number of transactions during 2016 in the CSE came to 32,468, compared to 44,084 transactions in 2015, at a decrease of 26,34%.

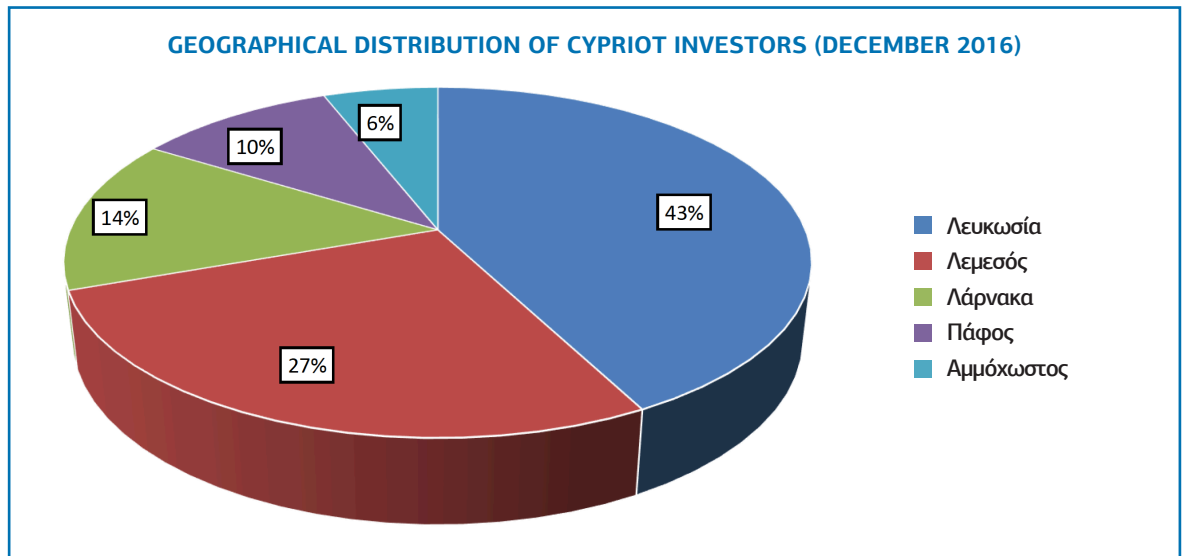
The participation of investors from foreign countries in market capitalisation at the end of December 2016 was at 14,83% of the total share value. This percentage records a drop of 18,87% compared to the value recorded at the end of December 2015, which was 33,10% of the total value. Foreign investors came from various countries, such as Greece, the United Kingdom, Germany, Ukraine, Russia, Australia, the USA, and South Africa (Chart 11).

Chart 11: Percentage of investors from foreign countries (December 2016)



In relation to investors from Cyprus, their vast majority (42.33%) resided in Nicosia (Chart 12).

Chart 12: Geographical distribution of Cypriot investors (December 2016)



3.3 IMPORTANT CHANGES AND PROJECTS

Regulatory framework

CySEC makes continuous efforts to improve, upgrade, and modernise the regulatory framework governing the securities market, so as to ensure investor protection and the smooth functioning and development of the market. In particular, CySEC continued to place emphasis on the upgrading of the regulatory framework so that Cyprus remains fully harmonised with the European Directive for the Markets in Financial Instruments (MiFID) and AML Directive.

For this purpose, within the year, several draft law amendments and new draft laws have been prepared and promoted.

For example, one legislation amendment and two Directives that were published are the following:

- The Prevention and Suppression of Money Laundering Activities (Amending) Law of 2016. Among others, Article 62 of the Law was amended regarding the timing of the application of due diligence and customer identification measures by the entities supervised by CySEC. CySEC Circular E157 was subsequently issued on this matter.
- Directives DI1414-2007-08 (A) and DI144-2007-08 (B) of 2016 on Prevention and Suppression of Money Laundering Activities and Counter Terrorist Financing, amending the Directive on the Prevention of Money Laundering Directive DI144-2007-08 of 2012, with regard to increased due diligence measures and customer identification procedures for remote customers.

CySEC has also been appointed as a Competent Authority with a Notification by the Minister of Finance and on the basis of the following legislative measures of the EU:

- (a) the Regulation on the improvement of securities settlement in the EU and on the authorization and supervision of central securities depositories (known as the CSD).
- (b) the European Regulation on key investor information papers on retail investment products and insurance-based investment products (known as PRIIPs) to enable investors to understand and compare the key characteristics and risks of products. The Regulation shall apply from 31 December 2016.
- (c) the European Regulation on prudential requirements for credit institutions and investment firms applicable from 1 January 2016 and the European Directive on access to credit institutions' activity and the prudential supervision of credit institutions and investment firms and of the Regulation on European long-term investment funds (known as CRD IV).

CySEC proceeded to transfer the provisions of the European Recovery Directive to the national legislative framework. The Law deals with the preventive and early intervention measures to be taken by CIFs that have an obligation to maintain a capital of more than €730,000 and other CySEC supervised entities, for their recover in the event of insolvency or possible insolvency. A significant legislative progress at national level is also the revision of the regulation of the Investor Compensation Fund.

In addition to the aforementioned Legislation, CySEC has prepared and published its own Directives for the purposes of completing the legislative framework and improving the functioning of the market, as well as timely and complete harmonization with Community law.

Among other things, the publication of CySEC Directive DI144-2014-14 (A) which amends the Directive DI144-2014-14 of 2014 for the prudential supervision of Investment Firms is a key legislative change.

Within 2016, with the aim of further improvement in the cooperation between the CySEC and market participants for the promotion of improvements and changes in the institutional framework, eleven texts of stakeholder consultation were prepared and circulated by CySEC, updated Q&A documents were published on laws related to the CySEC mandate, while 915 questions from market participants on various legislation issues were answered by the Legal Department of CySEC.

Compliance of Supervised Entities

At the same time, and always in line with CySEC's aim for safeguarding of investor protection, CySEC intensified and strengthened the supervision of the market and its participants in various ways.

In the context of monitoring the compliance of its supervised entities with the legislation governing their operation, CySEC carried out onsite inspections of CIFs on the basis of a supervisory program that had been drawn up. The onsite inspections identified weaknesses mainly related to their obligations in relation to the protection of client funds, audit and risk management mechanisms, the outsourcing of their functions, the professional conduct of CIFs in the provision of services to customers or potential customers, as well as the provision of investment services for which they are licensed. Desktop inspections on documents have also been carried out on a large number of CIFs to comply with their ongoing obligations, such as capital adequacy, promotion and advertising, compliance and protection of client money.

As a result, CySEC proceeded to the imposition of administrative sanctions on CIFs. It also suspended or revoked the CIF number authorization, which identified significant problems or serious infringements. In addition, CySEC has instructed these supervisors to take a series of corrective measures to improve their internal procedures, arrangements and practices in order to fully comply with their legal obligations.

As a result, CySEC imposed administrative sanctions on CIFs. It also suspended or revoked the CIF authorization, in those CIFs where significant problems or serious infringements were identified. In addition, CySEC has instructed these supervisors to take a series of corrective measures to improve their internal procedures, arrangements and practices in order to fully comply with their legal obligations.

In order to improve compliance, in July 2015 CySEC amended the activation procedure of the CIFs, subject to the explicit approval of CySEC, following an on-the-spot check at their offices. These audits are carried out for the purpose of determining the compliance of newly licensed CIFs with the legislation and were focused on CySEC being satisfied that they have taken all the necessary measures and actions to start their operations and in particular to offer cross-border investment services to the EU and third countries.

In addition to the ongoing monitoring, CySEC has proceeded with the ad hoc collection of information in line with current developments. An example is the sharp fluctuation in the value of the Swiss franc in January 2015, which mobilized CySEC to collect information urgently in order to investigate the potential impact of this fluctuation on CIFs. The aim was to ensure that any capital adequacy or other kinds of problems in the operations of any affected CIFs were properly addressed and resolved. The data revealed that the CIFs did not face substantial problems, because they were adequately capitalised. This demonstrates the importance of the capital adequacy of the CIFs as well as the maintenance of a robust risk management function, since the market for investment services is one of intense volatility and hence high risks do arise for the companies that need to be managed.

CySEC gave emphasis to those cases of companies/persons who provided investment services illegally, i.e. without being licensed and subject to the necessary oversight. In those cases where a company is found to provide investment services in Cyprus or from Cyprus without a CIF authorization, CySEC, following an investigation, issues an extraordinary warning to the investing public.

Regarding Issuers of Securities Listed on a Regulated Market, in 2016, there was some improvement in the compliance of Issuers with their periodic reporting obligations under the Transparency Requirements (Transparency Transactions on a Regulated Market) Law. CySEC continued to monitor the compliance of the Issuers with their continuing obligations under the said Law and, in particular, their obligation to disclose the Annual Financial Report for the full financial year and the six-month financial report. It is noted that with the amendment of the Transparency Law in April 2016, the obligation to publish the Indicative Results for the full financial year was abolished.

CySEC has investigated several cases of possible violations of the above issues.

Further, on a sample basis, the evaluation of the Issuer's financial statements in terms of their compliance with the International Financial Reporting Standards was continued.

CySEC issued a number of circulars and notices to the Issuers drawing attention to various issues that were identified or should be taken into account in the preparation of their financial information and investigated several cases of potential violations in relation to these matters.

During the year, CySEC examined and in several cases approved the decision of the CSE Board to suspend or continue the suspension of the trading of the securities of Issuers or requested on its own the suspension in those cases where the smooth operation of the market was potentially at risk. CySEC also approved the delisting from the CSE of the securities of 6 companies (in most cases the delisting related to their non-compliance with their continuous obligations).

In 2016, CySEC also examined a Public Offer Document for the acquisition of 100% of the securities of an Issuer and five Prospectuses for the issue of new shares or the listing of new shares in a regulated market.

Finally, for the oversight of entities with international activities, CySEC has cooperated closely with the National Supervisory Authorities of other EU member states and third countries and has managed 417 requests for two-way assistance and exchange of information.

Leak of Mossack Fonseca Documents or 'Panama Papers'

Regarding Mossack Fonseca's leaked documents, which appeared on the internet, more commonly known as "Panama Papers", CySEC issued two circulars. More specifically, information has been collected from about 400 supervised entities, out of which about 60 entities reported that their clients had and/or still have a business relationship with Mossack Fonseca and/or were included in the list of Panama Papers. Out of these approximately 60 supervised entities, additional information has been collected. In addition, on the subject, CySEC has carried out a total of six onsite inspections (five in CIPs and 1 in CIFs). The findings of these on-site and desktop inspections are under review and are to be submitted before the CySEC Board.

National Risk Assessment (NRA) on Money Laundering and Terrorist Financing

In line with the International Standards on Anti-Money Laundering and Terrorist Financing of the Financial Action Task Force (FATF), each country is required to assess the relevant risks it faces in these matters and to take measures to manage them. This exercise, which is based on the internationally accepted and established methodology of the World Bank, will help to identify any shortcomings in the regulatory framework applicable to combating money laundering and terrorist financing. It will also contribute to increasing the efficiency of the procedures followed by all affected bodies, governmental, supervisory and private, with the ultimate goal of taking corrective action.

The purpose of the NRA is to assess the risks involved in money laundering and terrorist financing at national level. This includes all the relevant institutions in Cyprus such as the Central Bank, the Insurance

Commissioner and MOKAS, as well as market representatives. For this purpose, 7 working groups were created. Representatives of the CySEC Department of Statistics, Research and Risk Management and the Department for the Prevention of Money Laundering, represent CySEC and participate in two working groups:

- Group 4 – Securities Sector Vulnerability.
- Group 7 – Designated Non-Financial Businesses and Professions (DNFBPs) Vulnerability. CySEC participates due to its supervisory role for ASPs.

During 2016, several meetings of the above groups were held to complete the evaluation and reporting formats for the securities sector (CIFs, Collective Investment Funds) and for ASPs. Also, the following were implemented:

- Drawing up the draft report and the draft action plan for the securities sector.
- Drawing up the draft report and the draft action plan for the ASP sector included in the DNFBPs Group.
- Participation in a three-day workshop, attended by all the relevant bodies in Cyprus and representatives of the World Bank.

The conduct of the National Risk Assessment is expected to be completed in 2017. A report will be prepared with suggestions for improvements and submitted to the Government, Supervisory Authorities and the private sector for implementation.

Risk Based Supervision Framework

Risk management is the process by which organizations approach methodically and systematically the risks associated with their activities. Effective risk management presupposes the existence of a framework that facilitates and supports all risk management processes. The majority of Supervisory Authorities in the major financial centers around the world, recognizing the need for coordinated supervision that needs to be based on the assessment of the risks they face in relation to their strategic objectives, have developed and implemented specific management systems of risks.

Following the example of other overseas supervisors, CySEC has developed a framework to oversee licensed entities based on their risk management. This Risk Based Supervision Framework (RBSF) enables CySEC to determine how it supervises, taking into account and assessing the risks faced by each supervised organization on its merits in order to focus its supervision on those entities with the most significant risks.

The benefits of implementing the RBSF in CySEC are important, both for the supervised entities and CySEC itself. The RBSF framework contributes in:

- (I) Making better decisions based on risk management.
- (II) Taking direct and comparable/ consistent supervisory measures where necessary.
- (III) To carry out oversight work on a priority basis.
- (IV) Strengthening the capacity of CySEC to take effective supervisory measures.
- (V) Increasing the capacity, efficiency and transparency of supervision, focusing on higher risk institutions.
- (VI) More efficient allocation of resources by CySEC.
- (VII) The adoption of a consistent way of assessing risks for all supervised organizations.
- (VIII) The adoption of a supervisory framework that is comparable to that applied by other supervisory authorities abroad, both in the EU and globally.
- (IX) A better understanding of both the operations and the risks of supervised entities.
- (X) Encouraging regular and open communication between the supervised entities and CySEC.
- (XI) Developing the culture of supervised entities to comply with the new supervisory framework and to encourage them to adapt their own internal risk management systems.

In 2016, CySEC applied for the second consecutive year the RBSF for the Supervision Department and the Department for the prevention of Money Laundering, aiming at improving the way of supervision by focusing on the entities with the most significant risks. The RBSF was also implemented at the end of 2016 for the Issuers Department and the Department of Market Surveillance and Investigations.

Strengthening and upgrading of CySEC structure

To cope with the increasing volume of work, in 2016 CySEC participated in the Human Resource Development Authority program for unemployed graduates through which it has provided temporary employment to 4 individuals throughout the year. Also, under the cooperation agreement between CySEC and CSE, a number of Officers continue to offer their services to CySEC. Another important step in modernizing the operation of CySEC is the launch of its new organizational structure, which was established in 2015, aiming to further improve the effectiveness and efficiency of CySEC work streams.

Other developments

During 2016, 1,050 persons (2015: 850) took the CySEC Certification Exams. At the same time, 27 seminars were organized by CySEC for the continuous professional training, and were attended by 824 people. More details on the new framework can be found in Section 4.2.7 titled “Enhancing Compliance of Supervised Entities” and 4.2.8 titled “Register of Certified Persons, Continuous Professional Training and Examinations” of this Report. Based on the certification framework for persons who are employed or would like to be employed in a position related to the provision of investment services, persons who have passed the CySEC Certification Examinations and are included in the Register of Certified Persons must complete each year specific training hours. This framework, created by CySEC in 2013, ensures that individuals providing investment services, such as investment advice and portfolio management, are subject to ongoing training and education.

In this context, in November 2015, CySEC increased the minimum rate of success in these tests from 60% to 70% by amending the relevant CySEC Directive in order to maintain a high level of success. In addition, CySEC has audited whether certified persons have fulfilled their obligations to complete Continuing Professional Training and found shortcomings in some cases for which additional training was requested. CySEC regards training as being very important and in the future will proceed with deletions from the register of certified persons in cases of unsatisfactory training.

The first examinations for the certification of persons who may be employed by CIFs, Venture Capital Management Companies and Venture Capital Companies and Credit Institutions in the provision of investment services were carried out in 2014 as part of the assumption of the relevant competence by CySEC as of 2012. It was preceded by the publication of the Workbook and the exam material so that candidates are better equipped to prepare for the exams.

3.4 MOST IMPORTANT GOALS FOR 2017

The most important objectives set by CySEC to be implemented by 2017 are primarily to further strengthen market surveillance, complete the investigations underway relating to the banking sector and take forward legislative improvements that will encourage market development and progress, in line with legislative developments at European level.

In particular, with regard to oversight, most supervised entities are now placed under the Risk Based Supervision Framework and according to their risk profile, a prudential audit program will be prepared.

In addition to licensing and supervision, which are continuous functions for CySEC, there is a focus on the implementation of CySEC’s new Strategic Plan announced in early 2017, which aims to further support market development and progress through innovation and education. In particular, it is intended to further enrich the sector with new products and services. In 2017, the inclusion in the legislation of the category of registered Alternative Investment Funds and licensed managers, termed “mini managers”, which will manage collective investments below €100 million is expected to be submitted to the House of Representatives for voting.

Gravity will also be given to the use of financial technology, known as FinTech, for example to the blockchain technology which was behind the development and operation of virtual currencies and promises to change the way assets and currency are transferred. Already, other securities markets, startups, well-known financial bodies, and institutions such as the Bank of England, are looking at its further exploitation and the benefits it can bring to the financial sector.

CySEC is a member of the special committee established by the European Securities and Markets Authority (ESMA) on the coordinated regulatory and supervisory treatment of new or innovative financial instruments or services. It also participates in the Blockchain technology for Algorithmic Regulation and Compliance (BARAC), a research consortium involving UK University of London (UCL), UK Regulatory Authorities (Bank of England), the Financial Conduct Authority (FCA) The Ministry of Finance), the R3 Consortium and the Cyprus International Institute of Management (CIIM). The aim of the project is to acquire knowledge about the possible uses of Blockchain technology as well as how it can be used to record data in relation to financial activities for both compliance and law enforcement purposes.

Also, towards the end of 2017 and early 2018, CySEC will seek to promote the regulation that will govern Crowdfunding in relation to the funding of start-up companies that offer innovative products.

From a legislative point of view, by 2017, the 4th European Anti-Money Laundering Directive will be transposed into national legislation which, inter alia, will oblige supervised entities to identify and assess the risks they may face from such actions and to apply appropriate preventive measures

At the same time, it will be important to prepare CIFs for the adoption of MiFID II by January 2018. This is the most important European Directive, as it is expected to drastically change the financial sector. Among other things, it will limit over-the-counter transactions and strengthen the CIF's corporate governance code. The draft law has already been tabled before the House of Representatives and is expected to be adopted by 2017. MiFID II also provides for increased powers for national supervisors for product governance and intervention in products if they are deemed to pose significant risks to investors, All companies need to consider and think about whether they need to diversify the products for which they offer investment services by exploring various options, such as those created by new financial technologies (FinTech).

At the same time, important changes will be made to the regulatory framework, such as the Law and the Investor Compensation Fund Directive, to better respond to current market needs.

Also, the obligations of listed companies will be further increased by the application of the new harmonized regulatory legislation governing the audit profession as they will all have to set up Audit Committees to monitor, inter alia, the results of the statutory audit and the financial reporting process.

By the end of 2017, CySEC will prepare and issue new circulars that will provide better information and guidance to supervised entities on the proper implementation and compliance with their legal obligations on various matters.

At the same time, the process of preparing new specialised examinations for Anti-Money Laundering Compliance Officers' is underway and exams are expected to begin in early 2018.

In the first quarter of the year, CySEC has presented in a press conference the key developments that took place in the securities market and the work done by CySEC in 2015, as well as the priorities it set for 2016 and the subsequent years on the basis of its strategic planning.



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4 OPERATIONS

The main operations of CySEC, among others, include the following:

- The monitoring of the compliance of Issuers with listed securities on CSE or on other regulated markets whose home member-state is the Republic of Cyprus, with their continuous obligations in general and specifically with those that relate with disclosure of financial information (e.g. the publication of annual and semi-annual financial reports, indicative results etc), the timely and complete publication of substantial information, issues that arise from the Securities and Stock Exchange Laws, corporate governance issues etc;
- The approval of prospectuses for public offer of transferable securities or admission to trading on a regulated market and the monitoring of the application of the Public Offer and Prospectus Law;
- The supervision of public takeover bids and the monitoring of the application of the Takeover Bids Law of 2007;
- The examination of applications for authorisation of CIFs or Ifs of third countries for the establishment of a branch in the Republic and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of regulated markets and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of CRAs and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The exercise of the competencies of CySEC derived by the Law for the Prevention and Suppression of Money Laundering;
- The examination of applications for the authorisation of UCITS, UCITS Management Companies, or UCITS management companies from third countries and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of notifications for the cross border provision of services and the establishment of a branch by UCITS management companies established in other EU member-states in the Republic;
- The examination of notifications and applications for the marketing of foreign UCITS through Representatives in the Republic and the supervision and application of the Open Ended Undertakings in Collective Investments in Transferable Securities (UCITS) and Related Issues Law;
- The conduct of investigations in relation to cases concerning, inter alia, CIFs or companies that have securities listed in CSE/a regulated market;
- The monitoring of the stock market and the transactions;
- The supervision and application of the Insider Dealing and Market Abuse Law;
- Issues regarding the review or and reform of the legislation that governs the securities market and the conduct of research for the preparation and submission of laws;
- The conduct of research, preparation and issue of Directives pursuant to the applicable Law of CySEC and the securities market in general;

- Administrative issues that relate to the functioning of CySEC;
- The conduct of studies in relation to issues that concern CySEC and the securities market in general;
- The update and education of the investors on securities market issues;
- The participation in committees and technical committees at national and European level that relate with the CySEC's competencies.

4.1 AUTHORISATION AND APPROVAL

4.1.1 Applications

The applications submitted to CySEC during 2016 for examination are summarised in the following table (Table 7):

Table 7: Applications submitted to the CySEC during 2015

Submitted applications	2016	2015
CIF Authorisation	66	41
CIF Authorisation Extension	69	33
Free provision of cross-border services by CIF	61	62
Establishment of CIF branch	9	5
Tied agent registration	10	10
Termination of CIF Authorisation	16	4
CRA Registration	0	0
ASP	13	8
Authorisation of Cypriot UCITS Management Company	2	3
Cypriot UCITS License	6	6
AIFM	9	4
AIF and LNPAIF License	37 total (8 AIF, 29 LNPAIF)	75 total (15 AIF, 60 LNPAIF)

4.1.1.1 Applications for CIF authorisation

During 2016 CySEC received 66 new applications for a CIF Authorisation (2015 – 41 new applications). CySEC granted 29 CIF licenses (2015 – 25 licenses). Also, it terminated the license of 11 CIFs. Concerning applications, 6 were rejected by CySEC and 5 were withdrawn by the applicants.

4.1.1.2 Applications for CIF authorisation extension

During 2016 CySEC examined 69 applications for the extension of CIF operating licenses for the provision of additional investment and/or related services and/or financial instruments (2015 – 33 applications).

4.1.1.3 Applications/notifications for the free provision of cross border services and the establishment of a branch by CIFs and IFs

During 2016 CySEC examined 61 applications by CIFs for the free provision of services in other EU Member States and/or third countries (2015 – 621 applications) and 9 applications by CIFs for the establishment of a branch in another EU Member State (2015 – 5 applications). Furthermore, CySEC received a significant number of notifications from IFs in other EU Member States for the free provision of services in the Republic. In 2016, CySEC did not receive any applications for the establishment of a branch in the Republic by an EU Member State IF (2015 – 1).

4.1.1.4 Applications for CIF tied agent registration

During 2016 CySEC examined 4 applications for the registration of a tied agent in the public registry, that was established in the republic and was acting on the behalf of CIFs (2015 – 5). Also, CySEC cooperated with the relevant supervisory authorities in other EU Member States for the evaluation of 6 applications for tied agents established in those Member States and acting on the behalf of CIFs (2015 – 5).

4.1.1.5 Applications for other CIF data changes

Within 2016 CySEC examined a significant number of applications for the approval of information changes concerning primarily changes to the organisational chart, the organisational structure, the internal operations manual, the activities, and the CIF operational model. In the case that the above changes were deemed by CySEC as non-compliant with the relevant legislation, their implementation was not allowed.

4.1.1.6 Applications for the withdrawal of CIF authorisation

During 2015 the license of 12 CIFs was withdrawn (2015 – 4) due to voluntary renouncement. Further, the license of 1 CIF was terminated by CySEC due to non timely activation and those of 3 CIFs were revoked by CySEC.

4.1.1.7 Applications for the registration of CRAs

During 2016 no application was received for the registration of CRAs, just as in 2014, due to the fact that this competency has been transferred to ESMA, according to European Regulation 513/2011 of 11th May 2011.

4.1.1.8 Applications for the registration of ASPs

During 2016 CySEC received 13 new applications for the registration of ASPs. CySEC granted an operating license to 24 Administrative Service Provider Companies.

4.1.1.9 Applications for Cypriot UCITS Management Companies

During 2016 2 new applications for the licensing of Cypriot UCITS Management Companies were submitted to CySEC, 1 of which was granted by CySEC.

4.1.1.10 Applications for Cypriot UCITS

During 2016 CySEC received 6 applications for operating licenses of UCITS, 3 of which were granted.

4.1.1.11 Applications for AIFMs

During 2016 CySEC received 4 new applications for Alternative Investment Fund Managers. CySEC granted 1 license.

4.1.1.12 Applications for AIFs and LNPAIFs

In 2016 CySEC received 37 applications for AIFs and LNPAIFs. CySEC licensed 10 new applicants for AIFs and 28 new applicants for LNPAIFs.

4.1.2 Prospectuses and other applications related to Public Takeover Bids

4.1.2.1 Applications for the approval of Prospectuses for a public takeover or introduction of securities on a regulated market

CySEC is the competent authority for the approval of Prospectuses for public offer or listing of securities on a regulated market in all the cases where Cyprus is the Issuer's Member State of establishment. The power is derived by the Public Offer and Prospectus Law of 2005 – L144 (I)/2005, as applicable, which harmonises European Directive 2003/71/EU in relation to Prospectuses. In accordance with this Law, CySEC approves the Prospectus if its content is in compliance with the provisions of the Law and the regulatory acts issued pursuant to it.

The examination of the applications for the Prospectus approval in accordance with the applicable legal framework includes the assessment of the completeness of the Prospectus and, specifically, whether the Prospectus contains all the necessary information in accordance with the Public Offer and Prospectus Law and the Regulation 809/2004 of the European Commission in relation with the content of the Prospectus, as amended, which shall be coherent and comprehensible.

In 2016 5 applications for the approval of a Prospectus for public offer and/or listing of securities on a regulated market (2015 – 1) were submitted to CySEC within the context of the Public Offer and Prospectus Law. CySEC examined these applications and approved the relevant prospectus (2015 – 1 approval) In January 2017.

During the year, CySEC also received two applications for the approval of a Supplementary Prospectus, within the context of the Law (2015 – 1 application). CySEC examined the applications and approved the relevant Supplementary Prospectuses (2015 – 1 approval).

The competent Authorities of two EU host Member States, in the regulated market of which the public offering of the securities in question would take place, were notified about the two afore-mentioned Supplementary Prospectuses approved, following a request by the Issuer.

4.1.2.2 Transfer of competency for Prospectus approval

In 2016 CySEC also received three requests for the transfer of competency for Prospectus approval, where the home member-state, according to the Public Offer and Prospectus Law, was the Republic of Cyprus. CySEC examined the requests and decided, pursuant to Article 26(8) of the Public Offering and Prospectus Law, to transfer the competency to approve these three (2015 - 0) Prospectuses of these Issuers to the competent supervisory Authority of the other EU Member State on the basis of the request, given that each competent supervisory Authority had given its consent to the transfer.

Within the year, a request from another supervisory Authority for the transfer of the power to approve the Prospectus of an Issuer, the home Member State of which was not the Republic of Cyprus, was transferred to CySEC by the said supervisory Authority. CySEC examined the request and gave its consent for the transfer of competence to approve this Prospectus to CySEC.

4.1.2.3 Public Takeover Bid Documents

In accordance with the Public Takeover Bids Law for the acquisition of securities of companies and other related issues (the Takeover Bid Law of 2007), CySEC is the competent authority for the supervision of the Public Takeover Bid, in case the company under acquisition has its registered office in the Republic and its securities are listed and traded on a regulated market in the Republic. Furthermore, CySEC is the competent Authority on Public Takeover Bids for securities that are not listed and traded in a regulated market in the member-state where the company has its registered office, where certain provisions defined in the Law apply. The relevant Law harmonizes the European Directive 2004/25/EU in relation to public takeover bids and the scope of its application derives from the relevant directive.

The Public Takeover Bid documents are assessed as to their compliance with the general principles governing every public offer and the conditions as defined in the Public Take Over Bids Law of 2007, and the assessment of the completeness of the provided information within the context of the relevant Law and CySEC Directive DI41-2007-03 in relation to the content of the Public Takeover Bid Document.

In 2016 a Public Offer Document (2015 - 3 Documents) was submitted to CySEC following a notice by the Offeror for a voluntary public bid to acquire 100% of the titles of an issuer with securities listed in the CSE.

CySEC examined the said document and decided to allow it to be published (2015 - 3 approvals).

In 2016 and 2015 no Revised Public Offer Documents were submitted to CySEC.

4.1.2.4 Prospectus equivalent Documents

During 2014 and 2013 no Prospectus Equivalent Documents were submitted to CySEC for granting an exemption as provided by the Public Takeover Bids and Prospectus Law.

4.1.2.5 Exemptions from the obligation to conduct a Public Takeover Bid

In 2016, 11 (2015 – 8) applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined the relevant applications and issued a decision (of approval or rejection) for 10 of them, while 1 application was withdrawn by the applicant.

CySEC also examined two applications from an Issuer (2015 – 2 applications) for the extension of the deadline granted in order to comply with the terms set by CySEC during the provision of an exemption from the obligation to present a public takeover bid offer to the shareholders. CySEC approved the applications (2015 – 2 approvals).

4.1.2.6 Applications to exercise squeeze-out right

In 2016 CySEC received 1 application (2015 – 2) for the exercise of a squeeze-out in an acquisition of the securities of a company which were not acquired in the Public Takeover Bid phase. CySEC examined and approved the application.

4.1.3 Decisions related to the smooth operation of the Stock Market

4.1.3.1 Delisting/suspension of trading

In 2015, CySEC examined and approved 6 requests of the CSE Board (2015 – 16 approvals) for the approval of its decision for the delisting from CSE' regulated markets of the securities by the equivalent number of Issuers. Five of these cases concerned delisting because of not adherence to the prerequisites for the smooth operation of the stock market and one case concerned the absence of adequate share capital distribution by the Issuer, following a public Takeover Bid.

CySEC also examined four requests (2015 – 2) by the CSE Board for the approval of its decision for the delisting from the CSE's non-regulated market ('N.E.A. market') of securities by the equivalent number of Issuers. CySEC approved the CSE's Board decisions due to the not adherence to the prerequisites for the smooth operation of the stock market in terms of the specific securities.

Within the year, CySEC also approved in the case of one Issuer (2015 – 2 Issuers) the decision by the CSE Board for the continued suspension of trading for the securities of those Issuers in CSE regulated market. Furthermore, for two additional Issuers (2015 – 7), CySEC, after taking into account the fact that the CSE did not have the authority to continue the suspension of trading for the securities of those companies, decided on the basis of the power granted to it by article 127(2) of the Investment Services and Activities and Regulated Markets Law, to request from the CSE Council to suspend the trading of the securities of the relevant Issuers until they comply with their continuous obligations or until a specific date determined by CySEC.

In 2016 CySEC also approved the decision by the CSE Board for the continuation of the suspension of the trading of the securities of nine Issuers (2015 – 2) on the N.E.A. (non-regulated) market.

4.2 SUPERVISION AND MARKET SURVEILLANCE

4.2.1 Monitoring of CIF Compliance

CySEC monitored the compliance of CIFs and ASPs with their continuing legal obligations either by conducting on-site inspections at the CIF's offices or by examining documents that must be submitted, pursuant to the legislative framework, to CySEC.

4.2.1.1 Conduct of on-site inspections

In 2016, the CySEC Supervision Department conducted 20 on-site inspections at CIFs in order to check their compliance with their legal obligations (2015 – 22).

In 2016, the AML Department conducted a total of 11 on-site inspections, exclusively to check for the compliance of supervised entities with their ongoing obligations derived from the Law and Directive

against money laundering:

- 5 on-site inspections at CIFs
- 6 on-site investigations at ASPs

These inspections also included inspections of supervised entities who have and/or had a business relationship with Mossack Fonseca and/or a person included in Panama Papers.

4.2.1.2 Desk based inspections

The Supervision Department also conducted:

- Inspections in relation to documents concerning the information that CIFs disclosed to investors (advertisements);
- Desk-based inspections of reports submitted by CIFs in relation to Internal Audit, and Compliance;
- Notifications in relation to shareholders who have special holdings and tied agents
- Review of CIF financial statements;
- Review of the appropriateness of the arrangements made by the CIFs in relation to their clients' assets;
- Review of the report regarding the fair presentation of the CIF publications in relation to their capital adequacy;
- Review of capital adequacy statements and large exposures.

Additionally, the Supervision Department investigated a notable number of complaints received by foreign supervisory Authorities against CIFs.

In 2016, the AML Department carried out:

- Review of a sample of annual reports by compliance Officers in relation to the prevention of money laundering and internal audit, including the relevant practices by the board, submitted by CIFs and ASPs and concern in general, policy, practices, measures and processes, and the mechanisms implemented for the prevention of money laundering and the financing of terrorism;
- Collection of specific information from CIFs concerning matters of compliance with their continued obligations in line with the Law and Directive;
- Inspection on the data/information collected in CIF and ASP monthly preventive reports on significant transactions in cash;
- Review and analysis of information submitted by all CIFs and ASPs on the basis of the new RBSF.
- Collection and evaluation of data from approximately 400 supervised entities to identify a possible business relationship with Mossack Fonseca and/or any person included in the Panama Papers.
- Collection of additional data and information for about 60 supervised entities that have and/or had a business relationship with Mossack Fonseca and/or a person included in Panama Papers. The data and information concerning the above-mentioned supervised organizations will be further evaluated.

4.2.2 Compliance monitoring of UCITS managers/AIFMs

Alternative collective investment managers (AIFMs) started to be licensed by CySEC in 2015. CySEC carries out an onsite inspection at the applicant's offices for the purpose of ascertaining its compliance with the conditions for granting authorization. Following the inspection, and in the absence of any evidence that would call into question the sound and prudent management of the applicant, the matter will be referred to the CySEC Board for granting of the authorisation.

CySEC will notify the applicant of its decision to grant an authorization and will proceed with the posting of the licensed entity's name on its website. After the authorization, the entity must, within a reasonable period of time not exceeding one month, notify CySEC of:

- the bank accounts to which their funds and client funds will be deposited in order to ensure their compliance with the provisions of article 18 of the Investment Services and Activities and Regulated Markets Law, Article 18 of the Alternative Investment Fund Managers Law and Article 112 of the UCITS Law, and
- the persons authorized to sign for transfers of funds from these accounts.

4.2.1.3 Sanctions

In cases where CySEC established the non-compliance of supervised entities with their continuous obligations according to the Law, it decided, weighing the severity of the violations to:

- Set a deadline for compliance to a number of CIFs to take a set of predetermined corrective measures;
- Impose an administrative fine on 14 CIFs (2015 – 11);
- Revoke the authorisation of 3 CIFs (2015 – 4);
- Suspend the authorisation of 4 CIFs (2015 – 2);
- Come to a settlement with 1 CIF (2015 – 2).

In relation to CIFs, CySEC imposed fines totaling €2.245.200 and, additionally, in one case came to a settlement for the total amount of €350.000.

It is important to note that, in addition to the monetary fines imposed, CySEC has also indicated a number of corrective measures to CIFs for the improvement of the internal processes, regulations, and practices, aiming for their complete compliance with their legal obligations. CIFs are obliged to implement these measures within a deadline set, at the end of which CySEC will check for their compliance anew.

Of the cases investigated by CySEC and are related entities in the banking sector, a total of administrative sanctions worth €9 mln have been imposed. Of these fines only €268,000 have been collected, and CySEC filed claims in court for their collection. In a number of cases, the court verdict is in favour of CySEC for the collection of the fine, with a suspension to the execution of the decision until the decision on the appeal submitted by supervised entities. One appeal against a CySEC decision has already been tried, with the decision in favour of CySEC, with 50% of the fine paid and the remaining 50% to be paid after the issue of the verdict to the appeal submitted to the Supreme Court.

4.2.4 Monitoring the compliance of Issuers of Listed Securities on a Regulated Market

4.2.2.1 Monitoring the implementation of the Public Offer and Prospectus Law

During 2016, Officers of the Issuers Department continued their monitoring of announcements by Issuers concerning the issue/offer of securities or the introduction of securities in an organised market, in order to determine their compliance with the Public Offer and Prospectus Law in respect of their obligation to issue a Supplementary Prospectus or whether they were exempted from the Law.

Furthermore, the Issuers Department continued to monitor the notifications of approved prospectuses from the competent Authorities of other Member States, which concern, mainly, public offers of transferable securities in the Republic, of Issuers established in other Member States. The relevant notifications are posted on CySEC's website. During 2016, 16 Prospectuses (2015 – 7) have been notified to CySEC by the competent Authorities of other Member States, and 22 Supplementary Prospectuses (2015 - 16).

In those cases, where, in the course of the examination of applications for approval of Prospectuses or of the relevant announcements, matters which might constitute violations of the current legislation governing the securities market emerged, those have been referred to the Market Surveillance and Investigations Department for further investigation.

4.2.2.2 Monitoring the implementation of the Public Takeover Bids Law of 2007

Officers of the Issuers Department continued to monitor on a continuous basis the announcements/publications in order to ascertain the compliance of the parties involved with the Public Takeover Bids Law.

In 2016, the Issuers Department did not investigate any case concerning a possible violation of article 13(1) of the Public Offering Law (L.41(I)/2007 as amended) (2015: 1 case for possible violation of Article 13 (1) of this Law).

4.2.2.3 Monitoring the implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007

CySEC is the competent Authority for the supervision and ensuring the proper implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, as applicable, which sets the Transparency Requirements for the disclosure of information of an Issuer whose transferable securities are admitted for trading on a regulated market. The relevant Law harmonises the Directive 2004/109/EU of the European Parliament and of the Council for the harmonisation of the transparency requirements. The said Law governs the Issuers whose home Member State is the Republic of Cyprus and their transferable securities are admitted to trading on a regulated market in the Republic or in another Member State. The purpose of the relevant Law is to establish the conditions for the publication of periodic and continuous information of Issuers whose transferable securities are admitted to trading on a regulated market.

Within the monitoring of the compliance of the Issuers whose transferable securities are listed on a regulated market, with their continuous obligations in accordance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the law and specifically, with their obligation for publication of the Annual Financial Report and the Half-yearly Financial Report, and the content of the said reports. In particular, it examined whether the financial information has been prepared in accordance with the relevant provisions of the Law. It should be noted that the disclosure requirements for the indicative results for the full financial year and the Interim Management Statement were abolished on 8 April 2016 with the amendment of the Transparency Requirements Law (Securities Transactions on a Regulated Market).

■ Annual Financial Report

Annual Financial Report for the financial year 2014

In reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for 2014, CySEC proceeded in the investigation of 13 cases for potential violation of section 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the non-publication of the Annual Financial Report within the deadline specified in the Law, and/or of section 37(2)(a) of the same Law regarding the non-submission of the Annual Financial Report to CySEC. It also investigated one case of potential violation of section 9(4)(c) of the same Law, due to the fact that the annual accounts of the parent company had not been included in the Annual Financial Report for the year 2015. CySEC also investigated a case pertaining to the potential violation of articles 9(3)(c) – re the content of the statements of the members of the Board of Directors, 9(4)(c) and 37(2)(a) of the same Law. The examination of the cases was completed in 2016 and CySEC imposed administrative fines on fourteen Issuers as follows:

- Administrative fine to eight Issuers for violation of articles 9(1) and 37 (2)(a) of the said Law.
- Administrative fine to four Issuers for violation of article 9(1) of the said Law.
- Administrative fine to an Issuer for a violation of article 9(4)(c) of the said Law.
- Administrative fine to an Issuer for a violation of Articles 9(3)(c), 9(4)(c) and 37(2)(a) of the said Law.

Annual Financial Report for the financial year 2015

In examining the compliance of Issuers with their obligation to publish their Annual Financial Report for the financial year 2015, CySEC investigated five cases concerning a possible violation of Article 9(1) of the Transparency Requirements (Transferable Securities for Trading in a Regulated Market) Law re the failure to disclose the Annual Financial Report within the time limit set by the Law and/or Article 37(2)(a) of the same Law as regards its non-submission to CySEC. CySEC also investigated a case concerning a possible

violation of Article 9(4)(c) of the said Law since the Annual Report of the parent company was not included in the annual financial report for the year 2015 of the Issuer in question. The examination of these cases was completed in 2016 and CySEC decided to impose administrative fines as follows:

- Administrative fine to four Issuers for violation of articles 9(1) and 37(2)(a) of the said Law.
- Administrative fine to an Issuer for a violation of article 9(1) of the said Law.
- Administrative fine to an Issuer for a violation of article 9(4)(c) of the said Law.

Within the framework of the same examinations, CySEC also sent letters to a number of Issuers, who presented minor shortcomings or omissions when disclosing their Annual Financial Report for the year 2015, drawing attention to the provisions of the relevant legislation.

■ Interim Financial Report

Interim Financial Report for the first semester of the financial year 2014

In examining the compliance of Issuers with their obligation to disclose their Six-month Financial Report for the first half of the financial year 2015, CySEC investigated seven cases concerning a possible violation of Article 10(1) of the Transparency Requirements (Transferable Securities admitted to trading in a Regulated Market) Law, due to the non-disclosure of the Six-month Financial Report within the time limit set by the Law and/or Article 37(2)(a) of the same Law as regards to non-submission to CySEC.

It also investigated a case concerning a possible violation of Article 10(3)(b) of the same Law because the Interim Management Report was not included in the Six-month Financial Report for the first half of the financial year 2015 of the Issuer in question. The examination of the case was concluded in 2016 and CySEC imposed administrative fines on seven Issuers as follows:

- Administrative fine to four Issuers for violating Articles 10(1) and 37(2)(a) of the said Law.
- Administrative fine to two Issuers for violation of article 37(2)(a) of the said Law.
- Administrative fine to an Issuer for a violation of Article 10(3)(b) of the said Law.

Within the framework of the same examination, CySEC also sent letters to a number of Issuers who presented minor shortcomings or omissions in the publication of their Six-month Financial Report for the first half of the financial year 2015, drawing attention to the provisions of the relevant legislation.

Interim Financial Report for the first semester of the financial year 2016

In 2016, CySEC also commenced the examination of the compliance of Issuers with their obligation to publish their Interim Financial Report for the first semester of the financial year 2016. The said examination continued into 2017.

■ Content of financial information

CySEC examined the financial statements of a number of companies listed on a regulated market for the years 2014, 2015 and/or the six-month financial report for the period ending 30 June 2016 to determine whether the financial information thereon was prepared in accordance with the Law on Transparency. In particular, the purpose of the examination was to assess the degree of compliance of these financial statements with the International Financial Reporting Standards (IFRS).

The selection of the sample of financial statements to be examined each year by CySEC is based on a combination of risk-based approach and sampling on a rotation, in line with the ESMA Guidelines on Enforcement of Financial Information which entered into force in December 2014 and which CySEC has adopted. The risk-based selection also takes into account the risk of inaccuracy in the financial statements, as well as the implications of a market-based inaccuracy. The selection criteria also take into account the common European Union priorities for the supervision of financial statements, established each year by the European Supervisory Authorities in cooperation with ESMA.

The choice of financial statements examined in 2016 was done on a sample basis as described above. In some cases, an overall assessment of the financial statements in relation to compliance with IFRS has been performed, while in some cases a focused/thematic review has been conducted in relation to a specific accounting handling or for the purposes of the shared EU priorities for the supervision of the financial statements for the year 2015 as defined by the European Supervisory Authorities in cooperation with ESMA. The results of the examinations were sent by CySEC, where appropriate, to the companies concerned, in order to provide explanations and/or to be taken into account in the preparation of their next audited financial statements. In some cases the evaluation continued into 2017.

4.2.5 Market Surveillance

Market surveillance is conducted by CySEC on a continuous basis, for the prevention, detection and investigation of abusive or illegal practices in the securities market. Furthermore, the surveillance and supervision of the market assists in the identification of possible deficiencies in the systems and procedures of controls that the supervised entities are obliged to maintain in order to ensure the protection of their clients/investors.

Market surveillance helps to ensure the smooth operation of the markets so that market participants feel safe and secure for their integrity and reliability. Therefore, the smooth and integral operation of the markets encourages investments and strengthens economic development.

Overall, market surveillance by CySEC is conducted through the monitoring in real time and on a continuous basis of the regulated markets with the use of a specially adapted electronic system and applications provided from the provider of the platforms. Furthermore, within the context of market surveillance, historic data from the databases re transaction orders and shareholder information and transactions which are maintained internally are analysed and examined.

Furthermore, CySEC conducts on-site inspections to ensure that a company maintains a local presence in Cyprus, and audits through the websites of companies to determine whether a company seems to provide investment services through its website without having the necessary authorisation by CySEC.

At the same time, the CySEC Department responsible for market surveillance carries out on a daily and continuous basis a review of news and announcements in the media, including websites, in Cyprus and abroad, which may concern the entities regulated by CySEC and the Cypriot investment services market.

4.2.6 Improvement of the compliance of the Regulated Entities

In order to improve the compliance of regulated entities with the applicable legislation, CySEC carries out seminars for regulated persons and open lectures for all interested parties. The aim of these seminars and lectures is to present new legislation or changes in the legal framework, and explain the basic legal provisions and the obligations of supervised entities which derive from those changes.

In total, 27 seminars were held in 2016 for Continuing Vocational Training for Certified Persons. Out of these, 13 were held in Nicosia and 14 in Limassol. The seminars, attended by more than 800 people, concerned the analysis of the legal obligations of AIFM, the analysis and comparison of the obligations of UCITS and AIFM management companies, the legal framework of Collective Investment Plans and the analysis of custodian tasks in UCITS and the AIFM, an analysis of the existing transparency regulations and the requirements of the new Transparency Directive, the Market Abuse Law and the MiFID Directive.

In relation to the training of certified individuals, CySEC intends to enrich the topics covered by its future Continuous Professional Education seminars.

CySEC already works so that the material of the examinations is updated in line with the new legislation that comes into force. Also, CySEC is preparing of the new Anti-Money Laundering Compliance Officers' examinations. These exams are expected to begin in early 2018, in order to reflect the changes to be implemented in 2017. At the same time, further certification examinations are planned in accordance with the guidelines issued by ESMA. CySEC is constantly examining ways to automate further the process of participating in the exams, such as allowing individuals to be registered via the internet, something that will be implemented by 2017.

4.2.7 Improvement of the compliance of the Regulated Entities

Since November 2012, CySEC is responsible to simplify the process of certifying individuals, conducting the examinations for the certification of persons who may be employed by CIFs and Credit Institutions in the provision of investment services to Management Companies and Variable Capital Investment Companies, and the keeping of the Register of Certified Persons. From 2014, examinations are conducted uninterruptedly under the responsibility of CySEC.

According to the new framework, the persons registered in the public register are now required to submit information on their continuing vocational training to CySEC in order to retain their registration. This new framework improves among other things the level of knowledge of certified persons in relation to the latest developments and changes in the legal framework governing the securities market while reducing the risk of non-compliance with the legal obligations of the supervised entities and upgrading the specialized professional knowledge of certified persons in specific areas of investment services.

At the same time, it is possible to address any weaknesses or gaps identified by the Supervisory Authority from time to time, and help those who may not be employed for some time in the field remain informed about the developments in the institutional framework.

In this way, the quality of the services offered is upgraded and the culture of compliance is promoted to each supervised entity and, by extension, to the market overall, which will maximize the further development and growth of the investment services sector in Cyprus. At the end of 2016 there were 2047 people (2015 - 1716 persons) registered in the Public Register.

4.3 INVESTIGATIONS

4.3.1 Investigation of potential violations

In 2016, the CySEC Market Surveillance and Investigations Department investigated cases in connection with potential violations of existing legislation and, in particular, cases concerning banking institutions, within its remit. In particular, CySEC investigated a number of cases related to banks that have securities listed in the CSE.

CySEC has taken final decisions on three (3) cases, which have been completed by the Market Surveillance and Investigations Department within the year, as follows:

- Decision of the CySEC Board dated 7.4.2016 regarding the investigation concerning violation of article 19 of Law 116(I)/2005 as specified in paragraph 4(d)(iv) of Directive 116-2005-03 (as applicable), by Cyprus Popular Bank Public Co Ltd, due to the lack of a public announcement and/or incomplete announcement regarding its use of Emergency Liquidity Assistance (ELA).
- Decision of the CySEC Board dated 21.9.2016 regarding the investigation into the compliance of Cyprus Popular Bank Public Co Ltd with the Market Abuse (Market Abuse) Law of 2015, as applicable, and the CySEC Directive DI116-2005-03 on Methods of Market Abuse for non-disclosure/publication of information on the intention to receive state support.
- Decision of the CySEC Board dated 17.10.2016 regarding the investigation into the compliance of the Bank of Cyprus Public Company Ltd, its Directors and the General Manager with the Transparency Requirements (Transferable Securities in Regulated Markets) Law of 2007, as applicable, and of the Bank of Cyprus Public Company Ltd with the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as applicable, for the impairment of goodwill of Uniastrum Bank.

4.3.2 Investor Complaints

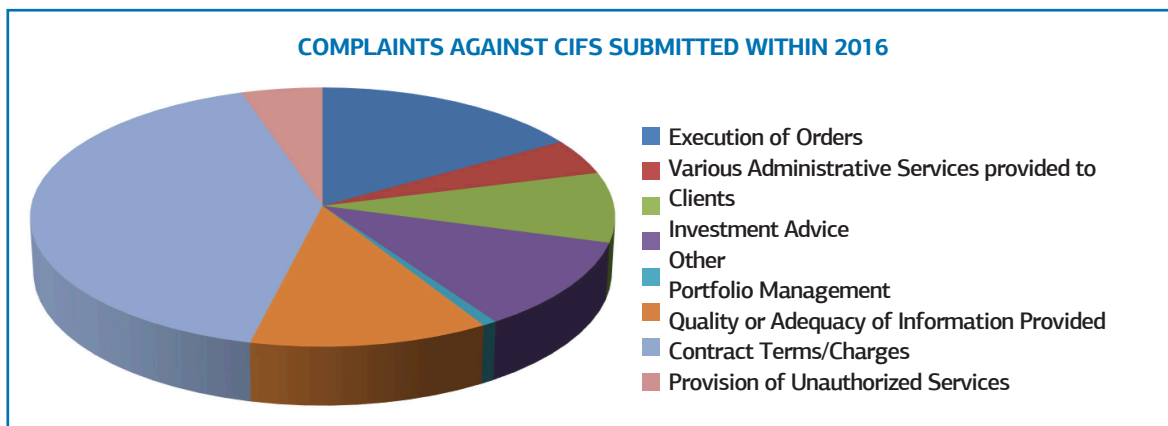
CySEC may be receiving complaints by investors against entities under its supervision, including Cyprus Investment Firms (CIFs) and the Issuers of securities listed on the CSE, as well as other types of complaints, which it takes into consideration in the framework of its supervisory role.

Complaints against CIFs

CySEC is not the competent body in relation to the compensation of investors in relation to complaints against CIFs and, as such, it does not investigate individual complaints. However, all complaints submitted to CySEC concerning CIFs are taken into account by CySEC in the exercise of its supervisory role.

During 2016, CySEC received 3936 complaints by investors against CIFs concerning various issues (Chart 13).

Chart 13: Complaints against CIFs submitted within 2016



Complaints against companies for possible unauthorised provision of services

During 2016, CySEC received 305 complaints by investors against companies potentially offering unauthorized investment services. The investigation for some of these cases was completed in 2016, while for the rest it continued into 2017.

For the examination of these cases, the Market Surveillance and Investigations Department conducts on-site investigations in order to determine whether a company has physical presence in Cyprus. The Department conducts its investigations through the company websites in order to determine whether the company is offering services via its website without the necessary CIF license, and request information by individuals believed to be in a position to offer CySEC helpful information.

Because of the above, on 13 December 2016, CySEC issued an announcement informing investors and the public at large that the websites included in the list below are not websites that hold CIFs license by CySEC to provide Investment services. (Table 8).

Table 8: List of websites not belonging to a CIF

NON AUTHORISED WEBSITES	
1. app.qbitmegaprofit.co	2. autotradingbinary.com
3. investrader.net	4. www.tradingbanks.com
5. www.tradorax.com	6. www.ubinary.com
7. www.ukoptions.com	8. www.utrader.com
9. www.vipoptions.com	10. www.whaleoptions.com
11. www.wikioption.com	12. www.winoptions247.com
13. newtradefx.com	14. zenithoptions.net
15. www.touchtrades.com	16. otmfx.com
17. rbinary.com	18. sbotrading.com
19. sunbirdfx.com	20. thetrueoption.com
21. trade12.com	22. unitedoptions.com

23. www.10markets.com	24. binaryswiss.com
25. www.500option.com	26. www.55profit.com
27. www.aaooption.com	28. www.afghanbawar.org.af
29. www.albatrosrgt.com	30. www.algobanque.com
31. www.alliance-options.com	32. www.b4binary.com
33. bitransax.com	34. www.banco-capital.com
35. www.beeoptions.com	36. www.bforex.com
37. www.bigoption.com	38. www.binaring.com
39. www.binary8.com	40. www.binarybrokerz.com
41. www.binaryfn.com	42. www.binaryroom365.com
43. www.binary-slot.com	44. bloombox-options.com
45. www.binaryuno.com	46. www.bmpoption.com
47. www.brokerofficial.com	48. www.brokeroption.com/it/
49. www.bsdooption.com	50. www.cfd1000.com
51. www.citrades.com	52. www.cyprusinvestmentllc.com
53. www.daily-trades.com	54. www.eclipse-finance.com
55. fmtrader.com	56. www.edgedalefinance.com
57. www.empireoption.com	58. www.evrolife-association.com
59. www.exbino.com	60. www.finpari.com
61. www.ftrade.com	62. www.fx-inter.com
63. www.g4trader.com	64. www.goldenratioassetmanagement.com
65. www.gotooption.com	66. ftradition.com
67. www.gtooptions.com	68. www.hedefonline.com
69. www.highoption.com	70. www.imperialoptions.com
71. www.insideoption.com	72. www.ivoryoption.com
73. www.ksftrade.com	74. www.lbinary.com
75. www.lottmarket.com	76. www.marketsdl.com
77. go24invest.com	78. www.marketsrally.com
79. www.maxoptions.com	80. www.mrtmarkets.com
81. www.netotrade.com	82. www.nextoption.com
83. www.no1options.com	84. www.noafx.com
85. www.onetwotrade.com	86. www.option500.com
87. www.optionbit.com	88. goptions.com
89. www.optionstarsglobal.com	90. www.optionsxo.com
91. www.pacificoption.com	92. www.plusfinancials.com
93. www.plusoption.com	94. www.plustocks.com
95. www.porterfinance.com	96. www.primebrokerz.com
97. www.pwrtrade.com	98. hfx.com
99. investcapitalmarket.com	100. www.rtgtrading.com
101. www.safeklik.com	102. www.safe-option.com
103. www.scala.trade	104. www.SecuredOptions.com
105. www.swissfxpro.com	106. www.tadawulinvestments.com
107. www.thetrueoption.com	108. www.titantrade.com
109. www.Tradersking.com	

CYSEC urges the investing public to consult its website to be informed of the approved websites (<http://www.cysec.gov.cy/entities/investment-firms/approved-domains>) and the websites that are not authorised by CySEC (<http://www.cysec.gov.cy/el-GR/non-approved-domains/>).

Complaints against Issuers

In 2016, no investor complaint was submitted to CySEC against Issuers of shares listed on the CSE.

4.3.3 Submission of Data to the Law Office of the Republic

Pursuant to section 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where the potential violation may, prima facie, constitute a criminal offence, CySEC prepares a memo or report of facts and submits it with all the evidence in its possession to the General Attorney of the Republic. In 2016, CySEC sent 1 case to the Attorney General for the latter to decide whether any potential criminal offences are present in relation to companies or natural persons.

4.3.4 Cooperation with other Supervisory Authorities for the conduct of Investigations

In 2016, following the request for assistance from foreign Supervisory Authorities, CySEC collected information on legal entities and individuals as provided by Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) on behalf of the foreign Supervisory Authorities. Of the 82 requests for information, the 11 requests concerned the lifting of banking confidentiality.

4.4 UPGRADING OF THE LEGAL FRAMEWORK

4.4.1 Laws

Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009)

The Cyprus Securities and Exchange Commission (Amending) Law of 2016 (L.109(I)/2016) was published on 27 October 2016 and according to which:

- (a) CySEC shall be authorized to appoint and dismiss persons in its service who may be employed on a full-time basis on a permanent or temporary basis.
- (b) Criminal prosecution against the Chairpersons and/or Members of the CySEC Board or and or CySEC staff for a criminal offense committed in contravention of the relevant CySEC Law can only be carried out by the Attorney-General or with his consent.
- (c) The cases in which CySEC may disclose confidential information in court proceedings have been increased.

Furthermore, a draft law was prepared and forwarded to the Ministry of Finance, the aim of which is:

- (a) To give CySEC authority to issue circulars.
- (b) To increase the non-executive members of the CySEC Board from three to four so as to allow for the establishment of an Audit Committee consisting of three members, with the exception of the Chair and the Vice-Chair.
- (c) To give CySEC the power to collect information from supervised entities for statistical analysis and risk management.
- (d) To give CySEC the power to impose administrative measures provided for in European Union acts for which it has been designated as the competent Authority according to a notification from the Minister of Finance.

The Market Abuse Law of 2016 (L.102(I)/2016)

On 14 October 2016, the Market Abuse Law of 2016 (L.102(I)/2016) was published for the necessary harmonization, where applicable, with European Regulation (EU) 596/2014 on Market Abuse.

The Regulation 596/2014 establishes a single regulatory framework for abuse of privileged information, unlawful disclosure of privileged information and market manipulation (“market abuse”). It also includes market abuse prevention measures to safeguard the integrity of financial markets in the European Union and to strengthen investor protection and trust in these markets.

When L.102(I)/2016 came into force, the Insider Dealings and Market Manipulation (Market Abuse) Law of 2005 (L.116(I)/2005) and all the CySEC Circulars issued pursuant to this Law were abolished.

Law on Criminal Sanctions for Market Abuse of 2016 (L.136(I)/2016)

On 23 December 2016, the Law on Criminal Sanctions for Market Abuse of 2016 (L.136(I)/2016) concerning the harmonization with Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 for the criminal sanctions for market abuse (Market Abuse Directive) was published. This Law, which does not fall within the competence of CySEC but CySEC has contributed to its preparation, regulates the criminal aspect of infringements in relation to market abuse.

The said Law concerns, inter alia, the following issues:

- (a) It establishes criminal sanctions in respect of insider dealing, market manipulation and unlawful disclosure of confidential information.
- (b) It defines serious cases of insider trading, market manipulation and unlawful disclosure of confidential information.
- (c) It introduces provisions for incitement and synergy in the conduct of the above criminal offenses.
- (d) It introduces provisions for attempted abuse of privileged information market manipulation.

Draft Law – The Disclosure of Infridgements Law

This Draft Law was prepared to regulate how to report an infridgement or potential infridgement of the regulatory framework relating to CySEC, where the reporting may be from any person to CySEC and from an employee to his employer when the latter is a CySEC-regulated entity.

The need for the drafting of this Draft Law has emerged from a recent European legislative act that specifically refers to the obligation of EU Member States to regulate the submission or reporting of infridgements.

The Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007) - (1)

On 17 February 2016, the Investment Services and Activities and Regulated Markets (Amending) Law (L.8(I)/2016) was published, amending article 61 of Law L.144(I)/2007, in relation to issues that concern the operation of the Investor Compensation Fund of the Investment Firms (“ICF”).

The Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007) - (2)

In order to directly protect the clients of a CIF in the event of a suspension of its operations and the proper management of its money or accounts and thus the reimbursement of client money, an amendment of Law L.144(I)/2007 was prepared in order for CySEC to have the power to appoint an authorized person in the position if the professional insolvency advisor.

The Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007) - (3) - European Directive MiFID II

In line with the European Directive 2014/65/EU, a draft law on the amendment of the Investment Services and Activities and Regulated Markets Law of 2007 was prepared and taken forward. Directive 2014/65/EU redrafts/replaces Directive 2004/39/EC Which was in force and had been transposed into Cypriot law by Law No.144(I)/2007.

This said draft law introduces the provisions of Directive 2014/65/EU, known as “MiFID II”, into Cypriot legislation and brings about substantial changes in the financial markets, mainly on the following key issues:

- (a) The scope is further extended to additional financial instruments and investment products, such as emission allowances and structured deposits, while the exceptions are limited. In addition, it introduces a new type of trading venue, the Organised Trading Facilities (OTFs), which can be provided as a new investment service. At the same time, individuals who carry out own-account transactions and apply high-frequency algorithmic trading techniques fall within the scope and need to be licensed.
- (b) The role and tasks of the Board of Directors of an investment firm, a market operator or a data reporting service provider and the corporate governance arrangements are enhanced. There are also stricter obligations in terms of product governance for both creators and distributors.
- (c) Professional business ethic rules apply to a wider range of clients and financial instruments. The provision of investment advice is separated on an independent and non-independent basis, while imposing further restrictions on the inducements for portfolio management or investment advice on an independent basis. In addition, stricter supervision of remuneration policies and financial incentives for an investment firm’s staff is required.
- (d) Investment firms operating through algorithmic transactions are required to comply with specific requirements in relation to their risk management systems and controls. They are also required, when following a special trading strategy, to provide liquidity on a regular and predictable basis at the trading venue. An investment firm that allows a person to use its trading code to enable that person to electronically transmit orders for a financial instrument directly to the trading venue, must implement the necessary systems and controls to prevent trading that may put at risk the firm itself, the orderly functioning of the market or lead to market abuse.
- (e) Limits are applied to the equity position that a person may hold at any one given time on commodity derivatives, both for those traded on trading venues and on financially equivalent OTC derivative contracts. Non-financial entities are excluded from these limits in terms of risk-reducing positions that are directly related to their trading activity. There are also extensive new reporting obligations in relation to positions held in commodity derivatives.
- (f) Obligations for licensing and continuous operation of data reporting service providers are added, introducing enhanced consolidation and disclosure of transaction data.
- (g) Harmonized rules are provided for the licensing of third-country investment firms providing services to private clients and professional clients on request, but without the European passport.
- (h) The structure of the markets is altered to ensure that trading takes place as much as possible on organised, suitably regulated markets, subject to a higher degree of transparency. To this end, a new trading venue, the Organised Trading Facilities (OTFs), alongside existing trading venues, such as regulated markets and Multilateral Trading Facilities (MTFs), is added. Only non-equity instruments, such as bonds, structured finance instruments, emission allowances and derivatives, are traded in the OTFs. It is permissible for the market operator of the OTF to carry out matched principal trading for own account in non-equity instruments - except derivatives subject to clearing under the European EMIR Regulation - and to carry out own-account transactions only on sovereign bonds for which there is no liquid market.

The said draft law provides for the abolition of Law 144(I)/2017. EU Member States are required to transpose Directive 2014/65/EU into national law by 3 July 2017 with date of application 3 January 2018.

The Recovery of CIFs and Other Entities under the supervision of CySEC and Related Issues Law of 2016 (L.20(I)/2016) - European Directive on the recovery and resolution of credit institutions and investment firms 2014/59/EU

On March 18 2016, the Recovery of CIFs and Other Entities under the supervision of CySEC and Related Issues Law of 2016 (L.20(I)/2016) was adopted, which aims to harmonize national legislation with certain provisions of Directive 2014/59/EU establishing a framework for the recovery of investment firms.

In particular, Law 20(I)/2016 provides that, as a competent authority, CySEC ensures inter alia that the prevention of the insolvency of CIFs that meet the requirements of Article 10(1) of Law 144(1)/ 2007, and other supervised entities by:

- (a) Creating a framework for the prevention of insolvency and recovery of CIFs and other supervised entities. This is achieved through the planning, preparation and regular updating of recovery plans, as well as their monitoring and evaluation by CySEC,
- (b) The implementation of early intervention measures to prevent insolvency, including the removal of senior management from unhygienic CIFs and other supervised entities, as well as the appointment of a temporary manager to maintain or restore the financial position of these entities and to deal with any possible negative reaction of the market through the implementation of the recovery and early intervention measures.

In addition, on 18 March 2016, the Recovery and Resolution of Credit Institutions and Investment Firms Law of 2016 (L.22(I)/2016) was adopted, the aim of which is, inter alia, to harmonize national legislation with certain provisions of European Directive 2014/59/EU establishing a framework for the recovery of investment firms.

In particular, Law L.22(I)/2016 provides, inter alia, the possibility for the Central Bank of Cyprus, as the competent Authority for the resolutions, to intervene in a timely manner on unfair CIFs in order to ensure the continuation of their core financial functions and, at the same time, to minimize the impact of a CIF's recovery and resolution process on the financial system and the economy in general, aiming to prevent destabilization of financial markets and minimize costs for taxpayers.

Full harmonization with European Directive 2014/59/EU, - through the enactment of the Law, as well as the Deposit Guarantee Scheme and Resolution of Credit and other Institutions Law (L.5(I)/2016), which passed on 11 February 2016-, provides sufficient tools to effectively address unhealthy CIFs both in Cyprus and across borders, in order to minimize the negative effects in case of insolvency of Institutions.

The Deposit Guarantee Scheme and Resolution of Credit and other Institutions Law (L.5(I)/2016)

In view of the obligation, pursuant to the Directive 2014/59/EU, of CIFs and their branches falling within Law L.20(I)/2016, to make contributions to the Resolution Fund for Credit and Other Institutions, a proposal to modify it was prepared in order to include in Article 2 of the aforementioned Law the definition of "affected institution", which includes licensed credit institutions and CIFs of Law L.20(I)/2016, which have the obligation to pay the relevant contribution.

The Transparency Requirements (Transferable Securities for Trading in a Regulated Market) Law of 2007 (L.190(I)/2007)

On 8 April 2016, the Transparency Requirements (Transferable Securities for Trading in a Regulated Market) (amending) Law of 2016, on the harmonization with articles 1 and 3 of European Directive 2013/50/EU was published, in which:

- (a) The Issuer's liability is waived for:
 - The disclosure of Interim Management Statement during each semester of the financial year.
 - The drawing up and publishing an Indicative Results for the full financial year.
 - The disclosure of a new loan issue.
 - The disclosure of the proposal to amend the memorandum or articles of association.
- (b) The obligation for the issue of the six-month financial report is extended to three months from the end of the first half of the financial year;
- (c) The obligation for the Annual and Six-month Financial Reports to remain available to the public is extended to ten years.
- (d) An Issuer is required to publish an annual report on payments to governments if the have a company operating in the mining industry or logging of primary forests.

- (e) It also extends to a person the obligation to notify the Issuer and CySEC of their significant holding in voting rights arising from the possession of financial instruments with a similar financial impact on the holding of shares and share acquisition rights, whether or not they have the right of physical settlement. Also, the valuation of the full notional amount (delta-adjusted basis) is determined.
- (f) An obligation is created to notify the Issuer and CySEC of the total percentage of the voting rights held by a person in that Issuer resulting from the summation of all the holdings said person holds.
- (g) The time for the person that must notify to Issuer and CySEC for their holding in said Issuer, is extended to 3 trading working days.
- (h) CySEC is given the power to suspend voting rights incorporated in shares, in the event of non-compliance with the obligations provided for the acquisition or disposal of voting rights in relation to an Issuer.
- (i) High administrative sanctions and measures are provided for legal and natural persons for violations concerning the periodic information and obligations in case of acquisition or disposal of voting rights in an Issuer.
- (j) The conditions that CySEC may take into account in determining the type and level of administrative sanctions or administrative measures imposed are specified.

Furthermore, a Draft Law is being forwarded to the House of Representatives for better alignment with the provisions of Directives 2007/14/EC and 2013/50/EU and, in particular, so that:

- (a) The time of publication by the Issuer of the acquisition of own shares and the information received from the persons liable for disclosure, as well as the time of notification to the Issuer of the holding held by him, is to be counted as “trading days”.
- (b) ‘Trading days’ are defined.
- (c) The instruments listed in ESMA’s list are to be included in the definition of “financial instruments.”

In addition, a Draft Law is being forwarded to the Ministry of Finance, for the better implementation and improvement of Law L.190(I)/2007 and, in particular, so that:

- (a) The references in said Law to Laws/European Directives which have been repealed with those currently in force, are to be replaced.
- (b) The issuer is required, at the same time as the disclosure of “privileged information” pursuant to Regulation 596/2014, to submitted them to CySEC.

The Public Offer and Prospectus Law of 2005 (L.114(I)/2005)

On 8 April 2016, the Public Offer and Prospectus (Amending) Law of 2016 was published for the purpose of alignment with Article 2 of Directive 2013/50/EU, which amends the definition of “home Member State” in relation to Issuers of securities established in a third country.

The Transfer of CSE Personnel to CySEC Law of 2015 (L.126(I)/2015)

On 20 July 2015, The Transfer of CSE Personnel to CySEC Law of 2015 (L.126(I)/2015) was enacted. Said Law provides for the permanent transfer of personnel from the CSE to CySEC. The law was passed for immediate and permanent support of CySEC by experienced personnel, which the CSE can make available to CySEC. The above Law assists in restricting the increase of the public sector staff and in the better use of the state resources.

The provisions of the Law were implemented for the first time in 2016 with the transfer of 5 Officers and 3 Assistant Secretarial Officers from the CSE to CySEC. Further use of the Law can be used in future CySEC recruitments.

European Commission proposal for a Regulation of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading

On 30 November 2015 the European Commission's Proposal for a Regulation of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading (Prospectus Regulation) was published. It proposes to revise the current Prospectus Directive and replace it with the proposed Regulation. The objective of the Proposal, which was adopted as part of the legislative proposals for the creation of the Capital Markets Union, is to further facilitate the access of companies, especially small and medium-sized enterprises, to capital markets. In January 2016, the Working Group on the Financial Services Commission of the European Commission began to discuss this proposal and by December 2016 the final text of the Proposal for a Regulation was agreed and ratified between the European Council, the European Parliament and the European Commission. The publication of this Regulation is expected in 2017.

Amendment of the Open-Ended Undertakings for Collective Investment Law

On 22 April 2016 the Open-Ended Undertakings for Collective Investment (Amendment) Law of 2016 (L.52(I)/2016) was published in the Official Gazette of the Republic of Cyprus with a view:

- (a) To harmonise the national legislation with European Directive 2014/91/EU of the European Parliament and the Council of 23 July 2014 amending Directive 2009/65/EC, which covers the coordination of laws, regulations and administrative provisions re UCITS for custodian functions, remuneration policies and sanctions (UCITS V), as well as
- (b) To make it possible to convert existing limited liability companies into UCITS variable capital funds. This possibility is restricted to the Investment and Approved Investment Companies that are listed in the CSE. Furthermore, Article 31 of the main Law was amended in order to allow the amendment of the Articles of Association of the aforementioned companies without the need to appeal to the Court, as is usually required by the procedure provided for in the Companies Law.

Amendment of the institutional framework governing Alternative Investment Organizations

Following suggestions from market participants and for the purpose of improving national legislation, CySEC took steps to modify the institutional framework of Alternative Investment Organizations. Among other things, Registered Funds are to be introduced into the national institutional framework, which will not be licensed by CySEC but will be supervised directly by their CySEC-licensed and supervised administrator. Registered AIFs can operate as an open or closed type, taking the legal form of the collective investment fund, the fixed or variable capital company and the limited partnership. In addition, the possibility for the establishment and operation of AIFs and AIFs with Limited Number of Persons, in the form of a limited partnership, with separate legal personality (subject to the amendment of the Partnership and Business Names Law), is included.

These investment tools will be aimed exclusively at professionals or well-informed investors. These new categories will offer alternatives to promoting diversified investment products, a prudential regime, ensuring a climate of confidence and adequate investor protection.

Draft Law re the Mini Managers (under the AIFMs limits)

Following suggestions from market participants and for improving national legislation, CySEC is promoting a Draft Law for regulating and operating managers below the limits set by the Alternative Investment Managers Law, the "Mini-Managers". These managers will be licensed by CySEC and will be able to manage portfolios of funds whose assets will not exceed the limits of the AIFM Law (€100 million using leverage or €500 million without the use of leverage). This category of managers does not fall under European Directive 2011/61/EU (nor the AIFM Law), so national law will govern their operations.

By introducing this Draft Law into the institutional framework, the operation of fund management under the AIFM law will be regulated and supervised by CySEC. The aim of the Draft Law is to create a prudential regime for companies that perform these functions, ensuring a climate of trust and adequate investor protection.



Draft Law re the Administration of Alternative Investment Funds

Following market suggestions and for improving national legislation, CySEC is promoting a Draft Law on the regulation and operation of alternative investment fund administrators. Based on the existing institutional framework, the trustee, who is licensed and fully supervised by CySEC, has the right to entrust administration of AIFs to third parties.

With the introduction of this Draft Law into the institutional framework, the administration of AIFs should be carried out by a CySEC-licensed and supervised entity, aiming to establish a prudential regime for companies offering these services, ensuring a climate of trust and adequate protection of investors.

The two aforementioned forthcoming legislative changes will significantly enhance the legislative framework governing collective investment with a view to further allow the safe expansion of the sector and attracting new investment in Cyprus. The proposed amendments were presented at a press conference organized by CySEC in cooperation with the Cyprus Investment Funds Association (CIFA).

Amendments in Company Law

For the purpose of improving the existing institutional framework, CySEC has taken steps to prepare a Draft Law amending the Companies Law, in cooperation with the Registrar of Companies, with a view to incorporating in it provisions for “limited liability companies with variable capital” to operate as Investment Companies of Variable Capital.

The CySEC regulatory framework permits limited liability companies to operate as Investment Companies of Variable Capital under the Alternative Investment Funds (‘AIF Law’) and the Open-ended Collective Investment Funds Laws (‘UCITS Law’).

The Amending Law on the Companies Law will incorporate the new form of “limited liability company with a variable share capital” into the Companies Law, so that licensed Investment Companies of Variable Capital can be constituted in this form. The relevant provisions regarding the operation of these companies will remain in the specific Laws for AIFs and UCITS, while the Companies Law will include, inter alia, provisions and/or definitions regarding the establishment and registration of “limited liability companies with variable share capital”, and the share capital without nominal but floating value.

Amendments in the Partnership and Business Names Law

In view of improving the existing institutional framework and for the better functioning of the Alternative Investment Organizations, CySEC, in cooperation with the Office of the Registrar of Companies, took steps to prepare a Draft Law amending the Partnership and Business Names Law. The aim is to introduce a new form of limited partnership with a separate legal personality. With the amendment, limited partnerships with a separate legal personality may be set up and, based on the relevant changes in the institutional framework governing Alternative Investment Funds, may be authorized as AIFs.

European Regulation on the transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012

On 23 December 2015, Regulation (EU) No. 2015/2365 on the transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, was published in the Official Journal of the EU.

Regulation 2015/2365 lays down the rules on the transparency of securities financing transactions and the re-use and it significantly improves the transparency of securities financing transactions in the shadow-banking sector. These new rules also help identify the risks associated with these financial transactions as well as their size.

An announcement by the Minister of Finance in the Official Journal of the Republic is expected to be published in 2017, where CySEC will be designated as the Competent Authority for the implementation of the aforementioned Regulation as regards the financial counterparties under its supervision, non-financial counterparties, as well as for the purposes of Articles 13 and 14 of the relevant Regulation, as regards UCITS management companies, UCITS investment companies and AIFM.

European Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds

On 29 June 2016, Regulation (EU) No. 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. This Regulation will apply from 1 January 2018. Regulation 2016/1011 establishes a common framework to ensure the accuracy and integrity of indicators used as reference indicators in financial instruments and financial contracts or to measure return on investment funds in the EU. It thus contributes to the smooth functioning of the internal market, while achieving a high level of consumer and investor protection.

An announcement by the Minister of Finance in the Official Journal of the Republic is expected to be published in 2017, where CySEC and the other supervisory authorities will be designated as responsible for the implementation of the said Regulation.

Revision of the operation of the Investor Compensation Fund

As part of the transposition of the MiFID II Directive, a Draft Law on the regulation of the operation of the Investor Compensation Funds (ICF) is being prepared by CySEC in cooperation with the Ministry of Finance and the Central Bank of Cyprus.

Furthermore, a comparative study was carried out on how the Investor Compensation Funds in the European Union operate, in order to take into account the European practices in amending the existing ICF Directive (Directive 144-2007-15).

European Union Fourth Anti-Money Laundering Directive

On 5 June 2015, Directive (EU) 2015/849 on the prevention of the use of the financial system for money laundering or terrorist financing was published in the Official Journal of the European Union. Member States are required to comply with Directive (EU) 2015/849 by 26 June 2017. In the framework of harmonization with this Directive, a Law is being drafted to amend the Anti-Money Laundering and Law of 2007.

It is noted that on 5 July 2016 the European Commission submitted a legislative proposal to amend Directive 2015/849. The purpose of this proposal is to take further measures to combat the financing of terrorism. Among other things, it includes extending the scope of Directive 2015/849 to cover digital exchange platforms and digital wallet custody providers as well as strengthening the powers of financial intelligence units and facilitating cooperation between them. In examining this proposal to amend Directive 2015/849, CySEC was actively involved, by submitting comments and participating in the meetings of the Council of the EU's Financial Services Working Group tasked to revise the Directive.

4.4.2 Directives

In 2016, CySEC prepared and issued the following Directives:

- Directive DI144-2007-08A of 2012, which revises the Directive DI144-2007-08 on the prevention of money laundering.
- Directive DI144-2007-08B of 2012, which revises the Directive DI144-2007-08 on the prevention of money laundering.
- Directive DI190-2007-03A, which revises the Directive DI190-2007-03 (R.A.A. No. 346/2016) re the Disclosure of Regulated Information.
- Directive DI190-2007-04A, which revises the Directive DI190-2007-04 (R.A.A. 347/2016) re the Content of the Annual Financial Report.
- Directive DI190-2007-5A, which revises the Directive DI190-2007-05 (R.A.A. 122/2016) re Third Countries (Equivalent Requirements).
- Directive DI190-2007-06A, which revises the Directive DI190-2007-06 (R.A.A. 348/2016) on the Acquisition or Disposal of Voting Rights by a Market Maker, in order to bring it into line with Article 3(3) of Directive DI2013/50/EU.
- Directive DI114-2005-01 of 2016 re the language of the prospectuses (R.A.A. 270/2016).
- Directive DI131-2014-04 on the requirements for the organization and operation of the Administrator of AIFM which is a CIF or an investment firm of another Member State other than the Republic (R.A.A. 205/2016).
- Directive DI131-2014-05 on the depositary of AIFs and AIFs with Limited Number of Persons and the conditions for the assignment of depositary functions of AIF and AIFs with Limited Number of Persons (R.A.A. 276/2016).
- Directive DI144-2014-14A, which revises the Directive DI144-2014-14 of 2014 re the prudential supervision of the ASPs.

4.4.3 Circulars

During 2016, CySEC prepared and issued the following circulars to CIFs, concerning primarily:

- C169 - European Banking Authority 'Revised guidelines on the further specification of the indicators of global systemic importance and their disclosure'
- C168 Updated version of ESMA's Q&A document relating to the provision of CFDs and other speculative products to retail investors under MiFID
- C162 Capital adequacy requirements - Change in the treatment of the Investors Compensation Fund Contribution
- C160 MiFID II Guidelines on Cross Selling Practices
- C155 Belgian Regulation for the distribution of OTC derivatives
- C145 Clarifications for Circular C138 - Remuneration policies and practices
- C140 Effects due to brexit
- C138 Remunerations Policies and Practices
- C135 ESMA Statement on MiFID practices for firms selling financial instruments subject to the BRRD resolution regime
- C130 Monitoring of risks due to possible Brexit
- C127 Transposition of Directive 2014/59/EE (the "BRRD") – Recovery Plans
- C126 Trading in Binary Options
- C125 Leak of documents of company Mossack Fonseca ('Panama Papers')
- C115 EMIR - European Regulation (EU) No 648/2012 on Over the Counter Derivatives, Central Counterparties and Trade Repositories – Latest Developments

- C114 Pillar III Disclosure in accordance with Part Eight of European Regulation (EU) 575/2013
- C143 Application of articles 61 and 62 of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007
- C119 Compliance Officer's Annual Report on the prevention of money laundering and terrorist financing-Electronic Submission
- C137 Regulation (EU) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012
- C173 Guidelines on sound remuneration policies under the UCITS Directive (ESMA/2016/575)
- C174 Guidelines on sound remuneration policies under the AIFMD (ESMA/2016/579)
- C152 Common and recurring observations from on-site inspections in relation to the prevention of money laundering and terrorist financing
- Publication of ESMA's guidelines on risk-based supervision.

During the year, a number of announcements and circulars was also issued for Issuers with securities traded on a regulated market, covering among others:

- Publication of the ESMA's extract on decisions concerning the enforcement of International Financial Reporting Standards.
- The Common Positions of Supervisory Authorities on Frequently Asked Questions Concerning Prospectuses
- ESMA's Public Statement re Improving the quality of disclosures in the financial statements
- ESMA's Public Statement re European common enforcement priorities for 2015 financial statements
- How to submit the Annual Financial Report for the financial year 2015 to CySEC
- Amendments in the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws

4.4.4 Consultation Papers

During 2016, CySEC prepared and published a series of consultation papers for stakeholders, concerning:

- The promotion of a Draft Law for the harmonization with Regulation (EU) 596/2014 on market abuse.
- Promoting a Draft Law for the reporting of violations to harmonise the national legislation with the EU aquis.
- The implementation of articles 61 and 62 of the AML Law of 2017.
- The promotion of a Draft Law for amending the Transparency Requirements (Transferable securities admitted to trading in a regulated market) Law to improve its implementation.
- The issuing of a Circular for the language of prospectuses.
- Suggested amendments to the AIFs Law and in the AIFMs Law (since 22.04.2016 – 17.06.2016)
- Suggested amendments to the AIFs Law and the establishment of a legal framework for managers that fall below the threshold («Mini-Managers») (since 29.11.2016 – 06.12.2016).

The Supervisory Department also prepared and published the following Consultation Papers in order to engage into discussion with the stakeholders:

- CP (2016-04) Discussion Paper regarding a proposed circular for the obligations of CIFs when providing information to customers about the services and the instruments they provide.
- CP (2016-05) Discussion Paper regarding the selection, use and monitoring of liquidity providers.
- CP (2016-08) Discussion Paper regarding the maintenance of merchant accounts with payment service providers for clearing / settling payment transactions.
- CP (2016-09) Discussion Paper regarding the promotion of CIF services/products and attracting customers.
- CP (2016-10) Discussion Paper regarding the Requirements for the protection of client funds.

4.4.5 Forms and Other Documents

During 2016, updated Q&A documents concerning legislation related to CySEC duties were prepared and published on the CySEC website.

4.4.6 Communication with supervised entities/investors/interested parties

In 2016, the CySEC Legal Department received by market participants, investors, lawyers, auditors and other persons, a large number of queries on legal issues all of which have been dealt with. The Laws that gathered most questions are summarised on the table below.

LAW	NO. OF QUESTIONS
Investment Services and Activities and Regulated Markets Law	420
Administrative Services Law	145
UCITS/AIFM/AIF Laws	220
Other Laws	130

4.5 INTERNATIONAL AND DOMESTIC COOPERATION

4.5.1 International Cooperation

4.5.1.1 Permanent Representation of the Republic in Brussels

An Officer of the Legal Department is seconded to the Permanent Representation of the Republic of Cyprus in Brussels (Financial Services Attaché) to handle all issues of the EU Council in relation to financial services related and to the competence of CySEC.

The Financial Services Attaché represents Cyprus at EU Council meetings and works closely with the other EU institutions to promote the interests of Cyprus in dealing with issues falling within the competence of CySEC, as well as other government departments.

4.5.1.2 European Securities and Markets Authority

The European Securities and Markets Authority – ESMA – is an independent Authority of the EU that contributes to the stability of the financial system of the EU that ensures the integrity, transparency, efficiency and the smooth operation of the securities markets and the enhancement of the protection of investors. ESMA enhances the cooperation between capital market Authorities, and the reinforcement of the protection of investors. ESMA enhances the cooperation between capital market Authorities and the various financial sectors by cooperating closely with the other European Competent Authorities in the banking and the insurance section and the professional pension schemes.

The role of ESMA is to act as a Competent Authority within the European System of Financial Supervision by assisting in the establishment of the technical details of the European legislation in relation to transferable securities and ensuring greater consistency to the daily application of the European legislation and cooperation among its members.

ESMA also contributes to the work of the European Systemic Risk Board (ESRB) by providing data and assuming the conduct of stress tests in close cooperation with the other two European supervisory authorities for the financial sector, the European Banking Authority and the European Insurance and Occupational Pensions Authority. Together with the other two European supervisory authorities, ESMA is part of the Joint Committee working to ensure cohesion between the three sectors in the financial system and the adoption of common positions on matters of financial group monitoring.

CySEC is in direct and close cooperation with ESMA on matters related to the transferable securities sector. CySEC participates at the highest level as a member of ESMA, since the members of ESMA are the heads of

the supervisory authorities of the capital markets of each EU Member State, and participates in the meetings of the administrative bodies, such as the Board of Supervisors and at experts' level with the participation of its Officers in various committees established within the framework of operation of ESMA. Subsequently, reference is made to the main governing bodies of ESMA and to the number of the committees and groups in which CySEC is involved.

Board of Supervisors and the Management Body

The ESMA Board of Supervisors consists of the heads or their authorized representatives of the 28 national authorities, with one observer from the European Commission, Norway, Iceland and Liechtenstein as well as a representative of EBA and EIOPA and a representative of the ESRB.

The principal role of the Board of Supervisors is to take all the policy decisions related to ESMA, as for example, the compliance with the community legislation, the practical application of the community legislation by the national competent Authorities, taking decisions in crises, the approval of the draft technical standards, guidelines, peer reviews and any other relevant reports.

The Board of Supervisors meets, about seven times per year to discuss significant issues that affect the securities markets in EU and the CySEC participates through its Chairwoman.

The Management Board of ESMA consists of the ESMA Chair and a number of representatives of national competent Authorities. Furthermore, a representative of the European Commission participates as an observer. The Management Board ensures that ESMA accomplishes its mission.

Permanent Committee on Supervisory Convergence (former Review Panel)

The ESMA Supervisory Convergence Standing Committee contributes to supervisory convergence through the consistent and timely implementation of EU law in Member States, as well as the identification of areas for regulation and supervision, where there is room for further convergence.

The Committee achieves this objective by fostering effective cooperation between National Competent Authorities, by carrying out peer reviews in relation to the practical application of EU legislation and ESMA standards and guidelines in the national jurisdictions and promoting best practices.

In 2016, CySEC participated in 2 Committee meetings through the participation of a senior Officer and in 3 conference call sessions. At the same time, CySEC periodically provides the Committee with data concerning the above issues, so that it is evaluation on the basis of its quality and effectiveness in the practical implementation of EU legislation in the Cyprus securities market.

Investors Protection and Intermediaries Standing Committee

The Investors Protection and Intermediaries Standing Committee deals with matters relating to the provision of investment services by investment firms (IFs) and credit institutions. It focuses on investor protection and specifically on professional ethics, distribution of investment products, investment advice and assessment of the suitability of the investor. Also, the Committee is responsible for training and technical advice to the European Commission, and for the preparation of technical standards, guidelines and recommendations on provisions of MiFID, governing investment services. In 2016, a Senior Officer of the Supervision Department participated in 5 meetings of the Standing Committee.

Secondary Markets Standing Committee

The Secondary Markets Standing Committee deals with the structure, transparency and the effective functioning of secondary markets for financial instruments, including trade execution platforms and OTC transactions. Additionally, this Committee draws up technical standards, guidelines and recommendations on matters within its competence. In 2016, an Officer of the Supervision Department participated in 7 meetings of the Standing Committee.

Post-Trading Standing Committee

The Post-Trading Standing Committee deals with the clearing and settlement of transactions in financial instruments. This Committee is responsible for processing and specialization of matters contained in Regulation 648/2012/EU on OTC derivatives, central counterparties and Transaction Log Files (European Markets Infrastructure Regulation - EMIR). In 2016, an Officer of the Supervision Department participated in 4 meetings of the Standing Committee.

Market and Integrity Standing Committee

The Market and Integrity Standing Committee undertakes ESMA's work on issues relating to market surveillance, implementation of legislation on financial instruments, to facilitate cooperation between national supervisory authorities and the exchange of information on investigations on market abuse. Regarding market surveillance, this Committee is working to enhance the efficiency and effectiveness of national supervisory authorities market surveillance activities, including the use of various market surveillance tools (including analysis of transaction reports). The Standing Committee also has a forum in which national supervisory authorities can share their experiences on the supervision of the market and enforcement activities. Regarding cooperation, the Standing Committee is working to ensure the effective and timely cooperation in cross-border cases and to facilitate the exchange of information under the ESMA Multilateral Memorandum of Understanding. Finally, the Standing Committee has the responsibility of providing technical assistance to the European Commission, the adoption of technical standards, guidelines and recommendations on issues related to the integrity of markets (eg Directive on market abuse and short selling). In 2016, an Officer from the Market Surveillance and Investigations Department participated in 3 meetings of the Committee.

Market Data Standing Committee

The Market Data Standing Committee aims to enhance the quality of market data submitted to the National Supervisory Authorities and Transaction Log Files, and is promoting supervisory convergence between supervisory authorities in their field of competence. This Committee also deals with the processing of technical standards, guidelines, and questions and answers on the review and implementation of reporting requirements arising from two important laws: the European Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) and the revised Directive on Markets in Financial Instruments (MiFID II) in order to achieve consistency, to the extent possible, avoid conflicts in reporting issues between the two laws. In 2016 a CySEC Officer of the IT and Operations Department participated in 1 meeting of the said Committee.

Corporate Reporting Standing Committee

The Corporate Reporting Standing Committee handles matters relating to the endorsement and enforcement of International Financial Reporting Standards in the EU, auditing of financial statements, as well as issues concerning the provision of periodic financial information, as derived from the European Directive for the harmonization of transparency requirements. In 2016, CySEC participated via two Officers from the Issuers Department in 3 meetings and 2 teleconferences of the said Committee.

European Enforcers Coordination Sessions of the Corporate Reporting Standing Committee

This Committee was initially established under Standard No.2 on financial information - coordination of enforcement activities, and maintained under the ESMA Guidelines on enforcement of financial information. Participating are all the supervisory authorities of EU Member States which are responsible for the supervision of financial information, be they members of ESMA or not. In meetings the group discusses, among others, important decisions by each Supervisory Authority on enforcement of the implementation of International Financial Reporting Standards. During the year Officers from the Issuers Department participated in 7 meetings of this Group.

Corporate Finance Standing Committee

The Corporate Finance Standing Committee handles issues concerning the European Prospectus Directive, corporate governance, as well as certain aspects of the European Directive on the harmonization of transparency requirements such as disclosures of holdings in Issuers. In connection with the European Directive on Prospectuses, the Standing Committee discusses issues arising from the practical implementation of the Directive and shall, where necessary, document the common positions of the supervisory authorities of ESMA members ('ESMA - Questions and Answers - Prospectuses'). In 2016, one Officer from the Issuers Department participated in 1 meeting and 3 teleconferences of the said Committee.

Investment Management Standing Committee

The Investment Management Standing Committee deals with issues related to the collective management of investment funds on both harmonized and non harmonized investment funds. During the year, CySEC participated via a Senior Officer from the Licensing Department in 6 meetings.

Financial Innovation Standing Committee

The Financial Innovation Standing Committee coordinates the treatment and behavior of national supervisory authorities, to new and innovative financial activities, and provides advice to ESMA on the adoption of guidelines and recommendations in order to promote supervisory convergence. In addition, CySEC advises the issue of warnings or assumption of supervisory measures necessary to prevent damage to investors or risks to financial stability. Part of the Standing Committee's activities is the collection, analysis and reporting of investor trends. During the year, CySEC participated with an Officer from the Department of Market Surveillance and Investigations at 1 meeting and one conference call of the Committee.

Credit Rating Agencies Technical Committee

The Credit Rating Agencies Technical Commission prepares regulatory technical standards as well as guidelines and recommendations on matters referred to in the European Regulation on Credit Rating Agencies (CRAs). Also, it is responsible for coordination with other international organizations and supervisory authorities from third countries in matters relating to credit rating agencies, for example, the evaluation of third-country legal regimes for the existence of requirements as stringent as those laid down in the European Regulation on CRAs. CySEC monitors and remains up to date about the Committee's work, without participating in its regular meetings.

Committee for Economic & Markets Analysis

The Committee for Economic & Markets Analysis (CEMA) contributes to ESMA's work and mission by monitoring developments in the economy and markets, assessing market vulnerabilities and systemic risks and conducting studies and economic analyses. CEMA's work is assisted by a group of financial advisors, the Group of Economic Advisers (GEA) comprised of academics and market professionals. Among the regular economic analysis prepared by CEMA, the following reports are included: the Report on Trends, Risks and Vulnerabilities (TRV) - a six-monthly, analytical report on Trends, Risks and Market Vulnerabilities, and the Risk Dashboard (RD) - Quarterly, summary report on the different segments/ categories and sources of market risks. During 2016, the Department of Statistics, Studies and Risk Management monitored remotely the progress of CEMA's work.

Task Force on the provision of contracts for CFDs and other speculative products to retail clients

The Task Force on the provision of contracts for CFDs and other speculative products was set up on 10 June 2015 to address supervisory convergence in relation to the provision of CFDs, Forex and Binary Options (IPISC) for investor protection. The purpose of this specialized Working Group is to promote convergences in product surveillance through:

- i. Assisting coordinated supervisory actions in relation to identified issues; and
- ii. Assisting Supervisory Authorities on the basis of practical support and guidance in the licensing and supervision of the entities offering these products.

In this context and in order to achieve the above objectives, the Task Group set up (i) has carried out Mapping Exercise to identify and analyze the types of companies operating in the European market, common issues and areas with risks and important supervisory issues that may have an impact on investor protection; (ii) has submitted to the IPISC the conclusions of this analysis and has made suggestions to it on the appropriate tools and supervision they need; and (iii) has prepared a set of Q & As that has been made public to help supervised companies that offer such products to private investors to meet their obligations and to act in the best interests of their clients. During 2016, an Officer of the Supervision Department participated in 6 meetings and a number of teleconferences.

Commodities Derivatives Task Force

The Commodities Derivatives Task Force contributes on issues concerning monitoring and analysis of developments in the regulatory framework and the financial commodity market sector, participates in European institutional processes on commodity derivatives and promoting supervisory convergence and cooperation between supervisory authorities and ESMA, as well as with other regulatory and supervisory Authorities, such as the Agency for the Cooperation of Energy Regulators (ACER), and national regulatory Authorities on energy issues. In 2016, CySEC Officers participated in 4 meetings of the said Task Force.

Takeover Bids Network

An Officer from the Issuers Department also monitors the activities in the ESMA contact group on issues concerning Takeover Bids, in cooperation with the Legal Department. This contact group aims to exchange information and experience arising from the practical implementation of the Directive on Takeover Bids. In 2016, an Officer of the Issuers Department participated in 2 conference calls of the said Network.

Group for the Exchange of Personnel among ESMA members

CySEC, through its Administration and Personnel Department, participates in the ESMA group responsible for the development of a common culture and cooperation between the Securities Commissions of the EU Member States. As part of this group, the project to establish a common policy for the exchange of personnel of ESMA members was implemented. Also, training in cooperation with the other two authorities of the EU financial sector, the European Banking Authority, which is responsible for credit institutions, and the European Insurance and Occupational Pensions Authority, which is responsible for insurance and occupational pension funds, was promoted. Within the above framework the study for the development of CySEC personnel education policy continued.

Information Technology Governance and Management Group

An Officer from the Information Technology and Operations Department participates in the ESMA Information Technology Governance and Management Group, which is working on the exchange of data and information between national supervisory authorities and ESMA. The Committee meets 4-5 times a year in which the Acting Head of the CySEC IT and Operations Department participates.

Finally, CySEC monitors and is kept abreast of the progress of work in the following contact groups on issues of Communication (Communications Network), International Relations (International Relations Network) and other Legal Matters (Legal Network), either by participating in meetings or remotely.

4.5.1.3 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent body of the EU, whose mandate is the macroprudential oversight of the financial system of the EU as a whole. The establishment of this body, that concentrates the competencies for the oversight of the systemic risks in all financial sectors, was deemed necessary due to the internationalization of the financial markets and the contagion risk of financial crises.

ESRB aims to contribute to the prevention or mitigation of the systemic risks that threaten financial stability in the EU that arise from developments within the financial system and taking into account macroeconomic developments so as to avoid serious negative consequences in the financial system and the economy, in general. CySEC participates in the meetings of the ESRB, as an observer, with its Vice-Chairman or a Senior Officer.

4.5.1.4 International Organisation of Securities Commissions

The International Organization of Securities Commissions – IOSCO – is the international body that promotes the international cooperation among the securities regulators and it is the recognised global standards setter for the securities sector.

IOSCO members meet annually during the Annual Conference to discuss essential issues related to the global securities markets. The Annual Meeting for 2016 took place in Peru (8-12 May 2016), and CySEC participated via its Vice-Chairman. In the context of the Annual Session, IOSCO focused its attention on issues of SME finance, investor protection and training, and the opportunities and challenges of financial technologies -fintech.

With regard to enforcement cooperation issues, the text of an Enhanced MMoU, which provides for additional powers in relation to the existing IOSCO Multilateral Memorandum of Understanding and Cooperation (IOSCO MMoU), has been adopted.

In the policy issues, there has been progress in asset management, focusing on liquidity risk management and leverage. Additionally, there was an update on the work done on central counterparty clearing (CCP) and revision of the IOSCO Principles.

Regarding the general public, the following actions were decided by IOSCO:

- Review of market practices on investor vulnerability
- Implementation of behavioral finance data in programs and initiatives for investors
- Plan and coordinate a campaign for investors in 2017

With regard to identifying and addressing emerging risks, the IOSCO Board discussed the issue of liquidity in the securities markets, with particular emphasis on the liquidity of corporate bond markets. Also, issues related to cyber security were discussed and the possible effects of fintech on securities markets.

4.5.1.5 Signing of Memoranda of Understanding and Cooperation

By signing memoranda between the supervisory authorities of two countries a framework and close collaboration procedures are created to facilitate the exchange of information between supervisory authorities for the better promotion of goals and especially better supervision of transactions and activities in the securities markets. With the signing of these memoranda, fertile climate to promote the exchange of experiences, expertise and best practices that will positively contribute to the expansion and strengthening of supervisory procedures and practices is also created. These Memoranda reveal the mutual spirit of cooperation between CySEC and the national supervisory authorities of other countries, and the openness of their economies, contributing to the boosting of fertile business relations between Cyprus and the respective countries, to the benefit of their national securities markets.

Within 2016, CySEC has made significant initiatives to strengthen cooperation with other supervisory Authorities. Among other things, CySEC has approached a national Supervisory Authority to explore possibilities and prospects for improved cooperation. At the same time, ongoing negotiations with another Supervisory Authority have advanced to a significant extent and a bilateral Memorandum is expected to be signed once the relevant legislation of the other country has been amended.

To date CySEC has signed 19 bilateral Memoranda of Understanding and Cooperation, 48 Memoranda of Understanding and Cooperation with supervisory authorities outside the EU according to the European Directive on Alternative Investment Fund Managers (AIFMD), and is signatory to the Multilateral Memorandum of the European Supervisory Authority ESMA and the IOSCO.

In 2016, cooperation between IOSCO members was broadened and strengthened. There are currently 112 signatories to the IOSCO Multilateral Memorandum of Understanding (MMoU) and an additional 16 candidates under evaluation, which once they fulfill their commitments to legislative changes will be able to sign the IOSCO MMoU.

Signing of Memorandum of Understanding and Cooperation between CySEC and other Supervisory Authorities outside the EU in relation to the European Directive on AIFMs (AIFMD)

Within the framework of the Alternative Investment Fund Managers Law adopted on 4 July 2013, harmonizing European Directive 2011/61/EU on AIFMs into national law and the promotion of investments in this sector, CySEC proceeded with the signing of Memoranda of Understanding and Cooperation for strengthening the supervision of AIFMs, with 48 supervisory authorities outside the EU. The Central Bank of Bahrain has been added to the list of Supervisory Authorities with which CySEC has already signed a Memorandum of Understanding on 26 January 2017. This list is presented in Annex A.

The existence of Memoranda between EU Member State supervisory authorities and their counterparts outside the EU, is a prerequisite of the European Directive for AIFMs to allow managers from third countries access to EU markets and to provide fund management, by delegation from the EU Managers.

The main objective of the signing of the Memoranda is to facilitate cross-border supervision of entities subject to the AIFMD and also an important step in the further development of the collective investment industry, as it permits AIFMDs from third countries to be provided in the EU. Also, these Memoranda contribute to an even closer supranational cooperation between supervisory authorities, facilitating the exchange of information, cross-border on-site investigations and mutual assistance in complying with the implementation of their respective supervisory laws. CySEC expects that cooperation in this field, will promote the growth of the market of collective investments in Cyprus by offering a variety of possibilities for the promotion of alternative investment products.

4.5.1.6 Cooperation and Exchange of Information between National Supervisory Authorities

In the context of international cooperation between the supervisory authorities of national securities markets, namely under the bilateral or multilateral Memoranda of Understanding and Cooperation that CySEC has signed with other countries, there is a need to handle a growing volume of requests for exchange of information and assistance.

The exchange of information concerns entities supervised by national supervisory authorities, who have a transnational scope of activities. For most of these requests, investigation and information gathering by the relevant national supervisory authority is required, including the need to lift the bank confidentiality of organizations or persons under investigation.

On the basis of the Memoranda signed by CySEC with the respective national supervisory authorities and with the various securities markets supervisory authorities and other relevant bodies abroad, CySEC also requests information on the operations of organizations and persons abroad, for purposes of its investigations. Many of these requests relate to assistance to the opinion-forming frame on “fitness and properness” of persons as part of the evaluation of their application for authorization. Other cases for the provision of assistance concern the exchange of views on interpretation and practical application of legislation, as well as sharing best practices and experiences in matters of supervision.

During 2016, CySEC cooperation with supervisory authorities and organizations abroad has intensified, given the growing volume of requests for investigation and the collection of information, on the basis of bilateral or multilateral Memoranda. The increased activity of firms providing investment services, mainly at a European level, either through the cross-border provision of investment services or through a tied agent or branch, has created the need for even closer cooperation and coordination between supervisory authorities.

The exchange of information and mutual assistance between supervisory authorities is important because it strengthens the supervision and investigation of potential violations of the law. In several cases there was the

need for the lifting of bank confidentiality concerning organizations or persons under investigation. Also, at the stage of the application evaluation for authorization and in case of a subsequent change in the shareholder and management structure, numerous requests are sent for information in order to form an opinion on the “fitness and properness” of shareholders and directors.

Specifically, during 2016 CySEC received 306 (2015-274, 2014-233, 2013-180, 2012-104) incoming requests for assistance, that is, requests sent to CySEC by foreign supervisory authorities, and has sent 102 (2015-73, 2014 -71, 2013 – 98, 2012 – 51) outgoing requests, that is, requests with which CySEC requested information for its own purposes.

4.5.1.7 Participation in International Assessments and Questionnaires

Within the framework of the ESMA Standing Committee on Supervisory Convergence (formerly Review Panel), CySEC is involved in peer reviews by national supervisory authorities and self-assessment exercises, during which both the application of supervisory standards is examined, and the promotion of best practices. For 2016, the following evaluations were conducted:

Evaluation by ESMA of the provisions of the Prospectus Directive

In 2016, the assessment of the implementation of the Prospectus Directive provisions on the approval process of the Prospectus, which was launched in 2015, was completed. The results of this evaluation were published in June 2016 and will be used by ESMA in its efforts to further converge in the practices of the national supervisory authorities.

Assessment by ESMA of the compliance function

In 2016, ESMA has examined the supervisory practices of the thirty-one countries of the European Economic Area (EEA) and the implementation of its guidelines on certain aspects of the compliance function provided for in Directive 2004/39/EC on Markets in Financial Instruments (MiFID).

Assessment by ESMA of regulatory compliance with respect to financial information

In 2016, the assessment of the implementation of the ESMA Guidelines on Enforcement of Financial Information was also launched.

Follow up on the results of past evaluations

Finally, the Assessment Committee proceeded with the follow-up of the best execution assessment results and concluded that CySEC fully complies. Within 2016, a further follow up of an earlier assessment on the provision of fair, clear and non-misleading information to investors was carried out.

Further, it should be noted that CySEC contributes to the positive evaluations of Cyprus by international bodies, such as the Council of Europe’s Moneyval Committee and the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes, which included or were solely concerned with the prevention of money laundering and terrorist financing.

4.5.1.8 Visit of the Chairman of ESMA to Cyprus

During his visit to Cyprus on 5 and 6 July 2016, Steven Maijoor, the Chairman of the European Securities and Markets Authority (ESMA), held a series of important contacts with institutions and entities in the Cyprus economy and the financial sector.

Mr. Maijoor held separate meetings with Finance Minister Haris Georgiades, Financial Ombudsman Pavlos Ioannou, and representatives of the Central Bank, the Cyprus Investment Promotion Agency (CIPA), the

Cyprus Investment Fund Organization (CIFA) and the Cyprus Stock Exchange. He also had meetings with representatives of the Association of Public Listed Companies, the Cyprus Investment Firms Association and the Investors' Association.

Mr. Maijoor attended and made an opening keynote at the event hosted at the Presidential Palace by CySEC, on the occasion of the 20th anniversary of its foundation. The ESMA Chair congratulated CySEC and thanked her for her contribution to the work of ESMA through her participation in the Board of Supervisors. He also said that he hoped to continue cooperating with CySEC to achieve the common goal of strengthening investor protection and promoting the stability and smooth functioning of EU markets.

Prior to his departure from Cyprus, the ESMA Chair had a business lunch with the Board and Senior Officers of CySEC.



4.5.2. National Cooperation

4.5.2.1 Cooperation with Committees and Authorities in Cyprus

CySEC cooperates closely with all the competent Authorities of the financial services sector of Cyprus and other Authorities, while it maintains excellent relationships and cooperation with other interested parties and bodies. This facilitates the exercise of their respective duties and responsibilities, the exchange of information, and the provision of assistance between national competent Authorities.

CySEC cooperates with the Central Bank of Cyprus and the Unit for Combating Money Laundering (MOKAS). Furthermore, CySEC has a close cooperation with the Ministry of Finance and participates in High Level Meetings of the Competent Authorities for the Cyprus Financial Sector, along with the Central Bank, the Insurance Authority and the Service for the Supervision and Development of Cooperative Institutions which aim to the exchange of information on issues related with their duties and responsibilities regarding the supervision of the financial sector.

In the exercise of its responsibilities, CySEC may also cooperate with the Legal Service of the Republic, the Cyprus Police and the Office of Financial Crime Investigation, the Companies Registrar, the Courts etc.

CySEC is in constant communication, consults and takes the views and suggestions of organised groups, bodies and associations, such as the Pancyprian Investors' Association, the CIF Association, the Cyprus Bar Association, the Cyprus Institute of Certified Public Accountants and many others. Furthermore, CySEC cooperated with the Cypriot Consumers Association in the context of its program of investor education lectures in securities market issues.

There is also close cooperation between CySEC and the Cyprus Investment Promotion Agency, CIPA, in relation to the proper representation of the securities market and its regulatory framework abroad.

CySEC participates in the Consulting Committee on the application of the sanctions resulting from the United Nations Security Council Resolutions and the restrictive measures of EU Regulations. Furthermore, a Senior CySEC Officer holds the position of the Vice-Chairman of the Board of the Financial Services Ombudsman as a representative of the CySEC Chair.

CySEC representatives participate in the Administrative Committee of the Investor Compensation Fund, which is responsible for the management of the CIFs' and IFs' Investor Compensation Fund; in the Consulting Authority regarding issues on preventing money laundering and terrorist financing, and in the Technical Committee of the Competent Authorities which examines issues in relation with the supervision of the financial sector regarding the prevention of money laundering and terrorist financing.

CySEC participates in the Consulting Authority for the Prevention of Money Laundering and Terrorist Financing that has been established according with article 56 of the Law. The Authority competencies are:

- Examines new measures, such as legislation amendments,
- Briefs the Council of Ministers on measures adopted and on the general policy implemented to combat money laundering and terrorist financing,
- Consults the Council of Ministers on additional measures, which it believes must be adopted for the better implementation of the relevant law,
- Promotes the Republic internationally as a country compliant with all Conventions, resolutions and decisions by international organisations in relation to combatting money laundering and terrorist financing,
- Defines countries outside the EEA that implement processes and measures for the prevention of money laundering and terrorist financing equal to the requirements of the relevant EU Directive. For this purpose it implements all relevant European Commission decisions, according to article 40(4) of the European Directive. Furthermore, it notifies its decision to the relevant Supervisory Authorities, for its notification to people subject to their supervision.

Furthermore, CySEC participates in the Extended Special Technical Committee of Cypriot Supervisory Authorities for purposes of preventing money laundering and terrorist financing, as those are define in article 59 of the Law. The main competencies of the Technical Committee is the identification, discussion, and examination of issues concerning the supervisory authorities, so as to set common interpretation, response, and handling.

Within the framework of cooperation with the other supervisory authorities of Cyprus, the ECC participates in the ad-hoc transposition group specifically set up to study the adoption of the 4th European Directive 2015/849 and its incorporation into national legislation.

The 4th European Directive 2015/849 replaces the existing 3rd European Directive 2005/60/EC and aims to prevent the use of the European Union's financial system for money laundering and terrorist financing. This Directive was published in June 2015 in the Official Journal of the EU and should be incorporated into the national laws of the Member States and put into full force by 26 June 2017 at the latest.

Furthermore, there is cooperation between the Statistics Department of the Central Bank of Cyprus (CBC) and CySEC for the collection of data from supervised entities. Specifically, in the context of the collection of various data from CIFs, regarding client money, financial analysis and geographic analysis of customers, a relevant Form was prepared with the cooperation of the two supervisory Authorities. Because the CBC also wished to gather some information from CIFs, a series of meetings with responsible Officers of the Statistics Department of the CBC took place, and CBC needs were incorporated in the said form. From 2016, CIFs complete and send the data requested in the said Form on a quarterly basis.

4.6 INVESTOR PROTECTION

CySEC ensures the protection of the investing public in various ways and strives for the continuous upgrading of methods and tools that increase the protection enjoyed by investors conducting transactions in transferable securities in the Republic of Cyprus or abroad through the CIFs or cooperating with other entities under CySEC supervision.

4.6.1 National Legislation harmonisation with European Directives

One way in which investors are protected is the prompt harmonisation of the national regulatory framework with European Directives. This ensures that the regulatory framework for the provision of investment services in Cyprus and the level of investors' protection is of the same standard as that which applies in other EU Member States.

Examples of the most important European Directives transposed into the national legal framework include: The Transparency Directive, the Prospectus Directive, the Market Abuse Directive, the MiFID Directive, the Capital Adequacy Directive, the Capital Requirement Directive (CRD), the UCITS Directive, and the Alternative Investment Fund Managers (AIFMD) Directive.

4.6.2 Regulatory framework in accordance with MiFID

The investment services provision sector in Cyprus and the activities of CIFs are regulated by the Investment Services and Activities and Regulated Markets Law, which harmonises MiFID.

The relevant Directive is one of the most important European Directives, whose immediate transposition and implementation were necessary so as to establish strong investor protection rules through the implementation of best execution principles, disclosure requirements and specific rules which focus on clients and proper arrangements regarding the appropriateness and suitability of the financial instruments in relation to the clients and the remuneration policies adopted by financial institutions.

The Directive 2014/65/EU, known as MiFID II, as well as Regulation 600/2014 (MiFIR), will bring about significant changes in the EU securities markets. This Directive has been adopted by the European Parliament and the European Council in 2014; Member States are required to comply with Directive 2014/65/EU after the extension granted until 3 July 2017. It is noted that the European Commission has submitted a proposal to extend the date of application of both Directive 2014/65/EU and Regulation (EU) No. 600/2014, until 1 January 2018.

4.6.3 Dealing with violations regarding market abuse and non-compliance with the transparency requirements

The CySEC approach to market abuse and non-compliance with the provisions of the law on information disclosure (transparency requirements) is very strict. Imposing high administrative sanctions on entities or individuals that engage in such violations is used as a very powerful tool for investor protection, as it works in a suppressive manner, but also preventively, ensuring compliance with legal obligations and preventing repeat violation phenomena. Moreover, the publication of all administrative sanctions imposed by CySEC inhibits, due to the negative publicity aspect ("name-and-shame"), individuals and companies from violating the Law.

4.6.4 Dealing with violations in relation with the provision of investment services by non-regulated entities

The provision of investment services is legal, only if conducted by companies that have been authorised by CySEC or the competent Authority of an EU Member State for the provision of those investment services. Therefore, any entities that appear to provide such services without being authorised by CySEC or the competent authority of another EU Member State, which has notified CySEC in this respect, are in violation of the legislation and are subject to criminal and administrative sanctions. To facilitate investors, CySEC maintains a public register, available on its website, of authorised CIFs and IFs from other EU Member States for which a notification has been submitted to CySEC from the relevant competent Authority that they wish to provide investment services in the Republic, and encourages investors, before making a decision to receive investment services, to check that the CIF with which they intend to cooperate is on that Register.

Furthermore, CySEC has established an electronic system for the submission of complaints against authorised CIFs and non-regulated entities, in order to facilitate investors in the submission of their complaints. Around the end of 2015, CySEC issued a clarifying announcement in relation to the way in which complaints are submitted, having in mind the operation of the Financial Services Ombudsman. In its announcement to investors, it is also clarified that CySEC does not investigate complaints on an individual basis, but those are taken into consideration as part of the exercise of CySEC's supervisory duties.

4.6.5 Financial Services Ombudsman

CySEC has played an important and decisive role during the previous years in promoting the establishment of the Financial Services Ombudsman, who was introduced with the aim of dealing with complaints by consumers against financial firms, and achieving out of court settlements in those cases. A CySEC Chairwoman Representative participates on the Financial Services Ombudsman Board as one of the two vice-presidents.

With the launch of the operation of the Financial Services Ombudsman during the year, which is responsible for examining complaints against financial entities on an individual basis, CySEC forwarded the complaints it had received to the Ombudsman and informed investors, through an announcement, that they should consider submitting any disputes with CIFs or other CySEC supervised entities, for which they intend to claim damages, to the Financial Services Ombudsman. Any complaints submitted to CySEC will continue to be taken into account collectively within the framework of CySEC's supervisory duties.

4.6.6 Investor Education

Investor education in securities market issues is especially important, because it strengthens investor protection by complementing the supervisory and regulatory framework. The value of the education of investors in relation to securities issues was recognised at both the European and international level and the European Commission gives great importance to the education of investors and encourages Member States to develop relevant programs.

Apart from the benefits to investors, education in securities issues has significant benefits to society and the economy. An educated investor is expected to make proper decisions, reducing the excessive risk assumption in relation to their money, and thus reducing the possibility of large monetary losses and/or the creation of debt which in some cases can lead to bankruptcy.

Financial education is very important because of the increased complexity and availability of many kinds of financial products and services. Securities markets are developing rapidly and high volatility, globalisation and ease of access to the markets, multiplied investment opportunities and risks. Furthermore, the financial needs of individuals became more complex and lead to the necessity of the proper management of their wealth.

CySEC promotes investor education in securities market issues in various ways. For that purpose, CySEC maintains a special section on its website dedicated to investor education, enriched regularly with educational material, advice and warnings issued by CySEC or competent Authorities in other countries. Furthermore, CySEC publishes informative articles in newspapers, financial magazines and websites. The publication of the Investor Guide

which defines the main principles of MiFID regarding the rights of persons that have invested or plan to invest in financial products, aims to educate and protect investors. Finally, CySEC organises informative lectures and presentations which are open to the public. The dates of these lectures are announced on the CySEC website.

The way in which CySEC acts and its activities in relation to investor education have been determined in accordance with the findings of a national market survey conducted by CySEC in 2010, which was repeated in 2014 to determine the level of knowledge of the public on issues that relate to the securities market and investments in transferable securities.

Within 2016, articles were written and published to various media for investor information purposes. The subjects of the articles concerned the strengthening and upgrading of CySEC's supervisory role, collective investment, the recovery law, the de-listing of a company from the CSE following its application, the prospects for the financial sector, the new transparency legislation, the new legislation on market abuse, the fines imposed, the number of supervised entities and the flow of applications, as well as the benefits to the economy, as well as other issues.

4.6.7 Proposal for the introduction of financial literacy course at schools

At the request of the Ministry of Education, in March 2016, CySEC contributed to the revision of the subject of Business Economics course taught at the Lyceum and in particular to the review of the chapter on Capital Markets. Subsequently, on May 25, 2016, through a letter sent to the Minister of Education, CySEC submitted a formal proposal for the introduction of a Basic Economics and Financial Literacy course as a compulsory lesson for all Lyceum students. The purpose of the proposal is to provide Cypriot citizens with a knowledge that is useful for their subsequent development as financially active citizens. Also, the smooth operation of the financial sector and the protection of investors are not only ensured by a sound legislative and supervisory framework but also by the ability of each investor to individually assess the risks and returns present in the different investment options. As one of the Financial Supervisory Authorities whose strategic objective is to ensure the protection of investors and the sound development of the Cypriot securities market, CySEC considers its duty to do everything possible to ensure that every Cypriot citizen is adequately informed of their rights to manage their finances.

4.6.8 Warnings to investors

On 13 December 2016, CySEC issued a warning informing investors and the general public that the websites included in the list it published are not websites maintained by Cypriot Investment Firms (CIFs) licensed by CySEC for the provision of investment services. The purpose of this warning was to inform the investing public not to do business with them and generally be particularly careful when choosing which company to receive investment services from. For more details, see Section 4.3.2 Investigating Investor Complaints.

In addition to the warnings mentioned in Section 4.3.2 Investigating Investor Complaints, CySEC issued public warnings to the investing public on the risks of investing in complex products based on a notice published by ESMA. Supervisory Authorities are deeply concerned that during the current period when investment returns were low, investment services companies respond to the search for investment returns by offering complex financial products, which are often promoted in an aggressive manner, resulting in inexperienced retail investors throughout the EU being tempted to invest. The key message of the warning was to advise investors if they do not understand the key features of the product offered or the main risks involved, not to invest in it.

4.7 MARKET SUPPORT AND DEVELOPMENT

4.7.1 Promotion of Cyprus securities market in Cyprus and abroad

In 2016 the interest and the submission of applications for licensing by CySEC of new supervised entities continued unabated, which reflects the fact that the financial sector will continue to contribute positively to the wider services sector and to the Cypriot economy as a whole. The applications submitted are

from Cyprus and abroad and concern the licensing of new companies that will be active both in the provision of investment services and in the field of administrative services. This shows that Cyprus continues to have substantial benefits and to be an attractive investment destination.

For this reason, CySEC supports the actions of the Cyprus Investment Promotion Agency (CIPA) in terms of a coordinated effort for the promotion of Cyprus abroad as a trusted investment destination.

CySEC's role in this purpose includes the presentation of the regulatory and supervisory framework governing the Cyprus securities market at various conferences organized by CIPA or other entities in Cyprus and abroad. Specifically, in 2016, the Chair and Vice-Chair of CySEC have participated as speakers, among others, in 26 events in Cyprus and abroad, the subject of which was related to the institutional framework of the Cyprus securities market. A relevant event organised was the celebration of the 20th anniversary of the establishment of CySEC, which was participated by the large number of CySEC staff.



At the same time, 16 interviews, quotes or clarifications have been provided in financial media in Cyprus and abroad re developments in the Cyprus securities market. In addition, 10 articles have been written which aimed at illustrating the regulatory and supervisory environment, while in other 70 cases, information and or statements relating to the securities market, which have been published in local and international financial brochures, websites and news portals.

4.7.2 Contribution to the minimisation of negative consequences from the financial crisis

In 2016, CySEC continued to contribute, within its remit, to the collective efforts to minimize the negative effects of the financial crisis of the previous years on the Cyprus economy.

In particular, the Department of Market Surveillance and Investigations has investigated cases in connection with possible violations of existing legislation and the events that preceded the banking crisis.

CySEC has taken final decisions on 3 cases, which have been completed by the Department of Market Surveillance and Investigations within the year, as follows:

- Decision of the CySEC Board dated 7.4.2016 regarding the investigation concerning violation of article 19 of Law 116(I)/2005 as specified in paragraph 4(d)(iv) of Directive 116-2005-03 (as applicable), by Cyprus Popular Bank Public Co Ltd, due to the lack of a public announcement and/or incomplete announcement regarding its use of Emergency Liquidity Assistance (ELA).
- Decision of the CySEC Board dated 21.9.2016 regarding the investigation into the compliance of Cyprus Popular Bank Public Co Ltd with the Market Abuse (Market Abuse) Law of 2015, as applicable, and the CySEC Directive D116-2005-03 on Methods of Market Abuse for non-disclosure/publication of information on the intention to receive state support.

- Decision of the CySEC Board dated 17.10.2016 regarding the investigation into the compliance of the Bank of Cyprus Public Company Ltd, its Directors and the General Manager with the Transparency Requirements (Transferable Securities in Regulated Markets) Law of 2007, as applicable, and of the Bank of Cyprus Public Company Ltd with the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as applicable, for the impairment of goodwill of Uniastrum Bank.

Of the cases investigated by CySEC so far and concern the banking sector, total administrative sanctions of €9 million have been imposed. Of these fines, only €268,000 have been collected and CySEC has proceeded with the filing of actions for their collection. In a number of cases the judgment in the appeal is in favour of CySEC for the collection of the fine while the execution of the decision is suspended until the final decision is taken in the supervised entity's appeal. An appeal against a CySEC decision has already been handed down and the decision was in favor of CySEC, according to which 50% of the fine was paid by the financial director and the remaining 50% would be paid after the decision is taken by the Plenary Session of the Supreme Court on the appeal lodged.

Investigation of cases not completed by 2016, continue in 2017. CySEC continues to conduct investigations in other areas of the Cyprus securities market, both on its own initiative and following complaints about breaches of existing legislation. Further details are given in Section 4.3 of this Report entitled "Investigations".

At the same time, CySEC maintained open channels of communication with the supervised entities and other market participants so as to be immediately informed of any challenges they were facing and to cooperate with them in order to find solutions and provide assistance wherever possible. The aim was to reduce the undesirable consequences of the financial crisis on these entities and, as a consequence, on the Cyprus securities market and the economy at large.

4.8 RISK MANAGEMENT, STATISTICAL ANALYSIS AND RESEARCH

4.8.1 Risk Management

Risk management is the core of every organisation's strategic management. It is the continuous and growing process by which organisations approach methodically and systematically the risks associated with their past, current and particularly future activities, in order to achieve benefits in every activity and at the organisation as a whole.

4.8.1.1 Risk-based supervision framework

Effective risk management presupposes the existence of a framework that facilitates and supports all risk management processes. Considering the above and following the example of other supervisory authorities abroad, CySEC decided in 2012 to proceed with the creation of a supervisory framework through which it will oversee the licensed entities on the basis of their risk management (risk-based supervision framework, RBS-F).

4.8.1.1.1. Assignment and creation of the risk-based supervisory framework

The creation of the RBS-F supervisory framework has been assigned to external advisors in collaboration with the CySEC Department of Risk Management, Statistical Analysis and Research. The project began in December 2012 and was completed in 2016.

The RBS-F supervisory framework has been applied to the Departments of Market Surveillance and Investigations, Issuers and AML.

4.8.1.1.2. Actions completed re the risk-based supervisory framework

In general, within 2016:

- A lot of information has been collected from the supervised entities and used in the risk assessment for ASPs, CIFs, UCITS, AIFMs, and the self-managed AIFs.
- The framework has also been extended to the Issuer's Department and the relevant risk factors and the calculation model have been included. Data collection and risk assessment were also carried out.

- The databases and programs needed to operate the framework have been created.
- The results of the risk assessment of supervised entities were presented to the Board and the staff of CySEC.
- Personnel has been trained in relation to the RBS-F and the software used for this purpose.
- An information handbook was prepared for supervised entities on RBS-F, which will be available on the CySEC website in 2017.

The CySEC Department of Risk Management, Statistical Analysis and Research assumed the role of coordinating the implementation of RBS-F, as well as the collection and evaluation of information by supervised entities required for risk assessment.

4.8.1.1.3 Establishment and operation of an Executive Committee to monitor the implementation of the RBS-F supervisory framework

In early 2016, CySEC proceeded with the establishment of an Executive Committee, which is responsible for monitoring the implementation, the upgrading and the handling of any issues arising re the RBS-F. The Executive Committee consists of the Chair and Vice-Chair of CySEC, the heads of the Departments (“Risk Owners”) and the Officers of the Department of Risk Management, Statistical Analysis and Research.

The tasks and responsibilities of the Executive Committee include, inter alia, the following:

- Monitoring and checking the process of the implementation of the RBS-F in CySEC.
- Monitoring the implementation of the annual risk assessment cycle of the supervised (information gathering and analysis and assessment of supervised entities’ risks).
- Review and analysis of reports on the annual risk assessment results of supervised entities.
- Defining the objectives and objectives of the annual oversight plan for supervised entities.
- Promoting and enhancing communication between the CySEC Departments on matters pertaining to supervised entities.
- Analysis and assessment of new risks arising from factors such as changes in legislation, market environment and the supervised entities themselves.
- Review and promotion of the upgrading and updating of the RBS-F in relation to the assessment of new risks and their assessment parameters.

The Executive Committee, scheduled to meet every quarter or whenever necessary, met in total four times in 2016.

4.8.2 Statistical Analysis and Research

In 2016, the Department of Risk Management, Statistical Analysis and Research has undertaken the following:

- Collection of data from the supervised entities (ASPs, CIFs, UCITS, AIFMs, and self-managed AIFs) in respect of the RBS-F. These data has been used to assess their risks.
- Statistical analysis and verification (‘validation’) of the data collected from through the information collection forms for purposes of the RBS-F.
- Preparation of form and issue of a relevant circular for the collection and statistical analysis of information from the CIFs, on a quarterly basis (‘quarterly statistics’), regarding the money and financial instruments of their clients.
- Continuous communication with supervised entities for answering questions and solving any issues arising and publishing FAQs on CySEC website.
- Preparation of internal memos and reports for presentation of the results of the statistical analysis of information collected from supervised entities to the Board and staff of CySEC.
- Provide assistance and support to other CySEC Departments regarding the collection and processing of information on supervised entities.



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5 HUMAN RESOURCES, ORGANISATION, METHODS AND INFRASTRUCTURE

5.1 PERSONNEL TRAINING

CySEC ensures the constant and continuous training of its personnel via inhouse seminars or other selected seminars and conferences taking place in Cyprus and abroad. CySEC also participates in the e-Learning program offered by ESMA.

During 2016, the CySEC personnel participated in seminars on the following subjects:

- Professional Skepticism, Fraud, Accounting Estimates, and Audit Documentation
- Train the Trainer Seminar
- Capital Markets Union and Crowdfunding
- Financial Statement Fraud
- AML Webinar
- Financial Crime Conference
- AML - Challenges and Developments
- Global training Professional Interviewing Techniques Seminar
- Global training Presentation Skills for Professionals & Body Language Essentials Seminar
- Global training Introduction to Enterprise Risk Management Seminar
- Training for eGRC Issuers and Market Surveillance Department
- MiFID
- Workshop The FCA approach to supervision - FCA
- Training Product Intervention Powers
- Trading Book Issues and Market Infrastructure with particular emphasis on regulatory, legal and compliance issues” - IOSCO
- ISDA
- Seminar on CCPs - ESMA
- Mediterranean Management Centre
- Risk-Based AML - a practical perspective (ACAMS AML Series)
- Office Management Program Approved by the Institute of Leadership and Management, UK
- IFRS Update refreshing seminar
- Microsoft excel expert level
- Communication and interpersonal effectiveness
- Seminars on public procurement
- Good time management to increase productivity

In parallel, internal seminars were held to the CySEC Board and personnel in relation to the new risk-based supervisory framework. Additionally, with the recruitment of additional staff, a series of internal seminars were organized to ensure its smooth integration into the organization. At the same time, the new staff attended the seminar «A.C.H.I.E.V.E. Professional Performance».

5.2 CHANGES IN ORGANISATIONAL STRUCTURE

Creation of new structure for the future growth of CySEC

Restructuring in CySEC's internal organizational was necessary due to the large increase in CySEC competences, the inclusion of new entities in its supervisory remit, the increase in the number, size and complexity of existing supervised entities, and the growing legal obligations of the supervised entities according to the latest European Directives. In order to meet its increased obligations that emanate from the above, CySEC needs additional staff and a more efficient internal organization that ensures the most productive use of human resources that it currently employs or will do so in the future.

Therefore, in order to make CySEC more effective and flexible in its work, the reorganization that started in 2012, continued with the creation of a new organizational chart. The new organizational chart is expected to help assimilate and make more efficient use of the new personnel needed by CySEC and expected to be recruited in the near future. In order to prepare this new organisational chart, the organisational structure of other Supervised Entities in the EU and third countries was carefully studied. It has also been taken into account that, on the basis of today's supervisory landscape, over the next five years the CySEC should gradually increase its staff to at least 160 people. At present, CySEC personnel amounts to 101. Where deficiencies are identified, they are covered by acquiring services, until the necessary recruitment is completed in line of the establishment organizational chart.

As a follow-up to the plans based on the new organizational chart, in 2016, 2 Officers were promoted to Senior Officers and 38 new Officers were recruited, along with 11 Assistant Secretarial Officers and one Assistant Officer. These positions were approved in the 2015 Budget. The new posts include 5 Officers and 3 Assistant Secretaries who were positioned in CySEC from the CSE, in order to gradually complete the organisational chart.



5.3 INFRASTRUCTURE PROJECTS

5.3.1 Upgrading of Document Management System (eOASIS)

During the year, an upgrade of the Document Management System (eOAS) used by CySEC to a more advanced and user-friendly version was undertaken.

The said Document Management System is becoming increasingly important and a central part of Information Systems in CySEC, as it contributes to the proper and efficient governance of the information necessary for its operation.

Specifically, the CySEC Document Management System is utilized for the following functions:

- Create, receive, and organise data
- Workflow processing, distribution and control
- Disseminating information to users
- Frequent save and back up creation

5.3.2 Disaster Recovery

In order to meet the needs of CySEC in terms of organisational continuity and recovery of archives in case of a disaster, a special Disaster Recovery site was created. By following best practices and taking advantage of virtualization capabilities, CySEC completed:

- A dedicated System for the Backup & Replication (VEEAM System) that enables backup and replication at Disaster Recovery site.
- Network Attached Storage (NAS) devices for local storage of backups.

Additionally, CySEC utilised two of its existing servers. In particular, their hardware parts were combined and a stronger server was created to be transferred to Disaster Recovery site.

5.3.3 Design and creation of an Online Document Submission Portal

This CySEC project aims at the provision to regulated entities of the possibility to submit electronically documentation (applications, documents etc.) as required for them to do so.

The project aims the creation of an online portal to allow for:

- Regulated entities to submit in electronic version the documentation required by them to do so, by the use of appropriate electronic forms.
- The submission of electronic forms, digitally signed by the use of Secure Signature Creation Devices and Qualified Certificates.
- The transfer of such digitally signed forms submitted, to the Archiving System of CySEC in an automated method (with no human intervention).

In 2016, the Online Document Submission Portal has been further expanded by enabling the online submission of additional documents relating to CIFs. This particular IT system provides full compatibility with the eOASIS document management system so that the submitted documents end up promptly to the end user for processing.

Through the system, supervised entities have the ability to see whether the submission of the documents has been successful, which enables them to be certain that submission deadlines are met.

5.3.4 Support in relation to the Risk-Based Supervision Framework

During 2016, the proper and unobstructed operation of SAS-eGRC, the system being used by the Risk Based Supervision Framework, was supported by the IT and Operations Department.

The IT and Operations Department further provides continuous support to ensure the smooth operation of the system and specifically it provides:

- Technical support in its operation.
- Training for new users.
- Adding new regulated entities along with the relevant info collected.
- Officers of the department are trained to be able to provide technical support to the calibration process.

5.3.5 Data of Supervised Entities

CySEC is in the final stage of implementing the Corporate Data System, which will allow supervised entities to correct to the Portal and update CySEC in real time about their corporate particulars, giving a timely overview of any changes, including information about their directors, shareholders and organizational structure.

In addition, CySEC staff will be able to produce customized reports based on the information provided by the system. Data from supervised entities will include, in addition to the above, the full range of their corporate activities.

As a first step, the IT system will cover CIFs and will subsequently be extended to all categories of supervised entities.

5.4 SOCIAL RESPONSIBILITY

In recognition of the positive contribution of Corporate Social Responsibility (CSR) to society, CySEC has introduced in its long term strategy various CSR events.

During the previous years, various initiatives were taken within the scope of CSR, however not under a complete and systematic program. Since 2012, CSR is a conscious option for CySEC, as its management gives high importance to CSR and has assigned a specific Officer with the responsibility of CSR promotion.

CySEC's successful adoption of CSR actions depends on the commitment of the management, but at the same time and in many circumstances, on the awareness, actual support and commitment of personnel and the various stakeholders. Therefore, CySEC's Board decided to give to personnel the opportunity to be actively involved to the formulation of proposals in relation to CSR, by submitting comments, ideas and suggestions. CSR actions are characterized by the team spirit, the collective effort and the active involvement of the personnel to the development of proposals and ideas set the grounds for the implementation of the relevant actions.

5.4.1 Actions

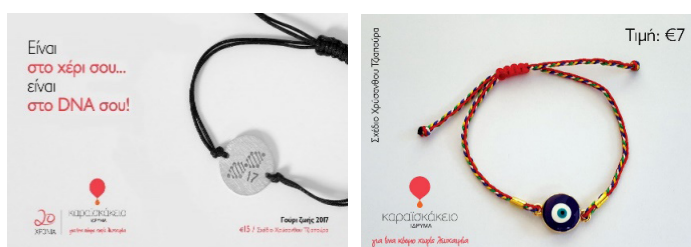
CySEC personnel, in an effort to respond to their social responsibilities, have implemented various actions within the year.

«CySEC Gastronomic Charity Bazaar»

During 2016, the “CySEC Gastronomic Charity Bazaar” was hosted within the CySEC. In the bazaar various homemade sweets and savories prepared by CySEC staff were sold resulting in the collection of €500. This amount was given in the form of supermarket vouchers to five families in need in cooperation with the Nicosia Volunteer Corps, as part of its “Adopt a Family” Christmas campaign.

Support of Karaiskakeio Foundation

In order to support the Karaiskakeio Foundation, money was collected (over €400), both from the purchase of the “Eye 2016” and the “Charm of Life 2017” bracelets. The CySEC staff was also encouraged to participate in charity



events organized by the Foundation during the year, including “Tea of Life” and charity dinners “Night of Melody” and “Exclusive Wine Dinner” with the aim of financially strengthening the Foundation.

Supporting the campaign of the Pancyprian Volunteer Council “Adopt a Family in Easter” and “All Children with necessities for school”

During Easter 2016, the CySEC staff organized a charity bazaar to support the “Adopt a Family at Easter” campaign organized by the Pancyprian Volunteer Council. Also, in cooperation with the Pancyprian Volunteer Council, CySEC staff contributed to the “All children with necessities for school” campaign, gathering necessary school equipment that were donated to families in need.

Collection of games for the Wagon of Love

CySEC staff collected various toys and clothes for children of families in need. A representative of the Wagon of Love collected four large bags of toys, a baby stroller and a children’s car seat.

Blood donation

On 15 April 2016, CySEC made a voluntary blood donation to help meet the needs of the Engomi Blood Donation Center.



Campaign “Making your own coffee cup”

Another important action by the CySEC staff was raising money for the Archbishop Loukas Foundation. The purpose of this effort was to support people with special needs by promoting the campaign “Making your own coffee cup.”

Collection of children’s clothing, toys and essentials for refugees

In the framework of the national campaign of the informal volunteer group “Zitite Elpis” («Seeking Hope») to collect basic necessities to support as many people as possible, especially children, who have been displaced by the Middle East war, the CySEC staff conducted an internal campaign for the collection of clothing, toys and essentials.





Recycling

CySEC recycles various materials such as paper, plastics and batteries to help save both energy and raw materials and reduce the volume of waste and its impact on the environment. To this end, it keeps special recycling bins at various points within the CySEC building and recycles all paper it consumes. CySEC participates in the Green Dot Cyprus Packaging Recycling Program and recycles batteries, ink cartridges, printers and various other materials containing harmful substances for the human health and the environment. The collection and recycling

of these materials avoids the diffusion of these substances into the environment and saves energy and valuable natural resources.

Informing of CySEC staff for various other charity events

Members of the staff of CySEC, on their own initiative, inform their colleagues about various charity events, campaigns and other urgent needs that arise to support our fellow human beings in difficult times. In 2016, these initiatives included the "March with the Pink Figurines", the Easter educational event "Easter Eggs with History" and the sale of the bracelette charm of the Pancyprian Association for the Protection of Spastic and Disabled Children.

Protection of the environment and energy saving

CySEC adopts all the proposed measures/guidelines issued by the Energy Service of the Ministry of Energy, Trade, Industry and Tourism, as well as by the Cyprus Energy Foundation. Some of the measures adopted are (a) lighting timers, which automatically switch on the lights only when motion is detected in the room; and (b) adjustment of the lighting level to the desired amount of light for the various uses of a space (for example, there are special switches that enable switching only half of the lights in the building corridors). Also, the provisions contained in the tenders conducted by CySEC for the purchase of products provide for the purchase of environmentally friendly products. Pollutant older model bulbs have also been replaced with LED lamps in common office spaces.

Raise awareness of social responsibility in CySEC personnel

Before the summer of 2016, CySEC staff received a friendly reminder of their responsibility for issues that are inherent to the summer months. Amongst other, blood donation before going on vacation was organised to ensure that blood supplies are sufficient when everyone is away on holidays, the importance of maintaining the cleanliness of the beaches and coasts was stressed, and everybody was reminded of the measures all citizens should keep in mind to avoid fires and to protect the forests.

ANNEXES

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ANNEXES

ANNEX A – SUPERVISORY AUTHORITIES OUTSIDE THE EU WITH WHICH CYSEC HAS SIGNED MEMORANDA OF UNDERSTANDING AND COOPERATION IN RELATION WITH THE EUROPEAN DIRECTIVE OF AIFMS (AIFMD)

1. Financial Supervisory Authority of Albania – Albania
2. Australian Securities and Investments Commission – Australia
3. Securities Commission - Bahamas
4. Bermuda Monetary Authority – Bermuda
5. Comissão de Valores Mobiliários do Brasil – Brazil
6. British Virgin Islands Financial Services Commission - British Virgin Islands
7. Alberta Securities Commission – Canada
8. Autorité des Marchés Financiers du Quebec – Canada
9. British Columbia Securities Commission – Canada
10. Office of the Superintendent of Financial Institutions – Canada
11. Ontario Securities Commission – Canada
12. Cayman Islands Monetary Authority – Cayman Islands
13. Dubai Financial Services Authority – Dubai
14. Egyptian Financial Supervisory Authority – Egypt
15. Securities and Exchange Commission of the Republic of Macedonia (FYROM) – FYROM
16. Guernsey Financial Services Commission – Guernsey
17. Hong Kong Monetary Authority – Hong Kong
18. Securities and Futures Commission – Hong Kong
19. Securities and Exchange Board – India
20. Financial Supervision Commission of the Isle of Man – Isle of Man
21. Israel Securities Authority – Israel
22. Financial Services Agency of – Japan
23. Ministry of Agriculture, Forestry and Fisheries of Japan – Japan
24. Ministry of Economy, Trade and Industry of Japan – Japan
25. Jersey Financial Services Commission – Jersey

26. Financial Services Commission/Financial Supervisory Service - Korea
27. Labuan Financial Services Authority – Labuan
28. Securities Commission – Malaysia
29. Capital Market Development Authority – Maldives
30. Financial Services Commission of Mauritius – Mauritius
31. National Banking and Securities Commission of the United Mexican States – Mexico
32. Securities and Exchange Commission of Montenegro – Montenegro
33. Conseil Déontologique des Valeurs Mobilières of Morocco – Morocco
34. New Zealand Financial Markets Authority – New Zealand
35. Securities and Exchange Commission of Pakistan – Pakistan
36. Monetary Authority of Singapore – Singapore
37. Republic of Srpska Securities Commission – Srpska
38. Financial Services Board of South Africa – South Africa
39. Swiss Financial Market Supervisory Authority (FINMA) – Switzerland
40. Capital Markets and Securities Authority of Tanzania – Tanzania
41. Securities and Exchange Commission Thailand – Thailand
42. Emirates Securities and Commodities Authority – UAE
43. Commodity Futures Trading Commission – USA
44. Federal Reserve Board – USA
45. Office of the Comptroller of the Currency – USA
46. Securities and Exchange Commission – USA
47. State Securities Commission – Vietnam