

## SECURITIES AND EXCHANGE COMMISSION

### Banking sector investigations to be completed in 2016

#### **Introduction of additional strict measures and strengthening of supervision to ensure investor protection**

In its effort to upgrade and develop the Cyprus capital market and the financial sector in general, so as to enable it to fully exploit its potential, the Cyprus Securities and Exchange Commission focuses its strategy on three priority axes: Rigorous market supervision, sanctions against those who violate the law, and ensuring the healthy development of the market through substantial improvements and enhanced investor protection.

Presenting developments in the sector and the work carried out in 2015, as well as the priorities for this year, the Commission's Chairwoman, Ms Demetra Kalogerou, referred in particular to the extensive CySEC investigations of the banking sector, as well as the increased supervisory controls on CIFs. At the same time, the Commission has taken additional strict measures to ensure the compliance of regulated entities with the relevant legislation, and strengthened market and stakeholder supervision, with the aim of protecting investors.

Ms Kalogerou stressed that the Commission has worked intensively to complete its investigations of the banking sector, has focused on enhancing the compliance of regulated entities, and substantially improved the legal and supervisory framework that governs their operations.

In respect to the cases in the banking sector investigated to date, CySEC has imposed on both legal and natural persons administrative sanctions amounting to a total of €9 million, while in specific cases its findings were communicated to the Law Office of the Republic to investigate whether criminal offences arise. Three additional cases related to the events of 2013 in the Cypriot banking sector, concerning potential misleading statements, assessment of information contained in the financial statements of previous years as well as practices which may possibly constitute market manipulation, are currently investigated by CySEC. These investigations are expected to be concluded in 2016.

With regard to CIFs, the CySEC Chairwoman stated that in 2015 thorough on-site checks were carried out on the basis of the CySEC supervisory programme. Based on identified weaknesses, CySEC imposed fines amounting to €1.7 million. On two occasions, settlements were reached

for the overall amount of €685,000. The aforesaid sanctions, together with those imposed by the CySEC Board following investigations, both on legal and natural persons under its supervision, amount to a total of €2,656,550.

In addition to the pecuniary penalties imposed, CySEC has also recommended to CIFs the adoption of a series of corrective measures for improving their internal procedures, arrangements and practices, aimed at ensuring full compliance with their legal obligations. CIFs are required to implement these measures within the prescribed deadline, at the expiry of which CySEC will re-assess their compliance.

CySEC has also investigated complaints filed by investors against regulated entities, and issued public warnings to investors on the risks of investing in complex products.

Furthermore, CySEC has placed great emphasis on the prevention of money laundering, with the establishment of a specialised Department engaged in verifying compliance by regulated entities. During the year, the Department has carried out, *inter alia*, 21 on-site checks. With regard to the ongoing training of regulated entities, which is considered of utmost importance in view of improving market compliance, CySEC organised 35 seminars attended by a total of 875 individuals, mostly professionals. “It is our belief that the operations carried out by CySEC in 2015, within the scope of its mandate, have been substantial and targeted, offering significant improvements in all areas of competence”, pointed out Ms Kalogerou.

### **Important growth prospects**

Despite persistent challenges, the submission of applications to CySEC, both from Cyprus and abroad, for the licensing of new regulated entities continues unabated. As a result of this interest, the number of regulated entities has exceeded 550. These include, *inter alia*, 210 CIFs, 55 Administrative Services Providers, but also companies in the developing sector of collective investments, including 11 Alternative Investment Fund Managers, 4 Cypriot and 39 foreign Undertakings for Collective Investment in Transferable Securities (UCITS), 4 approved UCITS Management Companies and 36 Alternative Investment Funds.

As stated by the CySEC Chairwoman, this interest is indisputable proof that Cyprus continues to enjoy significant advantages and is an attractive investment destination. She added, however, that hard work and collective effort on the part of all stakeholders involved are necessary in order to fully restore the credibility of Cyprus

