

**2023**

ANNUAL  
REPORT

# INDEX

3

**Chairman's Statement**

5

**2023 at a glance**

8

**The regulated entities in numbers**

11

**01. The Commission**

14

**02. The CySEC Board**

22

**03. Development of the Sector**

23

- Authorisations Department

33

- Policy Department

41

- Legal Department

47

- Strategy, International Relations and Communications Department

57

- Financial Services, Personnel and Training Department

61

**04. Market Supervision and Compliance of Regulated Entities**

62

- Supervision Department

68

- Anti-Money Laundering Department

74

- Issuers Department

81

- Market Surveillance and Investigations Department

85

- Risk Management and Statistics Department

89

- IT and Operations Department

91

**05. Corporate Social Responsibility**

## Chairman's Statement Dr George Theocharides



**Cyprus' investment service sector** resumed its steady growth in 2023, despite the primary external challenges facing the financial environment, making a positive contribution to the broader financial services sector and the Cyprus economy.

The Cyprus Securities and Exchange Commission continues to invest in prudential supervision, with a focus on investor protection and the automation of its procedures, through the use of specialised systems that allow the Organisation to keep pace with the sector's rapid digitisation.

At the end of 2023, CySEC had 837 regulated entities under its supervision, with the number remaining stable, as the sector went through several changes throughout the year. CySEC approved a total of 82 license applications for different types of entities under the Organisation's supervision. At the same time, CySEC rejected two applications for a CIF license and two applications for a license for the provision of crypto assets in the EU. Moreover, a total of 9 applications were withdrawn, of which 7 were for a CIF license and 2 were for a license to operate various types of collective investment vehicles.

CySEC published the application form to become a licensed Crowdfunding Service Provider at the beginning of the year, licensing the first regulated entity to provide such services in November.

### Supervision

The supervisory Departments resumed their intensive programme of inspections on supervised entities. Specifically, the Supervision Department and the Anti-Money Laundering Department held more than 700 onsite and desk-based inspections on supervised entities. At the same time, throughout the year, a number of desk-based inspections were regularly held to ensure compliance with the limits resulting, inter alia, from the prudential supervision framework and the monitoring of prudential demands for CIFs which were affected by the sanctions imposed due to the Ukraine war.

Moreover, CySEC evaluated all the information it received from supervised organisations on business relationships with persons subject to the Restrictive Measures of the Council of the European Union against Russia and investigated transactions that concerned the transfer of Russian securities/shares to Russia (Forced Transfers), which were carried out by natural and legal persons in Cyprus.

Within 2023, the Department also reviewed the promotional material of more than 35 advertising announcements by CIFs. In cases where misleading material was identified, CIFs were advised to make changes to the promotional material provided to investors.

The Market Surveillance & Investigations Department conducted entries and investigations on six CIFs and completed 42 investigations, while 48 investigations were underway by the end of 2023. At the same time, it

referred one case to the Attorney General of the Republic, to determine whether any criminal offenses had been committed by a natural or legal person.

The Issuers Department examined, inter alia, the compliance of issuers with their obligation to publish an Annual Financial Report for the financial year 2021 and 2022 and an Interim Financial Report for the first half of 2022 and 2023 and whether these reports were prepared and published in line with the Law.

As a result of these supervisory investigations, the Department imposed administrative fines amounting to approximately €2.2m in 2023, of which €1m concerned a single CIF.

Moreover, in more than 103 cases, supervised entities were asked to take corrective measures based on the current law and 35 supervised entities were asked to take specific measures within a specific timeframe to ensure their full compliance with the provisions of the Law and the Directive on AML/CFT.

In addition, the license of 19 CIFs was either revoked or suspended, while two UCIs also had their operating license revoked.

## Investor protection

As far as investor education is concerned, in 2023, CySEC actively participated in several events, workshops and conferences that promoted financial literacy and education, while it also took part in the ad-hoc Committee for the formulation of a National Strategy for the promotion of Financial Literacy in Cyprus.

In addition, the special section of CySEC's website dedicated to the financial education of the public was enriched with additional information and training material in 2023, while utilising social media to better promote and disseminate their core messages.

CySEC also proceeded with issuing warnings to the investing public and a dedicated campaign on social media, warning about natural and legal persons who were posing as CySEC officials or representatives, as well as websites that mimicked the website of CySEC and of other Supervisory Authorities.

## Technological upgrade

The upgrade of the Organisation's technological capabilities is key for CySEC's operations, as it will allow it to keep up with the rapid digitisation of the sector.

In 2023, new upgrades were made to the Risk Based Supervision Framework (RBS-F) to consider developments and changes that may pose a risk to the market. Within 2023, the Enterprise Risk Management Framework (The ERM-F) was completed. Launched in 2020, the Framework addresses the internal and external risks threatening CySEC.

CySEC also uses a number of systems, which concern inter alia, the identification or investigation of information regarding the background of natural and legal persons, as well as the analysis and monitoring of transactions in cryptocurrencies.

In 2023, CySEC advanced procedures to implement a number of major regulatory changes in the sector through European directives and regulations that focus on technology.

In 2023, procedures also moved ahead for the institution of the Investment Fund Administrators Bill as it was approved by the Council of Ministers for submission to the Parliament.

Cyprus' securities market is growing at a steady pace, and is therefore of utmost importance that CySEC has all the appropriate powers at its disposal and is constantly provided with the necessary resources to successfully execute its crucial role as the country's Supervisory Authority.

# 2023

## at a glance

### Regulated Entities and Authorisations

In 2023, **82 entities** were authorised, of which **43** were active in collective investments and **17** in the provision of investment services.

### Supervisory Inspections and Fines

The Supervision and Anti-Money Laundering Departments carried out over **700 on-site and remote thematic inspections** on regulated entities. In addition, CySEC handed out **€2.2 million in administrative fines**, of which **€1 million was imposed on a single CIF**.

### Rejections and Withdrawals of Applications

CySEC rejected **2 applications for a CIF license** and **2** for the provision of crypto assets in the EU. Meanwhile, **9 applications were withdrawn**, **7** of which concerned applications for obtaining a CIF license and **2** applications for a license to operate various types of collective investment vehicles.

### Cybersecurity Issues

CySEC conducted training seminars for all its staff, in collaboration with the **Digital Security Authority**, which were focused on basic data **security principles and recognising cyber threats**. It also distributed and processed questionnaires to assess the employees' understanding and compliance with cybersecurity issues.



### The Cyprus Securities and Exchange Commission Law (Law 73(I)/2009)

CySEC promoted an amendment to the Cyprus Securities and Exchange Commission Law clarifying that **administrative fines** and **administrative measures**, as well as **settlements**, are considered to be **administrative sanctions**.

### Annual Student Award

CySEC handed out awards to **two University students** during the 2022-2023 academic year. The aim of this initiative is to **encourage students** to choose to study and research matters that **fall within CySEC's remit and set of responsibilities**, as well as the sector it supervises.

### Investor Training

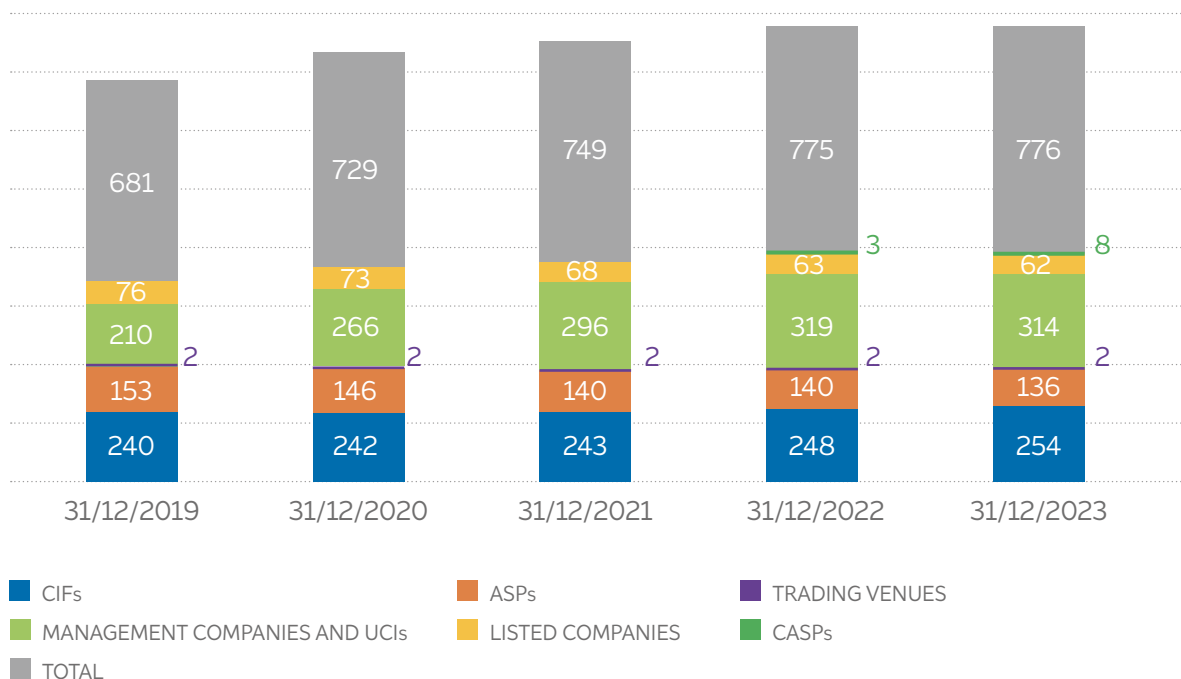
During 2023, CySEC contributed, among other things, to the work of the ad-hoc Committee for the **formulation of a National Strategy for the promotion of Financial Literacy in Cyprus**. CySEC actively contributes, along with other bodies and authorities, to the implementation of the National Strategy and urges them to take initiatives to promote financial education.

### National Risk Assessment of Crypto Assets and Service Providers regarding Crypto Assets – National Action Plan

In 2023, **the AML Department participated in the preparation of a National Action Plan**, which, inter alia, lists all the necessary actions that must be taken by CySEC to address the risks identified in the aforementioned report. **The Department will continue the implementation of this Action Plan throughout 2024.**

# The regulated entities in numbers

## REGULATED ENTITIES

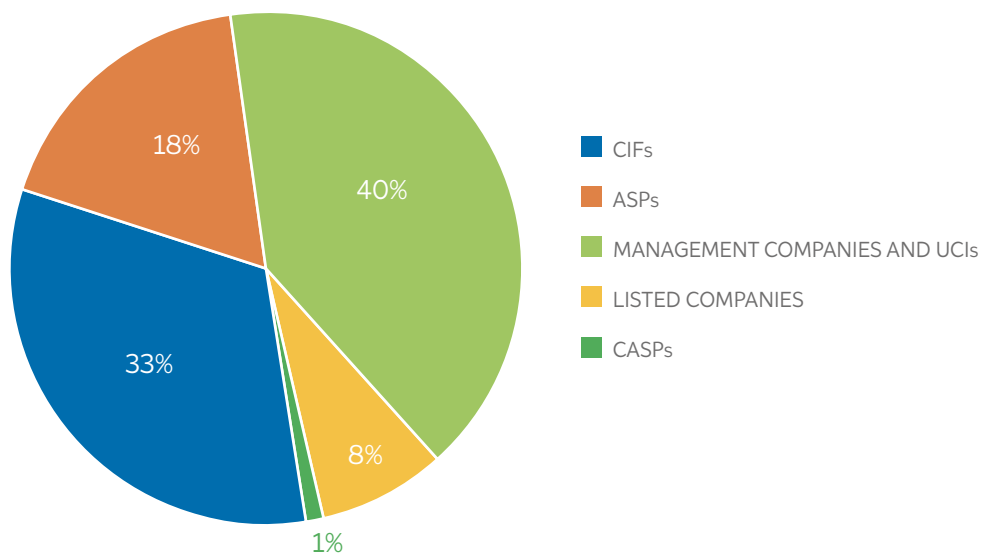


The number of Management Companies and UCIs also includes RAIFs.

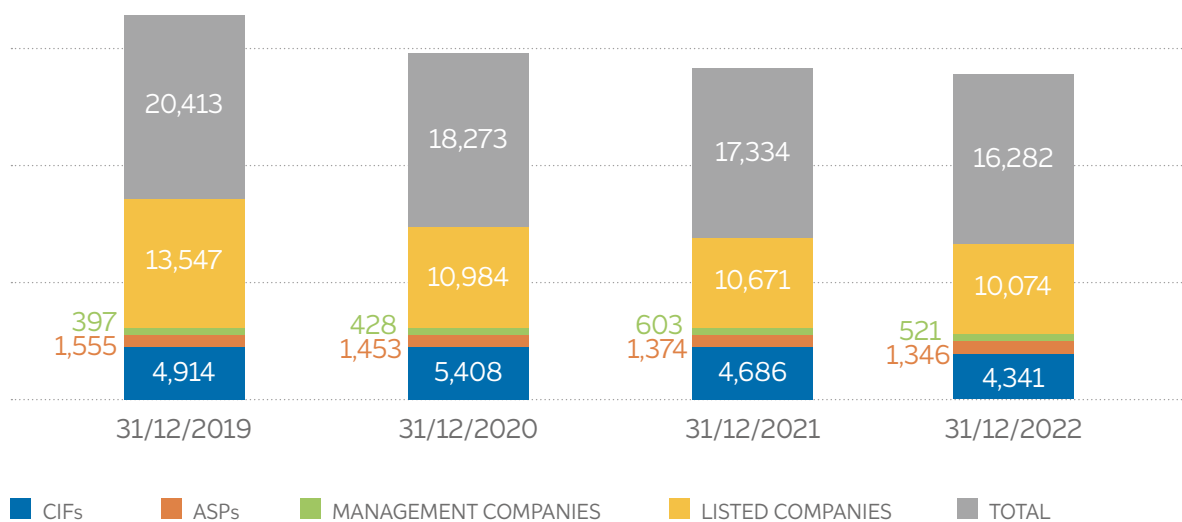
The number of Listed Companies **does not** include the companies listed on the CSE's Multilateral Trading Facility (MTF).

The number of CASPs **does not** include CASPs that have a CIF license.

## REGULATED ENTITIES AS A PERCENTAGE IN 2023

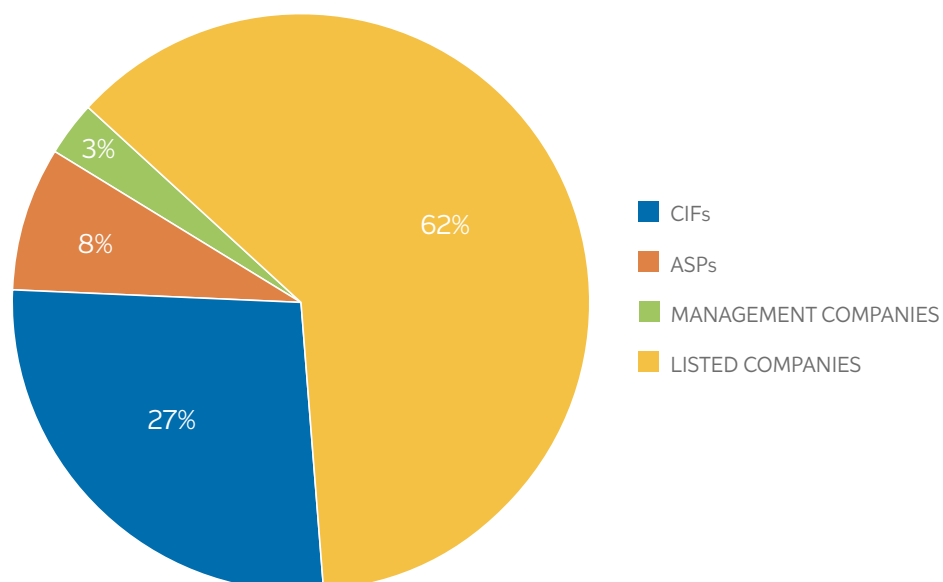


## NUMBER OF EMPLOYEES



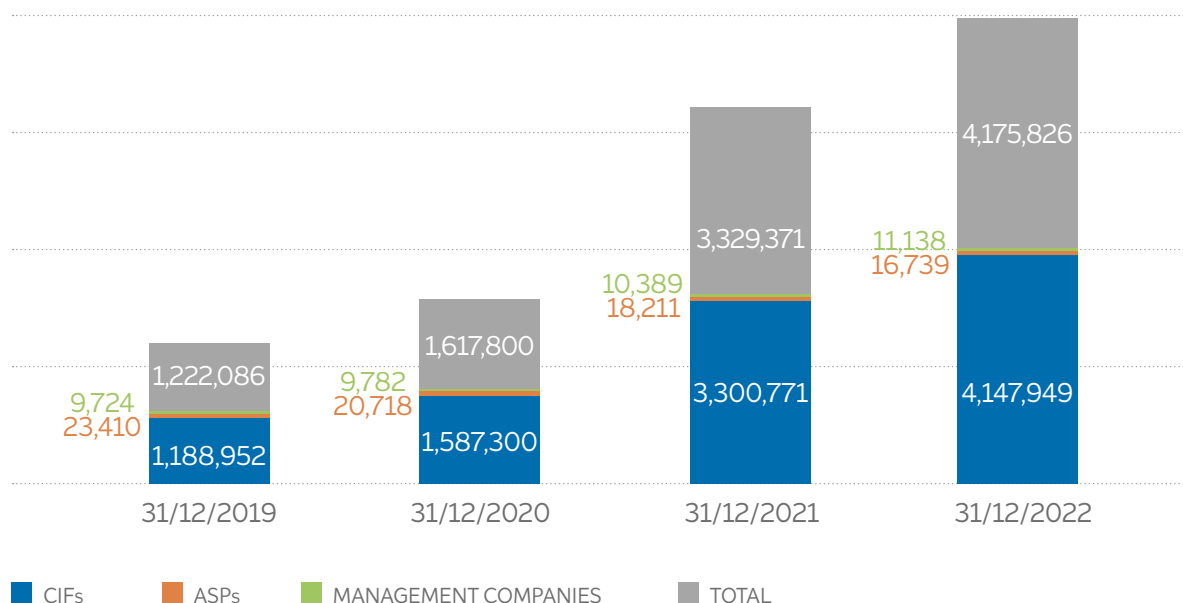
The number of Listed Companies only includes the employees of issuers who are listed on the CSE.

## NUMBER OF EMPLOYEES AS A PERCENTAGE IN 2022



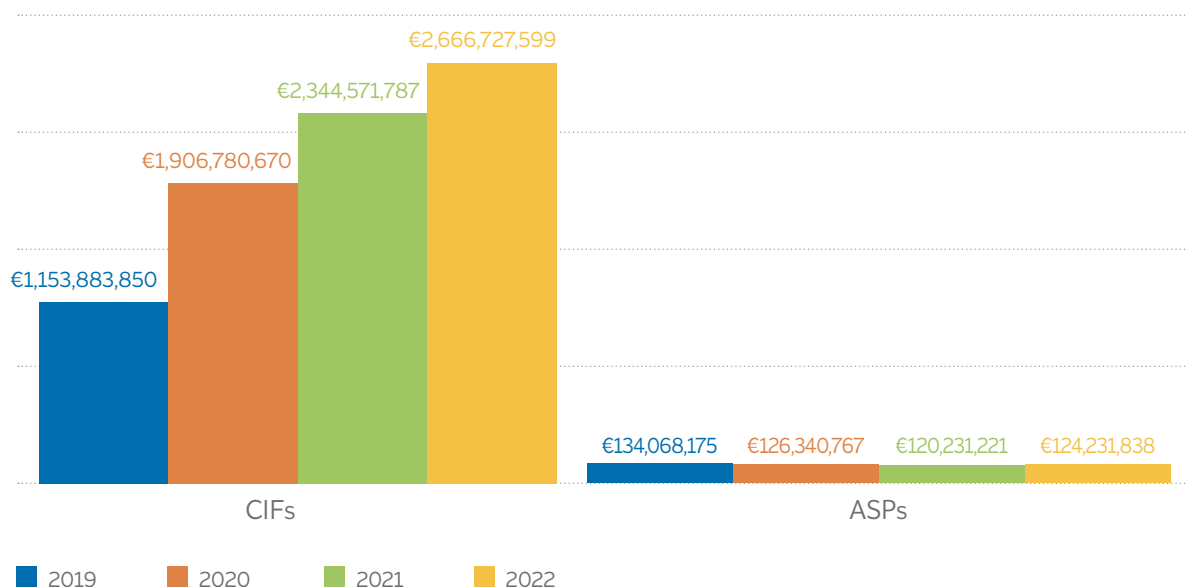


## NUMBER OF CLIENTS OF CIFs, ASPs AND MANAGEMENT COMPANIES

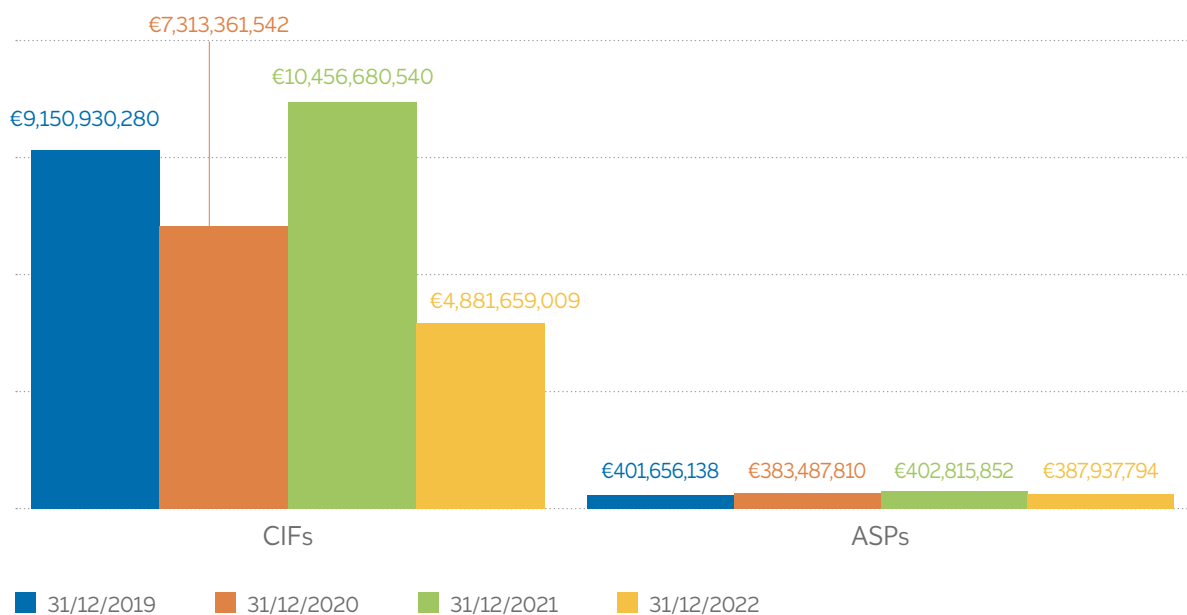


The 25% increase seen in the number of clients between 2021 and 2022 is partly attributable to the growth of the market, but also to the different customer reporting method applied by some CIFs post-Brexit.

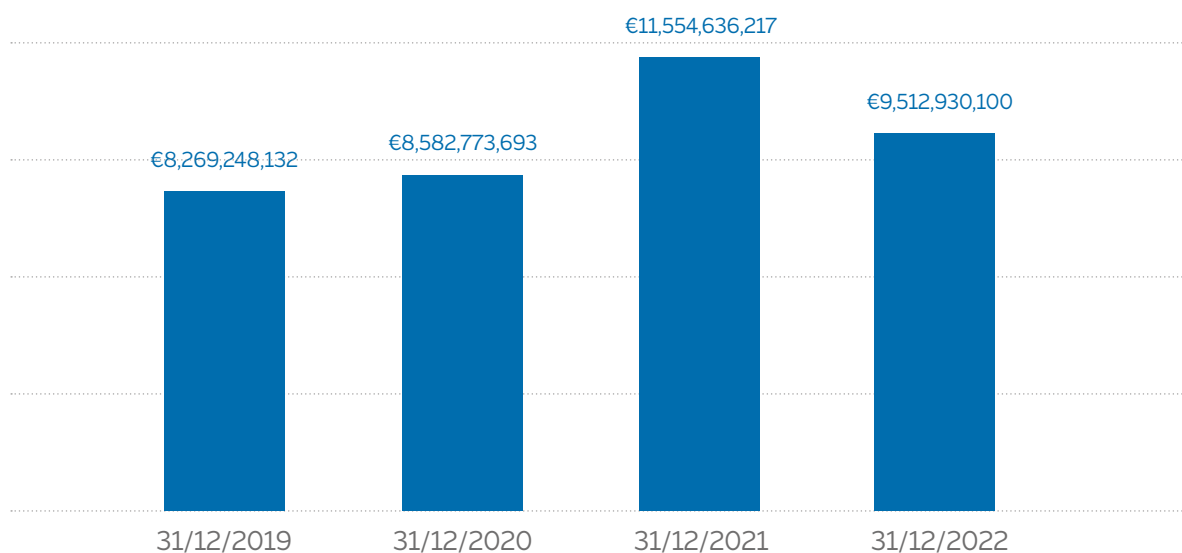
## TURNOVER OF CIFs AND ASPs



## TOTAL ASSETS OF CIFs AND ASPs



## ASSETS UNDER MANAGEMENT BY COLLECTIVE INVESTMENT MANAGEMENT COMPANIES



The 18% decrease in the value of investments in 2022 compared with 2021 is mainly due to acquisitions of investment units, as well as to the depreciation or sale of assets.



**01**

**The  
Commission**

**The Cyprus Securities and Exchange Commission (CySEC)** is an Independent Public Supervisory Authority, responsible for supervising the investment services market, the stock market and the collective investments and asset management sector. Furthermore, it supervises businesses that provide administrative services, which do not fall within the remit of ICPAC or the Cyprus Bar Association, as well as Crypto Asset Service Providers.

## Vision

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

## Mission

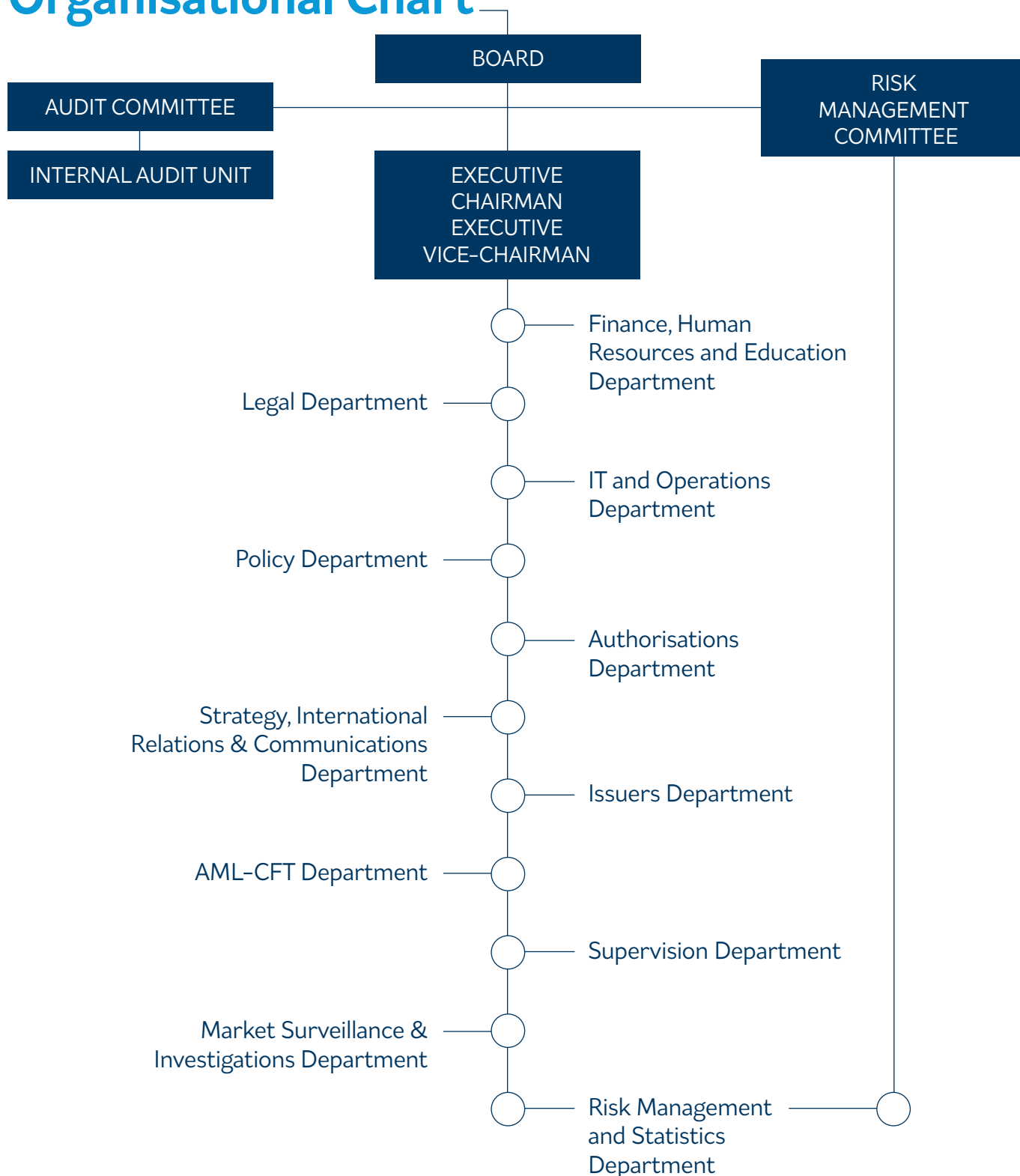
The mission of the Cyprus Securities and Exchange Commission is to apply effective supervision, which ensures investor protection and the healthy growth of the securities market.

## Responsibilities

Among other, CySEC's main competencies and responsibilities include:

- Examining applications and granting operating licences to entities that are under its supervision, as well as suspending or revoking said licences.
- Supervising and auditing the operation of the Cyprus Stock Exchange and other organised markets in the Republic, and the transactions taking place therein.
- Supervising and inspecting the organisations under its supervision, to ensure their compliance with the law governing their operation.
- Carrying out investigations as part of exercising its legally mandated competencies, as well as on behalf of other foreign competent authorities.
- Requesting and collecting information necessary or conducive to exercising its duties under the law and requesting and demanding information in written form from any natural or legal entity or organisation deemed to be in a position to provide the required information.
- Imposing any administrative and disciplinary sanctions provided by the law.
- Demanding the cessation of practices which are contrary to the securities market laws.
- Applying to a competent court for the issue of an order for detention or charge or freeze or prevention of alienation, or transactions involving assets.
- Issuing regulatory directives and decisions.
- Cooperating and exchanging data and information with other public authorities of the Republic, competent foreign supervisory authorities and other agencies.

# Organisational Chart



## Website

CySEC's website <https://www.cysec.gov.cy/en-GB/home/> includes information about CySEC and its work. It also features all the decisions of the CySEC Board, as well as the legal instruments, announcements, circulars, Press Releases and other documents prepared by CySEC's various Departments, for the sake of transparency when keeping stakeholders and investors informed.





**02**

**The CySEC  
Board**



**CySEC is governed by a seven-member Board**, consisting of its Chairman and Vice-Chairman, who provide their services on an exclusive and full-time basis, as well as five additional non-executive members. All board members are appointed by the Council of Ministers, following a suggestion by the Minister of Finance. Board Members serve a five-year term, with a right to extend their term for five more years.

**George Theocharides**

Chairman

**George Karatzias**

Vice-Chairman

**Evanthia Tsolaki**

Member

**George Pitros**

Member

**Spyros Ierotheou**

Member

**Marios Papageorgiou**

Member

**Vassilis Malikides**

Member

## Participation in Meetings

In 2023, the CySEC Board convened 42 times.

Attendance	%
George Theocharides	98
George Karatzias	98
Theodoros Theodoulou*	83
Evanthia Tsolaki	95
George Pitros	92
Spyros Ierotheou	92
Marios Papageorgiou	95
Vassilis Malikides*	87

\* Mr. Malikides was appointed as a new CySEC Board Member in June 2023, following the resignation of Mr. Theodoros Theodoulou.

In 2023, CySEC's Chairman and Vice-Chairman participated in 9 meetings of the European Securities and Markets Authority (ESMA), 6 meetings of the Risk Standing Committee (RSC), 2 meetings of the International Organization of Securities Commissions (IOSCO) and 1 meeting of EUROFI (The European Think Tank Dedicated to Financial Services). The board also held another 259 separate meetings with other bodies and individuals in Cyprus, over matters that fall within CySEC's remit.

## 2.1 Audit Committee

The Article 23A of the Cyprus Securities and Exchange Commission Law of 2009 (Law 73(I)/2009), as amended (CySEC Law), provides for the establishment and operation of a three-member Audit Committee (AC), comprising non-executive members of the CySEC Board, as the best practice of public governance. The role, tasks and competences of the AC are defined in its Rules of Procedure, which were adopted by the CySEC Board in December 2019. The AC began operations on 1 January 2020.

The purpose of the AC is to provide support to CySEC's Board and guidance on the fulfilment of its supervisory tasks. Specifically, it contributes to the development and maintenance of an adequate and effective internal audit system, the financial reporting process, the independence and objectivity of the Internal Audit Unit (IAU) and the external auditors, the effective conduct of the IAU's work and CySEC's compliance with the recommendations of the Auditor General of the Republic.

The AC examines, inter alia, the reports of the IAU, the Auditor General's, any external auditors' and other independent consultants'. The aim is to ensure the adequacy and effectiveness of the Internal Audit System, the response of the Management and the implementation of corrective measures.

The AC convenes at least four times a year, and/or more frequently when necessary.

In 2023, the AC consisted of the following non-executive members of the CySEC Board:

- Marios Papageorgiou – Chairman
- Spyros Ierotheou – Member
- Theodoros Theodoulou – Member until 07/06/2023
- Vassilis Malikides – Member since 26/06/2023

During 2023, the AC held a total of four meetings while its decisions were submitted for approval to the plenary of CySEC's Board.

The AC receives secretarial support by CySEC's IAU.

### 2.1.1 Internal Audit Unit

The IAU falls under and functionally refers to the AC of the CySEC board, while it is administratively governed by the Chairman and/or Vice-Chairman of CySEC.

The Internal Audit Unit's main competencies include the provision of independent, objective assurances and advisory services in relation to the Commission's operations. The Unit's mission is to function in a complementary manner to achieve the Commission's objectives, through the adoption of a systematic and disciplined approach, for any needs identified by the Unit, suggesting ways to improve the efficiency of risk management procedures, the internal control system and governance.

The Head of the IAU, or her representative, attends AC meetings, without the right to vote.

## 2.2 Special Risk Management Committee

Acknowledging the importance of early identification and proper risk assessment and management within the Organisation, CySEC approved, in August 2022, the establishment of a Special Risk Management Committee (SRMC) of the CySEC board, which is regulated by Article 23 of CySEC's Law on "Special Committees". The SRMC aims to support and assist the CySEC board in managing and evaluating the risks facing the Organisation. It is also expected to contribute to ensuring greater oversight of the risk management process and provide relevant recommendations where necessary. The SRMC consists of three members as well as CySEC's Chairman, Dr Theodorides, Vice-Chairman, Mr. Karatzias, as well as an independent non-executive member of the CySEC Board, Ms. Tsolaki.

The Committee convenes every three months or on an ad-hoc basis whenever deemed necessary. During 2023, a total of seven meetings took place, where several issues regarding CySEC's compliance with best practices in managing internal and external risks were examined. The decisions taken by the SRMC were submitted to the CySEC board either for approval or for informative purposes.

The heads and/or representatives of the IAU and the Risk Management and Statistics Department (RMSD) also participate as observers in the sessions of the SRMC. In addition, the RMSD is responsible for handling procedural issues during SRMC's meetings including, among other things, the coordination and preparation of the Meeting Agenda, the provision of secretarial support etc. In addition, as part of its duties and role as the Second Line of Defence in CySEC, the RMSD contributes to the agenda of the SRMC's meetings and is responsible for communicating directly and informing the SRMC on issues related to risk management within CySEC, submitting memos and recommendations. The information that SRMC receives from the RMSD enables it to decide on further corrective measures in order to ensure that CySEC's risk exposure is in line with the limits determined by the Board.

### 2.2.1 Risk Management and Statistics Department

The RMSD acts as the Second Line of Defence within CySEC, with the aim of strengthening the risk culture and consolidating the risk management process in all of CySEC's activities. It is actively involved in and contributes to ensuring the effectiveness of Risk Management procedures within CySEC, which is also among the SRMC's priorities. To this end, the SRMC organises training seminars for CySEC staff on risk management matters, deals with the process of identifying, understanding, evaluating and managing the risks that CySEC is exposed to during the execution of its responsibilities, both internally and externally, while systematically monitoring and evaluating the risks related to its regulated entities, thus contributing to CySEC's strategic objectives.

In addition, the RMSD prepares an annual Risk Assessment Report for CySEC, which is examined by the SRMC and then submitted to the CySEC Board for final approval. Upon its approval, it is then submitted to the Ministry of Finance along with CySEC's budget.

The Department of Risk Management and Statistics reports directly to the SRMC for risk management issues, while operational or other issues are reported to CySEC's Board and/or CySEC's Chairman and Vice-Chairman. CySEC's other departments report to the RMSD on risk management issues, which then examines and updates and/or submits relevant memos to the SRMC when necessary. The role, tasks and responsibilities of the RMSD are described in more detail in part (4.5) of this Report.

### 2.3 CySEC's Compliance with the Code of Public Governance

The Cyprus Securities and Exchange Commission (CySEC) is an Independent Public Supervisory Authority, which must follow best governance and organisation practices, on the basis of the Code of Public Governance (CPG), so as to ensure transparency, accountability and equity, which in turn will help it remain effective and viable.

CySEC follows practices and procedures geared towards establishing governance principles but also balancing the needs of all stakeholders, including staff, regulated entities, investors as well as other public, European and international organisations (interested parties). Furthermore, by implementing these practices, CySEC's aim is to ensure transparency and provide timely information, while also safeguarding the Board's relevant independence in its decision-making.

In 2022, CySEC made an inventory of its Policy and Governance Framework, adopting the six principles of the CPG. CySEC's Policy and Governance Framework was approved by the Board on 9/1/2023 and was later shared with all CySEC staff. These documents will be reviewed annually by the Board and, revised whenever there are significant changes.

CySEC's current governance structure is presented in brief below, by CPG thematic unit.

#### 2.3.1 Organisational Values & Engagement with Stakeholders

CySEC's Organisational Values were shaped and approved by all the Departments, following the approval of the Board. The values are announced to staff and are incorporated in CySEC's approved internal policies and procedures. The Board is responsible for overseeing CySEC's operation and ensuring that these values are adopted by the heads of all the Departments.

In addition, all new CySEC Board members are forwarded the Strategic Plan, which includes CySEC's Vision, Mission and Values. The Strategic Plan also includes CySEC's annual targets and projects, which are based on the legitimate and reasonable needs and expectations of all stakeholders.

CySEC communicates with stakeholders regularly to listen to their comments and views on their long-term needs, in order to adopt an approach that adequately ensures investor protection, prudent market development and healthy competition.

#### 2.3.2 Vision, Mission & Strategy

CySEC's Strategic Plan is based on its Values and Vision. The Strategic Plan includes CySEC's annual targets and projects, taking into consideration its annual budget, as well as the annual review and future expectations of CySEC and the stakeholders.

The Strategic Plan is assessed and approved by the Board, which is responsible for monitoring its execution and ensuring its implementation by the Heads of Departments.

The Board reviews, discusses and re-approves the Strategic Plan wherever deemed necessary, according to the developments of the securities market, and CySEC's current and future operating framework. The Departments' action plans and CySEC's available resources also dictate whether the Plan needs to be revised, to ensure its future sustainability and the implementation of its mission and vision.

#### 2.3.3 Capacity-Building at CySEC

The Board ensures that the appropriate structures are in place when it comes to management and staff. CySEC follows the public service recruitment process, based on Law 6(I)/1998 on the Evaluation of Candidates for

Appointment in the Public Service, and applies the provisions of the regulations under the Cyprus Securities and Exchange Commission Law, regarding recruitment. CySEC recruits staff based on the Strategic Plan and approved budget.

The Board defined CySEC's organisational structure, which consists of the Heads of Departments as well as the independent Internal Audit Committee, in a way that ensures that CySEC meets its targets, in line with the Strategic Plan.

CySEC implements staff recruitment, assessment and training procedures to ensure that its staff have the skills required to implement the Strategic Plan. Any training needs are also identified during the annual staff performance assessments. Training needs are assessed by the Heads of Departments, who then organise specialised internal seminars, but also seminars by third parties, based on the Strategic Plan.

Furthermore, the Board is responsible for monitoring and ensuring the efficacy and adequacy of technology and data management. More specifically, the Strategic Plan lays out CySEC's needs and priorities when it comes to technology and data management, as these have been discussed and decided by the Heads of Departments in cooperation with the IT Department and approved by the Board.

### 2.3.4 Risk Supervision and Internal Audit

The Board is responsible, with the cooperation of the Audit Committee (AC) and the SRMC, for supervising and managing any risks facing CySEC.

More specifically, the AC is responsible for developing and maintaining a sufficient and effective internal audit system, the financial information procedure, the independence and impartiality of the Internal Audit Unit and external audits, the effective operation of the Internal Audit Unit and CySEC's compliance with the recommendations of the Auditor General of the Republic. The AC informs the Board about any issues that are detected as a result of the audits, while it also receives authorisation to take the required steps so that CySEC can deal with them accordingly.

The RMSD seeks to assist the Board in managing and assessing the risks facing CySEC. It also contributes to ensuring greater oversight of the risk management process and offers relevant recommendations where necessary.

In addition, CySEC has implemented the Risk Based Supervision Framework (RBS-F), which is used to measure and mitigate the risks arising from Regulated Entities.

At the same time, in 2023, CySEC also completed the implementation of the Enterprise Risk Management Framework (ERMF) project, during which other internal and external risks were identified and assessed. In addition, annual risk assessment reports for CySEC are prepared and sent to the Ministry of Finance along with CySEC's budget.

### 2.3.5 Supervision, Referral and Decision-making

The Board receives the following reports and information, in order to assess CySEC's performance:

- Annual report of the projects per CySEC Department,
- Annual report on CySEC's work over the preceding year and assessment based on the Strategic Plan,
- The Budget report for the following year is accompanied by:
  - An Annual Risk Assessment Report and
  - A filled-in questionnaire evaluating compliance with the Code of Public Governance,



- Periodic Reports by the Audit Committee on matters it is investigating,
- Periodic Reports by the RMSD on matters it is investigating,
- An Annual Report, which includes governance, the Departments' role and responsibilities, CySEC's annual activities relating to the supervision and development of the sector, as well as corporate social responsibility actions and CySEC's responsibility to protect the environment,
- Annual audited financial statements by the Auditor General,
- Audit Office Report presenting its findings following an audit of the Organisation, as well as relevant recommendations.

The Annual Report, along with the Annual audited financial statements, are uploaded to CySEC's website after being approved by the Board.

### 2.3.6 The Board's efficiency

According to CySEC law:

- Board members are appointed by the Council of Ministers after being nominated by the Minister of Finance.
- The Chairman and Vice-Chairman must have proven experience and training in the financial services sector.
- The rest of the Board members must have a university degree and experience in either law, finance, money markets, securities markets, accounting or business.
- Any individual who takes up duties as a Board member signs a declaration of loyalty and confidentiality when carrying out their duties.

The law also provides that any Board members' potential conflict of interest is dealt with. The Board's Chairperson has individual meetings with the new members upon their appointment and prior to their participation in Board meetings and provides them with a detailed description of their duties and responsibilities under CySEC law.

### 2.3.7 Future plans

Aiming at the continuous improvement of its governance practices and processes, CySEC is in the process of implementing a number of projects, as part of its medium-term strategic plan. A few are mentioned below:

- Creating a framework for CySEC's Strategic Planning, including the acquisition of an automated tool, for the creation, monitoring and updating of CySEC's strategic planning.
- Implementing the suggested actions that emerged after an evaluation of the current situation, in the context of preparing CySEC's Anti-Corruption Strategy.
- Improving the organisational culture and conducting relevant training seminars.
- Setting up an annual education Policy for each department and CySEC as a whole.
- Continuous development and implementation of policies and systems, as well as educational seminars to train staff on issues related to CySEC's data security.



**03**

**Developing  
the sector**

### 3.1 Authorisations Department

*“Investor protection is the cornerstone of the securities market and its development. Therefore, our goal is to ensure that new market entrants meet the eligibility criteria and can apply the rules of conduct so that they act in the best interests of investors”.*

**Irene Spyrou**

Head of Authorisations Department

#### 3.1.1 Duties / Competencies

The duties of the Authorisations Department have increased significantly in recent years, mainly due to the development of the securities market and the introduction of new types of entities supervised by CySEC.

The Authorisations Department reflects CySEC’s image and reputation, since it is the first point of contact between regulated entities and CySEC, as this is where their applications for operating licences of all types that fall under the supervision of CySEC are submitted and assessed.

The Department also examines issues that have to do with substantive changes that require CySEC’s approval. To this end, officials at the Authorisations Department monitor the compliance of regulated entities with their obligations in terms of substantive changes to their activities, their shareholder and organisational structure, as well as the exercise of cross-border activity. Furthermore, the Department’s officers investigate possible breaches of legislation relating to substantive changes and/or continuous obligations.

Finally, the Department has an active role in working groups both at national and European level, which establish the rules and the legislative framework governing the work of CySEC on licensing issues, thus contributing substantially to the sound development of the financial sector.

The Department can be contacted via email at: [authorisations@cysec.gov.cy](mailto:authorisations@cysec.gov.cy)

A special Unit handling cross-border service requests operates within the Department, in line with the Investment Services and Activities and Regulated Markets Law.

In addition to the above, an Investigation Unit operates within the Department, which aims to further strengthen the supervisory role of CySEC in the field of prudential supervision. The Unit’s staff also acts as the liaison of the Authorisations Department with the International Relations Department, assisting the former in the processing of requests submitted by other Supervisory Authorities. This creates synergies that enhance the assessment of the proposed shareholders and generally the natural persons employed in regulated entities which are subject to assessment by CySEC.

The evaluation of applications and notifications is also boosted by the operation of the Interview Panel, which conducts personal interviews with the aim of assessing the suitability of the natural persons participating in all regulated entities (Directors, shareholders, key function holders, etc.)

#### 3.1.2 Objectives for 2024

In 2024, the Authorisations Department will continue to promote the use of best practices in the assessment of applications it receives, as well as bolster the legislative framework in order to ensure the sound development of the Cypriot financial sector.

In addition, the Authorisations Department, in collaboration with the IT and Operations Department, is planning:

- The automation of CySEC's application process, whether it concerns applications for an operating licence or substantive changes.
- The automation of the application process for the provision of cross-border services.

Upon the completion of the above projects, a number of procedures related to the submission, assessment and archiving of requests submitted to CySEC is expected to be automated. The aim is to avoid, as far as possible, the submission of physical documents in order to continuously improve the work of the Department, both in terms of quality and speed. A digital database will also be created which will include the statistical data maintained by the Authorisations Department for all the applications it receives and processes.

### 3.1.3 The Department's operations

In May 2023, the Authorisations Department issued a call for applications for the authorisation of crowdfunding service providers in accordance with the European Regulation (EU) 2020/1503. In November 2023, CySEC granted the first authorisation for a provider of equity crowdfunding services.

In addition, the two Peer Reviews<sup>1</sup> that had been conducted by the European Securities and Markets Authority, with the participation of the Authorisations Department, were completed within the year.

Regarding the Brexit Peer Review, the objective was to determine whether the regulatory authorities of Member States had followed the rules of the European institutional framework when assessing applications for the relocation of UK financial institutions to other EU member states so that they could continue to provide services in the EU. According to the assessment report for Cyprus, CySEC was assessed as "fully compliant" in two areas, including Governance: Meaningful Presence in the member state of establishment and Substance: Choice of member state for relocation, and as "partially meeting expectations" in the remaining areas.

In regard to the Peer Review on Supervision of Cross Border Activities, the objective was to determine whether the Member States' supervisory authorities exercise effective supervision of entities providing investment services on a cross-border basis to ensure that investors are provided with sufficient protection. According to the assessment report for Cyprus, CySEC was assessed as "fully compliant" in the "Processing of passport notifications" field and as "partially meeting expectations" in "Authorisation activities".

During 2023, as in 2022, the Authorisations Department participated in a Working Group jointly set up by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA) in order to establish procedures and create a European electronic register for the exchange of information between national supervisory authorities of EU Member States on the suitability and integrity of persons under review by national regulatory authorities. Following consultations in relation to the institutionalisation of information exchange and, in coordination with the IT Department and the Strategy, International Relations and Communication Department, the Authorisations Department is responsible for the creation of a local digital system that will be integrated into the European register and will concern all natural and legal persons under CySEC's supervision.

1 "Brexit Peer Review" and "Peer Review on Supervision of Cross Border Activities".

## 3.1.4 Review of applications for operating licences

Category	No. of applications submitted in:		No. of companies granted a licence in:		Conditional licence/ pre-approval		No. of rejections		No. of applications withdrawn by applicants	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
CIF	26	11	17	17	15	13	6	2	7	7
CASP <sup>2</sup>	23	9	7 (listing)	6 (listing)	0	1	0	0	1	1
CSP <sup>3</sup>	0	2	0	1	0	0	0	0	0	0
CSP EEA <sup>4</sup>	11	13	5 (listing)	10 (listing)	0	0	2	2	1	0
ASP	7	8	3	5	1	0	0	0	0	0
UCITS MC	0	0	0	0	0	0	0	0	0	0
UCITS	0	0	2	0	0	0	0	0	1	0
AIFM	3	3	10	3	0	1	0	0	3	1
Small AIFM	0	0	1	0	0	0	0	0	0	0
RAIF	29	41	37 (listing)	36 (listing)	0	0	0	0	2	0
AIF (ext. Managed)	0	2	5	2	3	0	0	0	0	0
AIFLNP (ext. Managed)	0	0	2	0	2	0	0	0	0	0
Special Purpose Entities	0	0	0	0	0	0	0	0	0	0
AIF (int. Managed)	0	1	0	0	0	1	0	0	1	0
AIFLNP (int. Managed)	1	1	2	2	0	1	0	0	0	0

## 3.1.4.1 Review of notifications for substantive changes by CIFs

	2021	2022	2023
Number of notifications to participate in a CIF that were reviewed by the CySEC Board	35	38	39
Number of notifications to change a CIF's organisational structure that were assessed	171	161	136
Number of applications by a CIF to extend their operating licence, including applications to engage in other activities	21	25	17

The assessment of the above data shows that the highest number of applications were for a CIF operating licence as well for the registration of Crypto Asset Service Providers (CASP) in CySEC's Public Registry.

<sup>2</sup> CASP: Crypto Asset Services Providers

<sup>3</sup> CSP: Crowdfunding Services Providers

<sup>4</sup> CSP EEA: Crowdfunding Services Providers in the European Economic Area



As for the Collective Investment sector, the interest of investors to become active as Alternative Investment Fund Managers seems to have decreased, while there was no interest in operating UCITS Management Companies. A preference for the establishment of registered Alternative Investment Funds was also observed.

The number of applications for an Administrative Service Provider's operating license showed a slight increase compared with 2022.

### 3.1.4.2 Personal Interviews

During 2023, a total of 198 personal interviews were conducted with Proposed Shareholders, Directors and other key function holders in regulated entities.

#### PERSONAL INTERVIEWS PER REGULATED ENTITY

	2021	2022	2023
CIFs	147	175	150
ASPs	8	3	0
AIF/AIFLNP/AIFM/UCITS/ UCITS Management Companies	70	49	48
<b>TOTAL</b>	<b>225</b>	<b>227</b>	<b>198</b>

### 3.1.4.3 Review of CIF requests for Voluntary withdrawal of Operating Licence

	2022	2023
Number of requests submitted to CySEC	16	13
Number of reviewed requests	4	6

### 3.1.4.4 Review of requests for substantive changes to Undertakings for Collective Investments

Notifications	Number	
	2022	2023
Change of Shareholders at internally-managed UCI <sup>5</sup>	6	3
Changes to UCI's organisational structure	10	10
Conversion from internally-managed AIF/ AIFLNP to externally-managed AIF/ AIFLNP	2	1
Conversion of AIFLNP into an AIF	3	1
Conversion of RAIF into an AIF	1	0
Compliance of AIF/ AIFLNP with legal provisions	4	3
Change of UCI manager	6	12
Change of AIF Custodian	11	28

### 3.1.4.5 Review of requests to revoke the operating licence/ voluntary liquidation of Undertakings for Collective Investment



	2022	2023
Revocation of operating licence/ voluntary liquidation of internally managed AIFLNP	6	7
Revocation of operating licence/ voluntary liquidation of externally managed AIFLNP	4	4
Revocation of operating licence/ voluntary liquidation of internally managed AIFs	1	1
Revocation of operating licence/ voluntary liquidation of externally managed AIFs	6	7
Revocation of operating licence/ voluntary liquidation of RAIFs	4	9

#### 3.1.4.6 Review of requests for Substantive changes in Investment Fund Managers (AIFMs/ Small AIFMs)

	2022	2023
Change in shareholding structure	9	4
Change in organisational structure	12	19
Operating licence amendment	3	7

#### 3.1.4.7 Review of requests by Alternative Investment Fund Managers for Voluntary Withdrawal of Operating Licence

	2022	2023
Requests submitted to CySEC	0	6
Completed requests	0	5

#### 3.1.4.8 Investigation Unit

In 2023, the work of the Investigation Unit included the following, among other things:

- A number of ad-hoc in-depth investigations in relation to supervised legal entities and/or natural persons, either after receiving specific information (from whistleblowers or through other means) or where deemed necessary following departmental consultation.
- Handling of all communication with other national Supervisory Authorities (CBC, CBA, etc.) and/or foreign Regulatory Authorities on issues concerning the suitability and integrity of persons intending to participate in supervised entities.
- Active contribution to the ad-hoc Working Group on the implementation of European economic sanctions against Russia by assessing whether any of the supervised persons were included in the sanctions.
- Handling of all interdepartmental communication regarding requests from other Supervisory Authorities and the Police Department for assistance in relation to supervised entities.

The Investigation Unit aims, with a fully resourced team, to also carry out regular due diligence checks on electronic databases for all entities under CySEC's supervision.

#### 3.1.4.9 Cross-border Activity

## 3.1.4.10 Notifications of CIFs/ IFs and CSP

In 2023, the following CIF/IF and CSP notifications were processed:

## A. CIFs that have used Outward Passporting

## i) Free provision of cross border services

Notifications	2022	2023
CIFs that sent a notification for free provision of services to member states for the first time	16	26
CIFs that sent a notification for additional/fewer investment services, increase/reduction of financial instruments in member states (additional services)	14	15
CIFs that sent a notification regarding changes to their contact details (name of CIF, address, telephone, fax, contact person)	76	58
CIFs that sent a notification for changes to their domains (addition of new one/removal of current one)	65	41
CIFs that sent a notification for changes to trading names	19	6
CIFs that sent a notification for the use of a tied agent, registered in the Republic, to provide cross-border services to a member state	0	0
To suspend the license of CIFs, notifications were sent to the member state in which the CIFs offer cross-border activities	4	1
To extend the suspension of the licence of CIFs, notifications were sent to the member state in which the CIFs offer cross-border activities	1	2
To terminate the suspension of the licence of CIFs, notifications were sent to the member state in which the CIFs offer cross-border activities	0	2
In order to terminate the licence of CIFs, notifications were sent to the member state in which the CIFs offer cross-border activities	11	10
Notification on the termination of the provision of services to a specific member state	3	1
CIFs that sent a request for free provision of services to third countries*	42	6

Note:

\* CIFs requests for the provision of services to third countries are not relayed, as the Law does not cover the provision of services to third countries; however, they can be processed under Circular 534 provided that CIFs present a relevant licence from the third country's supervisory authority for the provision of such services. In the absence of any licensing requirement by a third country Supervisory Authority, CIFs should provide a certificate by the third country's Supervisory Authority stating that the legislation does not require such authorisation for conduct of the specific services/ activities.

## ii) Opening a CIF branch in an EU member state

In 2023, four notifications were sent to open a branch in a member state (3 in 2022). Furthermore, three

branches, which were authorised by the competent member state, ended their operation (3 in 2022).

Finally, in 2023, there were a total of 18 changes in branches (14 in 2022).

iii) Appointment of tied agents in EU member states

Throughout 2023, one notification was sent for the appointment of a tied agent (4 in 2022). Additionally, six tied agents, who were registered by the competent member state, were terminated (2 in 2022).

Finally, in 2023, there were a total of 13 changes to the tied agents (14 in 2022).

iv) Appointment of tied agents registered in the Republic

No CIF tied agent was registered with the CySEC register in the Republic in 2023 (1 in 2022). Furthermore, four tied agents were terminated during the year (5 in 2022).

v) Representative Office

In 2023, five notifications were sent to establish CIF representative offices in member states (6 in 2022). Furthermore, one representative office was terminated during the year (0 in 2022).

Finally, in 2023, there were three changes in the representative offices (3 in 2022).

## B. IFs that used European inward passporting

### i) Free provision of cross-border services

Notifications	2022	2023
IFs that sent a notification for the free provision of services in the Republic for the first time	39	37
IFs that sent a notification for an increase/reduction of investment services, increase/reduction of financial instruments, contact detail changes, as well as for the termination of the relevant notification	47	72
IFs that sent a notification for the use of a tied agent registered in the member state's register for the provision of services by the agent in the Republic	1	6

Note:

The largest volume of notifications from IFs for the free provision of services in the Republic came from the following member states:

A/A	Country	No. of Notifications in 2022	No. of Notifications in 2023
1.	Ireland	12	18
2.	France	10	18
3.	Germany	17	16
4.	Netherlands	9	13
5.	Malta	9	9

### ii) Establishment of IF branch in the Republic

During 2023, no requests/ applications were submitted by an IF from an EU member state to establish a branch in the Republic (1 request/ application in 2022). Furthermore, no IF branches of EU member states were terminated (1 in 2022).

## iii) Appointment of tied agents in the Republic

In 2023, one notification was received from an IF of an EU member state to appoint a Tied Agent in the Republic (0 in 2022). In addition, one application was rejected for the appointment of a Tied Agent in the Republic during the year (0 in 2022), while no Tied Agents were terminated (0 in 2022).

## C. CSP (Crowdfunding Service Providers) that have used outward passporting

Free provision of cross border services

Notifications	2022	2023
CSPs that sent a notification for the free provision of services in member states for the first time	0	1

## D. CSP (Crowdfunding Service Providers) that have used inward passporting

Free provision of cross border services

Notifications	2022	2023
CSPs that sent a notification for the free provision of services in the Republic for the first time	3	14

## 3.1.4.10.1 Notifications by AIFMs and UCITS MC

In 2023, the following AIFM and UCITS MC notifications were completed:

## Alternative Investment Fund Managers (AIFMs)

(a) AIFMs of the Republic that have used outward passporting

Free provision of cross border services

	2022	2023
AIFMs of the Republic that sent a notification for the free provision of services in member states, including the distribution of AIF shares	13	20

Note:

The highest volume of notifications by AIFMs of the Republic for the free provision of services in the European Union came from one member state:

A/A	Country	No. of notifications	
		2022	2023
1.	Luxembourg	6	12

(b) AIFMs of member states that used inward passporting:

Free provision of cross border services

Notifications*	2022	2023
AIFMs of member states who sent a notification for the free provision of services in the Republic, including the distribution of AIF shares	204	179

Note:

\* The notifications from AIFMs of member states for the free provision of services in the Republic came from the following member states:

A/A	Country	No. of notifications	
		2022	2023
1.	Luxembourg	134	120
2.	Ireland	49	28
3.	France	6	7
4.	Sweden	2	5
5.	Netherlands	7	12
6.	Liechtenstein	5	3
7.	Greece	0	1
8.	Finland	1	0
9.	Belgium	0	1
10.	Norway	0	1
11.	Spain	0	1

#### UCITS Management Companies (UCITS MC)

(a) UCITS MC of the Republic that used European outward passporting

Free provision of cross border services

Notifications*	2022	2023
UCITS MC of the Republic that sent a notification for the free provision of services in member states, either to establish a branch, or under the free provision of services regime, including the distribution of UCITS shares.	3	0

Note:

\*The notifications by UCITS MC of the Republic for the free provision of services in the European Union, concerned the following member states:

A/A	Country	No. of notifications	
		2022	2023
1.	Greece	2	0
2.	Luxembourg	1	0

(b) UCITS MC of member states that used European inward passporting:

Member states of origin of UCITS MCs	2022	2023
France	7	7
Luxembourg	9	8
Liechtenstein	1	1
Greece	6	6
Italy	1	1
Ireland	4	4
Germany	1	1
<b>Total</b>	<b>29</b>	<b>28</b>

Notifications by foreign UCITS to distribute their shares in the Republic

Foreign harmonised UCITS

Number of foreign harmonised UCITS:	2022	2023
Single scheme UCITS	5	5
Umbrella scheme UCITS	35	45
<b>Total</b>	<b>40</b>	<b>50</b>

Foreign UCITS in 2023 mainly originated from Luxembourg and Ireland.

The total number of sub-funds to umbrella schemes increased to 531 in 2023, from 488 in 2022. The number of CySEC-registered Agents rose to 30 in 2023, compared with 26 in 2022.



## 3.2 Policy Department

*“The creation of a single securities market is one of the main objectives of the European Union, aiming to facilitate investment flow for the benefit of investors and EU economies. To achieve this, work is underway to create the appropriate regulatory framework at EU level, a project that we as a Department, have focused on in 2023. We will continue to work towards implementing this European vision with a view to ensure investor protection and the responsible development of the securities markets”.*

### **Marios Nearchou**

Head of Policy Department

### 3.2.1 Duties / Competencies

The Policy Department is responsible for forming CySEC's broader policy, with the aim of protecting investors and ensuring the healthy growth of the financial sector. The Department analyses market practices and the adequacy of existing regulations. In addition, where necessary, it proposes the issuance of guidelines for the compliance of regulated entities with the supervisory framework, the amendment of existing national regulations and/or the establishment of new national regulations.

The Department also has an active role in the policy-making process at the EU level, either through its direct participation in relevant working groups, or through internal consultations with CySEC representatives that participate in the European Securities and Markets Authority (ESMA) working groups. In particular, it is actively involved in processing and issuing technical standards, guidelines, Q&As and other supervisory convergence tools. Furthermore, through the Department, CySEC participates in the working groups of the Council of the European Union where European regulations are adopted when deemed appropriate by the Republic's government departments.

The Policy Department is also responsible for supervising and coordinating the operations of the Innovation Hub. The Department can be contacted via email at: [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy)

### 3.2.2 Objectives for 2024

The Department's objectives for 2024 include, among other, the promotion of the following actions:

- To complete planning and begin work on the Regulatory Sandbox.
- Mapping the provisions on the basis of which the exercise of discretionary powers and measures is required at national level, as well as provisions on the basis of which fees and charges may be imposed, in relation to the Markets in Crypto Assets Regulation (MiCA) and determination of the relevant fees and charges.
- Mapping the independence criteria for supervisors issued by the European Supervisory Authorities in the financial sector and policy proposals (e.g. rule changes) for CySEC's compliance with the independence criteria.
- Determining fees and charges and exercising any discretionary powers in relation to Regulation 2022/2554 on the Digital Operational Resilience Act (DORA).
- Issuing a Consultation Document regarding the implementation of the bill on Cypriot UCI Management Companies, as regards the fees and charges to be applied and the material changes that will be submitted to CySEC.
- Issuing a Policy Statement for the implementation of Regulation 2022/858 for a Distributed Ledger Technology (DLT) pilot regime for fees and charges, as well as for the exercise of discretionary powers.

- Issuing a Policy Statement on the remote verification of customer identification details.
- Issuing a Consultation Document regarding the revision of CySEC's fees and charges policy.
- Issuing of a Policy Statement regarding the implementation of Regulation 2019/1238 on the introduction of a Pan-European Personal Pension Product (PEPP) in relation to fees and charges and material changes.
- Participation in the work carried out at European and national level related to financial regulations, as well as innovation and financial technology.
- Representation of the Republic of Cyprus in the working groups of the Council of the European Union.
- Managing questions to be submitted by market participants.
- Participation in various studies conducted by ESMA and other European bodies, including on improving the regulatory framework for investment services, technology and innovation.

### 3.2.3 Department's operations in 2023

#### 3.2.3.1 Department's operations at National Level

##### Creation of a Regulatory Sandbox by CySEC

Following the operation of the CySEC Innovation Hub since October 2018 and taking into account the developments in the field of financial innovation, CySEC is in the process of establishing a Regulatory Sandbox.

Contrary to the Innovation Hub, where the assessment of an activity was limited to determining whether the activity was regulated or not, and the provision of informal guidance, the Regulatory Sandbox will offer a temporary testing environment to assess any challenges or benefits in practice, while in cases where an activity is regulated, the previous authorisation will be required.

In 2023, the department achieved the following:

1. Conducted an open tender and drafted all relevant documents and responses to the corresponding questions, examined and evaluated tenders and selected the provider through a defined methodology.
2. Continuous monitoring of the provider's work and deliverables to ensure compliance with the relevant contract and timetables.
3. Participated in relevant training sessions.
4. Bilateral meetings with other Supervisory Authorities.
5. Regular meetings of the Regulatory Sandbox working group with the project contractor.

The operations will continue in 2024.

##### Regulation 2022/2554 on Digital Operational Resilience Act (DORA)

This Regulation lays down uniform requirements concerning the security of network and information systems supporting the business processes of financial entities. In order to fully implement this Regulation at national level, a mapping study of the Regulation has begun to determine the actions that need to be taken by both the Regulatory Authority as well as the Member State.

The operations will continue in 2024.

### Regulation 2022/858 on a Distributed Ledger Technology (DLT) pilot regime

The Regulation aims to facilitate the issuance and negotiation of financial instruments in a DLT environment by allowing infrastructures operating in such an environment as well as repositories to be exempted from specific requirements under the current regulatory framework.

In order to fully implement this Regulation at national level, the following actions were carried out:

1. A Study of the Regulation in question and the relevant ESMA guidelines
2. Mapping study, identification of articles that either justify charges on our part or require action by a Member State or a Supervisory Authority
3. Consultation with affected Departments

The operations will continue in 2024.

### Regulation 2020/1503 on European Crowdfunding Service Providers

The provision of both investment-based and lending-based crowdfunding services is now regulated by this Regulation. Furthermore, the Regulation has laid down uniform rules across the EU, allowing crowdfunding service providers authorised under the Regulation to offer their services across the EU.

At national level, in 2023, regulations on fees and charges, as well as the exercise of discretionary powers were issued, while a relevant Policy Statement was also published.

### Green and Sustainable Finance Conference

The Department participated in a panel discussion on sustainable finance during the Green and Sustainable Finance Conference.

For the purposes of its participation, a relevant study was carried out and statements and answers to relevant questions were prepared.

### Investment Fund Administrators Bill

The purpose of this Bill is to regulate the provision of investment fund administration services in or from the Republic upon assignment by a client. In addition, it aims to regulate, among others, the requirements for the authorisation of entities providing investment fund administration services, as well as their organisation and operation, the performance of management operations and the supervision by CySEC.

In 2023, the Ministry of Finance and the Law Office of the Republic received responses on their queries based on the comments of the consultation document which was completed following the Council of Ministers' approval for submission to the Parliament.

### Policy Statement on Digital Onboarding of NTF Customers

The Policy Statement establishes national rules to remotely verify the identity of customers with digital methods. In addition, a relevant document with CySEC's final positions on the recommendations/comments received during the consultation was drafted, the Policy Statement was drafted, and a consultation was carried out with relevant Departments.

The Policy Statement will be completed and published in 2024.

### Revision of CySEC's Pricing Policy

Work is underway to review CySEC's fees and charges.

In 2023, a study was carried out on the relevant CySEC Directives as well as respective laws governing the payment of charges and annual fees by regulated entities. A list was drawn up, which contains information on all existing fees and recurring charges paid by the regulated entities to CySEC so as to look into their amendment.

The operations will continue in 2024.

### Regulation 2019/1238 on a Pan-European Personal Pension Product (PEPP)

The PEPP Regulation lays down uniform rules on registering, manufacturing, distributing and supervising personal pension products that are distributed in the European Union (EU) under the "Pan-European Personal Pension Product" or "PEPP" Designation. This pension product is a voluntary long-term personal pension product that complements (and does not replace) existing public and occupational pension systems as well as national private pension schemes. PEPPs can be offered in the EU only by financial institutions including credit institutions, insurance companies, asset management companies, certain investment firms and certain occupational pension funds. Each Member State's Supervisory Authority is responsible for the examination, assessment and approval of applications from PEPP providers. In particular, CySEC is among the competent Supervisory Authorities for PEPP registration by the following entities: i. Investment firms authorised in accordance with Directive 2014/65/EU ("MiFID II"), which offer portfolio management services, ii. Investment firms or management companies authorised in accordance with Directive 2009/65/EC ("UCITS"), iii. EU alternative investment funds (EU AIFMs) authorised in accordance with Directive 2011/61/EU ("AIFMD").

In order to fully implement this Regulation at national level, the following actions were taken:

1. Further study of the Regulation in question.
2. Mapping exercise, identification of items that either warrant CySEC charges or require action at Member state or Supervisory Authority level.
3. Consultation with other Departments.

The operations will continue in 2024.

### Participation as speakers in a seminar on the DLT Pilot Regime

The Department was represented by a delegation of speakers at a DLT Pilot Regime seminar.

Presentation at the Ministry of Finance together with a European Commission representative (DG FISMA) at a seminar held by the Ministry on the "Digital Finance Package".

#### 3.2.3.2 Department operations at European and International Level

In 2023, the Department focused on operations that came up at European level, including:

#### AIFMD: Amendments to Directive 2011/61/EU on Alternative Investment Fund Managers (AIFM Directive)

In 2023, a legislative proposal to amend the AIFMD continued to be discussed at EU level in respect of the following:

1. Obligation to provide for mechanisms to limit the investors' right to acquisition.
2. Regulation of funds investing through loans, such as requiring prior authorisation for such funds when they are open-ended.

3. Possibility to appoint a depositary in another Member State.
4. Requirement of Supervisory Authorities' collaboration.
5. Expansion of the range of ancillary services that may be offered by AIFMDs.

Representatives from CySEC's Policy Department participate, on behalf of the Republic, in the consultations of the Council of the European Union as national experts.

#### Regulation Proposal for the establishment of a European Single Access Point (ESAP)

Participation on behalf of the Republic in the consultations of the Council of the European Union as national experts. In this framework, the following actions were taken:

1. Monitoring of the Working Group.
2. Examining the relevant files ahead of each meeting.
3. Analysis and providing opinions on the issues under discussion.
4. Sharing official positions.

#### Markets In Crypto Assets ("MiCA") Regulation

This Regulation aims to regulate the provision of services in crypto assets. The Regulation identifies three types of crypto assets, depending on their basic characteristics and utility, which are subject to different requirements, namely:

1. Utility tokens: These digital tokens are used to provide digital access to a product or service, which are available on DLT networks, and are only accepted by the issuer of that token.
2. Asset-referenced tokens or Stablecoins: concern crypto-assets whose value depends on one or several assets.
3. Electronic money tokens: They are exclusively used as an exchange medium, as a method to store value or a currency unit.

It should be noted that crypto assets classified as financial instruments, electronic money, deposits, structured deposits or securitisations in line with the criteria and definitions set out in relevant EU laws, fall within the scope of the relevant sectoral legislation and not within the scope of MiCA.

CySEC representatives from the Policy Department participated on behalf of the Republic in the consultations of the Council of the European Union as national experts.

#### Retail Investment Strategy (RIS)

The proposal follows the objectives of the existing legislation governing the protection of retail investors at EU level, consisting of the Markets in Financial Instruments Directive (MiFID II) and the Insurance Distribution Directive (IDD), as it seeks to ensure a sufficient degree of investor protection as well as fairness, integrity and efficiency in the provision of investment services and insurance-based investment services to retail investors. This framework also includes, in addition to the MiFID and IDD Directives, the Solvency II Directive, the UCITS Directive and the Alternative Investment Fund Managers (AIFM) Directive, as well as the amending Regulation on key information documents for packaged retail investment and insurance-based investment products (PRIIPs) for retail investors.

In 2023, the Department completed the following:

1. Continuous study of relevant material
2. Preparation of interventions and comments
3. Traveled to Brussels and presentation of comments and interventions and
4. Coordination with the Ministry of Finance and the Permanent Representation of Cyprus to the EU

#### Regulation from a Framework for Financial Data Access (FIDA)

The proposed Regulation establishes a framework for responsible access to customer data across a wide range of financial services. In addition, the Regulation lays down rules on the authorisation and operation of financial information service providers. The proposed Regulation will apply to the following entities when acting as data holders or data users: a) credit institutions b) payment institutions, including account information service providers and payment institutions exempted under Directive 2015/2366 c) electronic money institutions including electronic money institutions exempted under Directive 2009/110 of the European Parliament and of the Council d) investment firms e) crypto-asset service providers f) issuers of asset-referenced tokens g) managers of alternative investment funds h) management companies of undertakings for collective investment in transferable securities i) insurance and reinsurance undertakings j) insurance intermediaries and ancillary insurance intermediaries k) institutions for occupational retirement provision l) credit rating agencies m) crowdfunding service providers n) pan-European personal pension product (PEPP) providers o) financial information service providers.

CySEC representatives participated in the consultations of the Council of the EU on behalf of the Republic as national experts.

#### Representation in European and International Committees

The Department represented CySEC in the following committees of the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO):

- Digital Finance Standing Committee, DFSC-ESMA
- Proportionality and Coordination Committee- PCC-ESMA
- Investor Protection Standing Committee, IPSC-ESMA
- Market Standing Committee, MSC-ESMA
- Advisory Committee on Proportionality, ACP-ESMA
- European Forum of Innovation Facilitators, ESMA/EBA/EIOPA
- Crypto-Asset Task Force (informal working group acting as a preparatory group for FISC meetings), ESMA
- Financial Innovation Network, IOSCO
- AIFMD Review Working Group (Alternative Investment Fund Managers Directive)
- ELTIF Review Working Group (European Long-Term Investment Fund)
- Joint Committee Subcommittee DORA (Digital Operational Resilience Act)



### 3.2.3.3 Interdepartmental Projects and Support to Other Departments

The department worked on the following interdepartmental projects, among other:

#### ERM Project

Assessment of risks which CySEC is exposed to and justification of responses as well as definition and analysis of actions.

#### 2023 FATF Survey – Progress in implementing Recommendations on crypto assets

Preparation of comments and responses to answer specific questions of a relevant FATF questionnaire.

#### 3rd Enhanced Follow-up Report by MoneyVal

Preparation of comments and responses.

#### Definition of Fractional Shares

Preparation of questions and definitions for data collection in relation to fractional shares.

#### CySEC Matters

Preparation of content on upcoming policy issues on a quarterly basis for an internal CySEC newsletter, at the request of the Presidents' office.

#### Processing Activities Record to be submitted to the Data Protection Officer (DPO)

Mapping study of all the Department's procedures to identify instances of personal data collection and defining a procedure for the protection and deletion of this personal data.

### 3.2.3.4 Innovation Hub

Since it was established in 2018, the Innovation Hub has become a channel of communication between CySEC and innovative businesses, facilitating the exchange of information and views on emerging financial and regulatory technologies (FinTech and RegTech respectively), as well as providing guidance to interested parties on the supervisory assessment of each innovative technology.

The Innovation Hub falls under the responsibility of the Policy Department, aiming to support innovative businesses, both regulated and unregulated, and establish contact with providers of new financial technologies for the purpose of upgrading the provision of financial technologies (FinTech) or ensuring compliance with the existing regulatory framework (RegTech).

Interested parties can reach the Hub and submit their applications via email at [innovationhub@cysec.gov.cy](mailto:innovationhub@cysec.gov.cy)

#### Requests submitted to the Innovation Hub

- A request from a company offering a tool for RegTech/SupTech purposes to investment companies and Supervisory Authorities. This tool monitors companies' websites, social media profiles, emails and other forms of communication to detect potential violations of advertising rules.
- A request from a company wishing to issue a DLT-based financial instrument, which will provide its clients with access to prepaid services.

- A request from a company offering a mobile app that aims to give retail clients access to securities trading, educational materials, personalised risk-based advice and portfolio diversification strategies.

### 3.2.3.5 Other operations

#### Management of queries submitted to the Department

The Department's daily operations include managing queries submitted to [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy) by interested parties.

During 2023, the Policy Department responded to 21 queries. The most frequently asked queries concerned the following subjects:

Topic	No. of Queries
Investment Services	8
Cryptocurrency	7
Crowdfunding	2
Distributed Ledger Technology (DLT) Pilot Regime	2
Undertakings for Collective Investment Management Companies	1
Sustainability in the Finance Disclosure sector (SFDR)	1

### 3.3 Legal Department

*“The legislative framework, which is subject to the Commission’s supervision, is a key pillar for the smooth functioning of the market, as well as for the protection of investors. The Legal Department’s main priority is to actively contribute to the modernisation and enrichment of the regulatory framework in order to ensure continuous compliance with the requirements of the current European legislation, while taking into account the proposals and needs of market participants.*

*The Department’s primary aim is to adapt the framework to the needs of the market focusing both on promoting growth and addressing new challenges, as well as on maintaining a culture of trust and investor protection in the financial sector”.*

**Elena Michaelidou**

Head of Legal Department

#### 3.3.1 Duties / Competencies

The duties of the Legal Department mainly include the monitoring and drafting of legislation concerning the securities market and the preparation and submission of proposals to amend the legislation with a view to improve, better implement and modernise it. It also has an active role in ensuring the transposition of EU legislation into national law on matters falling within CySEC’s remit. In addition, it represents CySEC in meetings of standing committees of the House of Representatives on legislative issues.

It also monitors, coordinates, and cooperates with CySEC’s external legal advisors on the Commission’s pending Court cases. It is also responsible for the issuance of announcements on Court decisions, while providing secretarial support to the CySEC Board in relation to the conduct of its meetings (preparing the agenda, keeping minutes, preparing announcements on decisions etc.).

Furthermore, it represents CySEC in the Unit for the Implementation of Sanctions in the Financial Sector, which is responsible for examining requests in the financial sector affected by sanctions under UN Security Council Resolutions and/or restrictive measures under EU Regulations.

The Legal Department also provides legal support to CySEC (internal advice and review of documents) and prepares answers to legal enquiries submitted to CySEC.

The department can be contacted via email at: [legal@cysec.gov.cy](mailto:legal@cysec.gov.cy)

#### 3.3.2 Objectives for 2024

In 2024, the Legal Department intends to make improvements to the institutional framework by promoting the following:

- (a) a bill to amend the Law on the Prevention and Suppression of Money Laundering Law with regard to Cryptocurrency Service Providers to apply the (EU) 2023/1113 Regulation on information accompanying transfers of funds and certain crypto assets.
- (b) a CySEC Directive concerning the application procedure for PEPP registration, the submission of notifications and the setting of fees and charges for the implementation of Regulation (EU) 2019/1238 on the enactment of a pan-European Personal Pension Product (PEPP).
- (c) a CySEC Directive concerning the application procedure for a special license to operate a DLT market infrastructure, the submission of notifications and the setting of fees and charges for the implementation

of Regulation (EU) 2022/858 on a pilot regime for market infrastructures based on distributed ledger technology.

- (d) a framework to begin the liquidation procedure for CIFs by CySEC.

The Department will also assist on matters falling within CySEC's responsibilities, in the preparation and promotion of legislation for the timely harmonisation with the EU law.

### 3.3.3. The Department's Operations

#### 3.3.3.1 Upgrade of the Institutional Framework

##### The Investment Services and Activities and Regulated Markets Law (L.87(I)/2017)

In relation to the framework governing investment firms, an amendment to Law 87(I)/2017, was promoted for harmonisation with Article 18 of Regulation (EU) 2022/858 on a pilot scheme for market infrastructure based on distributed universal technology and amending Regulation (EU) No 600/2014 and (EU) No 909/2014 as well as Directive 2014/65/EU. The purpose was to amend the definition "financial instrument" in Law 87(I)/2017 to include instruments issued by using distributed ledger technology (DLT). The relevant Law 18(I)/2023 has been published in the Official Gazette of the Republic on 12/4/2023.

In addition, an amendment was included in the Directive DI 87-03 on the fees and charges payable by CIFs to:

- a) erase the references and charges foreseen for data reporting service providers, in view of the fact that they are no longer covered by Law 87(I)/2017,
- b) change the calculation method for the variable fee for Multilateral Trading Facilities (MTFs) so that the fee is calculated as a percentage of the revenue generated by the MTF's transactions in financial instruments, rather than of its total revenue.

The amending Directive was published in the Official Gazette of the Republic on 7/4/2023 as a Regulatory Administrative Act (RAA) 104/2023.

##### The Prevention and Suppression of Money Laundering Activities Law (L. 188(I)/2007)

In 2023, the Legal Department, in order to ensure compliance with the recommendations of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MoneyVal) and the International Standards of the Financial Action Task Force on Combating Money Laundering and Terrorist Financing (FATF) prepared and promoted:

- a) A bill for the amendment of Law 188(I)/2007 relating to provisions governing Crypto-asset Service Providers. The relevant Law 98(I)/2023 was published in the Official Gazette of the Republic on 20/10/2023.
- b) A directive for the amendment of the Directive on the Registry for Crypto-asset Service Providers, which was published in the Official Gazette of the Republic on 3/11/2023 as RAA 343/2023.

##### The Encouragement of Long-term Shareholder Engagement Law (L.111(I)/2021)

The Legal Department proceeded with the creation of a Directive titled "Directive DI 111-01 of the Cyprus Securities and Exchange Commission for the identification of material transactions with related parties of 2023", which establishes the quantitative ratios for the determination of:

- a) the companies' material transactions with related parties that they are required to disclose publicly;
- b) the companies' material transactions with related parties, which need to be approved by a Board Meeting.

The Directive, which was issued pursuant to The Encouragement of Long-term Shareholder Engagement Law, was published in the Official Gazette of the Republic on 17/3/2023 as RAA 75/2023.

#### Law on Open-Ended Undertakings for Collective Investments (L. 78(I)/2012)

Within 2023, an amendment to Directive DI 87-2012-34 on the payable rights and annual contributions of UCITS, UCIs and Management Companies was prepared and promoted to comply with Law 78(I)/2012. The amendment, which concerned the waiving of fees (rights/annual contributions) for foreign collective investment undertakings, marketing their units in the Republic of Cyprus, was deemed necessary in order to avoid overlap with the provisions of the Alternative Investment Funds Manager Law and of Directive 124-56-01 on "Fees Payable and annual contributions of the Alternative Investment Funds and their Managers".

The relevant amending Directive was published in the Official Gazette of the Republic on 7/4/2023 as R.A.A 103/2023.

#### 3.3.3.2 Promoting New Legislation

##### Law on the Cyprus Securities and Exchange Commission (L.73 (I)/2009)

The Commission is promoting an amendment to the Law on the Cyprus Securities and Exchange Commission, clarifying that both the administrative fines and administrative measures, as well as settlements are considered administrative sanctions.

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

The Commission is promoting an amendment to the Market Abuse Law to gain the ability to impose annual fees for the purposes of the law's implementation. Following this amendment, the Commission will be able to impose the payment of an annual fee on issuers, whose shares are listed on a Multilateral Trading Facility (MTF), such as the Emerging Companies Market of the Cyprus Stock Exchange.

##### The Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law (L.190(I)/2007)

The Commission is promoting a bill to:

- Replace references to laws/European Directives in L. 190(I)/2007 that have been repealed with those valid today,
- Include a provision in L. 190(I)/2007 obliging issuers to disclose "privileged information" to the Commission at the same time as their publication, in line with Regulation 596/2014.
- Clarify in L. 190(I)/2007 that the obligation of publishing the acquisition/marketing of own shares only concerns issuers whose securities have been admitted to trading on a regulated market.
- Ensure that the financial welfare of a legal person, which is taken into consideration by the Commission for determining the type and level of administrative sanctions/measures to be imposed on it under L. 190(I)/2007, should not be determined solely by the total turnover of the person responsible for the infringement.

Moreover, the Commission has prepared and promotes a second bill for harmonisation:

- With Article 2 of Directive (EU) 2022/2464 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting. The amendment proposed in article 9 of L. 190(I)/2007 will ensure that the companies whose securities have been admitted to trading on a regulated market and whose member state of origin is the Republic of Cyprus, are subject to the same sustainability reporting requirements.
- With Article 2 Regulation (EU) 2021/337 of amending Regulation (EU) 2017/1129 as regards the EU Recovery prospectus and targeted adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single electronic reporting format for annual financial reports, to support the recovery from the COVID-19 crisis. The aim of the amendment to L. 190(I)/2007 is to explicitly oblige issuers to prepare and disclose annual financial reports using the single electronic reporting format.

### Bill – Reporting of Infringements Law

CySEC is actively assisting in the promotion of a bill that establishes the necessary mechanisms to enable the lodging of complaints/reports by any individual to the Commission for the commission of an infringement or the possible commission of an infringement or the intention to commit an infringement of Regulation (EU) No 596/2014 on market abuse. Specifically, the bill establishes rules that set out the procedures referenced in Article 32(1) of Regulation (EU) No 596/2014 and among others regulates the receipt of infringement reports by the Commission, the channels of communication, the procedures and follow-up of reports by the Commission, the record-keeping of reports received and the measures to protect complainants.

The bill is being promoted as part of the Republic's harmonisation with Implementing Directive (EU) 2015/2392 as regards to reporting to competent authorities of actual or potential infringements of that Regulation.

### 3.3.3.3 EU Regulations

#### Regulation (EU) 2020/1503 on European crowdfunding service providers for businesses

Regulation (EU) 2020/1503 on European crowdfunding service providers for businesses, which came into force on 10/11/2021, lays down uniform requirements for the provision of crowdfunding services, the operation, organisation, authorisation and supervision of crowdfunding service providers as well as for transparency and marketing communications in relation to the provision of these services within the European Union. The Regulation applies for crowdfunding offers with a consideration of up to €5,000,000.

The Finance Minister's Notification specifying the Commission as the competent authority to exercise the duties and responsibilities set out in Regulation (EU) 2020/1503, was published in the Official Gazette of the Republic as R.A.A 53/2022 on 4/2/2022.

The Commission, in cooperation with the Ministry of Finance, has prepared a bill to ensure the more effective implementation of Regulation (EU) 2020/1503, which, among other, sets out the liability of persons responsible for drawing up the key investment information sheet (also at platform level), the Commission's supervisory powers, administrative sanctions/measures and offences, as well as the publication of decisions taken. The framework is expected to be brought forward in 2024.

Furthermore, to ensure the effective implementation of Regulation (EU) 2020/1503, the Legal Department has prepared and promoted a Directive titled "DI 73-2009-02 of the Cyprus Securities and Exchange Commission for Crowdfunding Service Providers", which was published in the Official Gazette of the Republic on 3/3/2023 as R.A.A 67/2023 and specifies, among other:



- (a) the application procedure for the authorisation as a crowdfunding service provider,
- (b) the notifications submitted to the Commission for the supervision of crowdfunding service providers,
- (c) the fees for the submission of applications and/or notifications,
- (d) the annual fee of crowdfunding service providers.

Moreover, the Commission has proceeded with repealing Directive DI87- 10 on the provision of crowdfunding services in respect of transferable securities (R.A.A 12/2020) in view of the period that allowed crowdfunding service providers to offer crowdfunding services included in the scope of Regulation (EU) 2020/1503, in line with the existing national legislation, expired on 10 November 2023.

The repealing Directive was published in the Official Gazette of the Republic on 24/11/2023 as R.A.A 374/2023.

#### Regulation (EU) 2022/2554 on Digital Operational Resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014 and (EU) No 909/2014 (DORA Regulation)

Regulation DORA entered into force on 17/1/2023, aiming to lay down uniform and upgraded requirements in relation to cyber threats facing financial entities, stemming from the increased use of Information and Communication Technologies (ICT), in order to ensure digital operational resilience within the European Union.

Directive (EU) 2022/2556 came into force on 27/12/2022, enacting a set of amendments that are necessary to bring legal clarity and consistency in relation to the application, by financial entities authorised and supervised in accordance with Directives 2009/65/EC, 2009/138/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU, 2014/65/EU, (EU) 2015/2366 and (EU) 2016/2341, of various digital operational resilience requirements that are necessary in the pursuit of their activities and in the provision of services, thereby guaranteeing the smooth functioning of the internal market. Member States are required to adopt, publish and implement the legislative measures necessary to comply with Directive (EU) 2022/2556 by 17/1/2025, at the latest.

To harmonise national legislation with Directive (EU) 2022/2556 and for the implementation of Regulation (EU) 2022/2554, CySEC, proceeded with the preparation and promotion of bills for the amendment of the following laws in 2023:

- The Investment Services and Activities and Regulated Markets Law for harmonisation with Article 6 of Directive (EU) 2022/2556.
- The Open-Ended Undertakings for Collective Investment Law for harmonisation with Article 1 of Directive (EU) 2022/2556.
- The Alternative Investment Fund Managers Law.
- The Law on the capital adequacy of investment firms (IFs) for harmonisation with Article 4 of Directive (EU) 2022/2556.

With the new regulations being promoted, the AIFMs of the Republic, UCITS Management companies and CIFs will need to have internal control mechanisms and processes regarding the network and information systems that have been set up and are managed in accordance with the DORA Regulation.

#### 3.3.3.4 Circulars

In 2023, the Legal Department proceeded with the preparation and issuance of a Circular to Cyprus Investment Firms in relation to the circumstances under which a CIF Board Member can appoint an Alternate Director to take part in the Board Meeting of the CIF.

### 3.3.3.5 Participation in Meetings of the Parliamentary Committees of the House of Representatives

In 2023, the Legal Department, on behalf of the Commission, took part in a number of meetings of the Parliamentary Committees of the House of Representatives, upon an invitation, to discuss bills connected with the Commission's supervisory responsibilities.

### 3.3.3.6 Educational Seminars – Conferences

In 2023, the officers of the Legal Department attended educational webinars on the following topics:

- Training on EU Market in Crypto Assets Regulation (MiCA): Current trends, legislative and regulatory responses in the EU
- Blockchain and Cryptocurrencies / Digitalization of Assets
- Financial Assets in the 21st Century
- Digital Transformation in Finance: Distributed Ledger Technology and Understanding Token Offerings

### 3.3.3.7 Communication with Regulated Entities / Investors / Stakeholders

During 2023, the Legal Department replied to a series of queries from market stakeholders, which mainly focused on matters related to the Investment Services Law, the Prevention and Suppression of Money Laundering and Terrorist Financing Law and the Law Regulating Companies Providing Administrative Services and Related Matters.

### 3.4 Strategy, International Relations and Communication Department

*“Our Department is called upon, through CySEC’s strategic planning, to carve out the entire Commission’s direction, ensuring that all personnel have clear targets and that their actions are in line with its vision and mission. At the same time, as the degree of interconnectedness and interdependence of international capital markets increases, the role of International Relations becomes heightened and takes on a leading role, both in terms of jointly formulating the regulations that govern financial activity along with other Supervisors, as well as in supervising entities with an ever-increasing geographical scope. In this highly internationalised environment, our Department is also responsible – above all – for ensuring that CySEC’s work is properly communicated to all stakeholders and audiences, including the broader public, whose financial education – also among the Department’s responsibilities – is proving to be a substantive contributor to its protection, acting as a supplement to supervision.”*

**Liana Ioannidou**

*Head of the Strategy, International Relations and Communications Department*

#### 3.4.1 Duties/Competencies

The Strategy, International Relations and Communications Department has a vital role in CySEC’s operation and reflects its public image, on a local as well as European and international level. The department’s responsibilities have increased significantly over the past few years, mainly as a result of the securities market’s growth and the internationalised nature of CySEC-regulated entities.

The Department is divided into three sub-departments: a) Strategy, b) International Relations and c) Communications. It is responsible for CySEC’s strategic planning, its international relations, internal and external strategic communication, and promoting CySEC’s work, as well as educating the public on matters relating to the securities market.

Moreover, it is responsible for providing support to CySEC’s Chairman and Vice-Chairman, as well as to the Commission’s other departments, on the matters mentioned above.

#### 3.4.2 Objectives for 2024

In 2024, the Department will continue to oversee and update CySEC’s strategic planning through a new framework, which is currently under development. As part of exercising CySEC’s supervisory role, it will focus on the continuation and deepening of its cooperation with its foreign counterparts, as well as on applying to become a signatory of the IOSCO Enhanced Multilateral Memorandum of Understanding. Moreover, the Department’s supportive and coordinating role in ESMA matters is high on its list of priorities. The Department will also continue its valuable work in educating the public on key aspects of financial literacy through new initiatives and collaborations. Furthermore, the Department will continue to communicate and promote CySEC’s work and role, through a series of actions, publications in the media and social media posts, as well as through the participation of CySEC’s representatives in conferences and other events on matters relevant to the sector. The active and enthusiastic organisation of social responsibility actions will also continue unabated with the participation of CySEC’s staff.

#### 3.4.3 The Department’s operations

##### 3.4.3.1 Strategy

##### Strategic Planning

CySEC implements a multiannual strategic plan for the major projects it takes on, with its Vision and Mission in mind. The strategic planning includes the preparation of a three-year Strategic Plan covering the entirety of

CySEC, which is updated in a way that reflects the progress achieved in various projects, as well as the addition of new projects, depending on developments.

The preparation of a robust Strategic Plan, which is a responsibility of the Strategy, International Relations and Communications Department, is of vital importance for the Commission. It is a map that shows the growth of the Commission itself and its environment. On the one hand, it offers the Commission's individual departments and working groups the chance to outline future projects that will add value to their own operations and work (and hence the Commission's), and on the other hand, it aligns all interested parties with the strategic priorities.

The Strategic Plan is prepared following a review of the Cypriot securities market's needs and data, with a view to direct the daily operations and big projects that are being implemented under CySEC's remit.

In 2023, a new project began at CySEC for the establishment of a comprehensive framework for the strategic planning of the Organisation, the management of its projects and ensuring the effective execution of its strategic planning. This new project also includes the purchase and use of digital tools, the creation of glossaries, definitions, internal processes and educational programmes, with the aim of supporting and optimising every stage, from development to evaluation and updating CySEC's strategy.

#### Managing CySEC's public image

The Department is responsible for the correct and fair promotion of CySEC's work, strategy-wise, and makes recommendations to CySEC's chairmanship, which contribute to the securities market's growth and progress, and to attracting new sound and robust financial organisations. Furthermore, it seeks out and explores new ways of showcasing CySEC's work. In 2023, the Department managed a number of such issues.

#### Informing and communicating with the decision-making centres

The Department facilitates communication with state officials, various organisations and stakeholders, with the aim of upgrading and modernising CySEC's operation, as well as developing and progressing the securities market, and attracting new sound and robust financial organisations. In 2023, the Department prepared a number of documents and letters on such matters.

### 3.4.3.2 International Relations

#### Providing Assistance and Exchange of Information

Given that cross border cooperation and exchange of information between supervisory authorities is very important and necessary when it comes to executing its supervisory role, as enacted by European Directives and Regulations, CySEC attaches great significance to its cooperation with the supervisory authorities of other countries. In 2023, the Department closely cooperated with counterpart supervisory authorities from other EU member states and third countries and has handled requests for two-way assistance and exchange of information. In 2023, there were 359 incoming requests relating to 467 cases as well as 242 outgoing requests.

#### Using New Technologies and Digital Tools

Acknowledging the need to step up the use of digital tools and new technologies, the Strategy, International Relations and Communications Department, has accepted the invitation/challenge of its colleagues at the IT Department and it will soon start using, on a pilot basis, the RPA system (Robotic Process Automation). RPA is a technology that uses software robots to automate repetitive tasks by users, as well as tasks based on rules defined

by humans (users). The RPA system will be implemented by the International Relations Team, which receives and sends a huge number of emails on a daily basis. Specifically, the International Relations team will apply the RPA technology for tasks concerning Outgoing Requests to foreign supervisory authorities.

The RPA will manage/archive email correspondence (internal and external) concerning outgoing requests. It will also automate the processes of receiving, distributing and archiving emails related to outgoing requests to foreign Supervisory Authorities as well as domestic Authorities. At the same time, it will automate the process of connecting documents with the primary document source via the eOASIS platform.

The Strategy, International Relations and Communications Department, has taken the initiative to examine, in cooperation with the IT Department, the integration of the Ticketing system into the operations related to International Relations. The Ticketing system is a technological tool that supports a multitude of statistics and reports and improves the efficiency and effectiveness of the team's work. This project is at a very early stage.

### Fraudulent websites and scams

In the context of good cooperation and information sharing between Supervisory Authorities, CySEC proceeded to inform other Authorities when it identified any illegal entities and websites. At the same time, the organisation informed both ESMA and IOSCO when this was deemed necessary. On the same issue, it held a teleconference with ESMA on 30/10/2023, where it gave a brief presentation on the activities it follows when it identifies illegal entities and websites (e.g. by issuing warnings and press releases, social media campaigns, by referring to other Supervisory Authorities).

### Coordination on ESMA Matters

#### i. Supporting role at the Board of Supervisors

CySEC is represented on ESMA's Board of Supervisors by its Chairman. In 2023, the Board of Supervisors held a total of seven meetings to discuss important matters affecting the EU's securities markets. The Department provides support to the Chairman during the meetings of the Board of Supervisors.

#### ii. Coordinating role regarding ESMA's written procedures and guidelines

The decisions of the Board of Supervisors can also be taken through a written procedure, where the members of the Board are called to indicate either their approval, rejection or abstention. The International Relations subdivision assumes a coordinating role, consulting with the competent individuals as appropriate, to provide support and advice to the Chairman on the position he intends on maintaining during the written procedure.

From time to time, ESMA issues Guidelines, expressing its own opinion in relation to best practices, and on their part, the National Supervisory Authorities commit to comply with the Guidelines within two months from the date of publication. The International Relations subdivision assumes a coordinating role and informs ESMA on CySEC's commitment to comply with any new Guidelines.

#### iii. Evaluation by ESMA

CySEC takes part in Peer Reviews between Supervisory Authorities, as well as in self-assessment exercises, which inspect both the implementation of supervisory standards as well as the promotion of best practices.

#### iv. CySEC's compliance with ESMA's recommendations on the supervision of cross-border activities.

In 2023, CySEC took part in teleconferences with ESMA regarding CySEC's progress in implementing the recommendations. The International Relations subdivision had a coordinating role in the conduct of meetings

within CySEC to form an approach on an organisation-wide level and communication with ESMA as well as the consolidation of answers collected from the various Departments to be sent to ESMA.

v. Participation in International Assessments and Questionnaires

It should be noted that CySEC contributes to Cyprus' assessments by International Institutions, such as the Moneyval Committee of the Council of Europe in the fight against money laundering.

### High-level meeting between CySEC and KNF

The International Relations subdivision organised and coordinated a high-level meeting between CySEC and its Polish counterpart, Komisja Nadzoru Finansowego (KNF), which was held on 26 October 2023, at CySEC's offices in Nicosia.

The two delegations were represented by CySEC's Chairman, George Theocharides and Vice-Chairman George Karatzias and the Deputy Chair of the KNF Board, Rafal Mikusinski.

As part of the meeting, which was also attended by senior members of the two Authorities and the Departments of International Relations, Supervision, Authorisation and Investigations, each Authority's supervisory approach was presented, while developments around the current regulatory and financial environment were also discussed. There was also an exchange of recommendations for the deepening of cooperation between the two Authorities, while the framework for the exchange of information between the two Authorities was further clarified.

### Continuation of Dr George Theocharides' term as Chairman of the Risk Standing Committee – RSC

In December 2022, CySEC's Chairman Dr George Theocharides was appointed as Chairman of the Risk Standing Committee (RSC). The RSC is part of the European Securities and Markets Authority (ESMA) and the successor of the Committee for Economic and Markets Analysis (CEMA). The Chairman's term began on 1 January 2023 and will continue until 31 December 2024.

### Representing CySEC abroad

In 2023, the Department represented CySEC or had a supporting role both in meetings of standing committees/working groups as well as top-level ESMA and IOSCO meetings, such as for example ESMA BoS, IOSCO ERC, IOSCO GEMC and IOSCO MG. A total of 16 meetings were held in 2023.

### Seminar on the implementation of IOSCO MMoU

In May, staff members of the International Relations subdivision, attended an IOSCO seminar on the implementation of the IOSCO MMoU relating to the communication between Supervisory Authorities, and the optimal execution of information requests. The main points of the presentation focused on the establishment of communication channels, good relations and continuous communication between Supervisory Authorities and the importance of maintaining confidentiality of information at all levels of communication and execution of requests.

### Signing of protocols and memoranda of understanding

The signing of Memoranda of Understanding and Cooperation, between CySEC and the competent Supervisory Authorities or other foreign organisations creates a framework and procedures for close cross-border cooperation, which facilitates the exchange of information between the parties to ensure better oversight of transactions and activities in the securities markets sector. At the same time, a framework is created to promote the exchange of experience, know-how and best practices, which will help broaden and strengthen supervisory procedures and practices. Moreover, these Memoranda of Understanding affirm the mutual spirit of cooperation between the Supervisory Authorities and other foreign organisations, as well as the extroversion of our economies, thus contributing towards increasing the productive business ties between Cyprus and



other countries, to the benefit of national financial markets.

In 2023, CySEC issued a tender to hire an external expert for the submission of an application to take part in the Enhanced Multilateral Memorandum of Understanding (EMMoU). CySEC believes that the signing of the EMMoU is important in order to further boost the exchange of information and cooperation between the members of IOSCO to keep pace with technological, social and market developments and to bolster the deterrence of infringements. CySEC has informed IOSCO (MMoU Team) of its decision to apply to take part in the EMMoU and take the necessary steps to do so.

#### Self-assessment on IOSCO's 8 New Principles

As part of CySEC's strategic goal to improve the regulatory and supervisory framework governing the Cypriot securities market, through international practices, CySEC will carry out a self-assessment test through a relevant questionnaire (IOSCO online self-Assessment Questionnaire).

The Online Self-Assessment Questionnaire is based on IOSCO's eight new principles concerning ways to achieve the effective operation of Supervisory Authorities, with a view to protect investors, ensure the fairness, effectiveness and transparency of the markets and reduce systemic risks.

The whole project of CySEC's self-assessment and submission of corrective measures has been assigned to an external expert. It has already begun and is expected to be completed within 2024.

#### Local Cooperation

CySEC cooperates closely with all the Supervisory Authorities of the financial sector and other Authorities within Cyprus. This ensures smooth cooperation and the exchange of information and assistance between national Supervisory Authorities, while facilitating the exercise of their duties and competencies.

The Strategy, International Relations and Communications Department is also responsible for the negotiation and drawing up of Memoranda of Understanding with Cyprus' competent Supervisory Authorities.

- i. Updating the Protocol of Cooperation with the Supervisory Authorities of the Financial Sector in Cyprus

In 2023, discussions with the Central Bank of Cyprus and the Insurance Companies Control Service continued, with a view to update the Protocol for Cooperation signed on 10 November 2023. The matter is still under negotiation.

#### 3.4.3.3 Promoting CySEC's work

##### Presentation of the national legislative and regulatory framework

As part of its role to develop the securities market, CySEC collaborates with the Cyprus Investment Promotion Agency (CIPA), supporting its effort to coordinate Cyprus' promotion abroad as a reliable investment destination. It also works with other governmental and non-governmental bodies.

Specifically, CySEC's Chairman and Vice-Chairman take part as speakers in important conferences held in Cyprus and abroad, presenting the regulatory and supervisory framework governing the Cypriot securities market.

Within 2023, a total of 56 speeches and presentations were prepared for a series of events held in Cyprus and abroad, with the participation of CySEC's Chairmanship. They focused on the institutional framework of the Cypriot securities market and other topics of interest for the sector's stakeholders.

Moreover, in many cases, informative material and statistical data were compiled and forwarded to public organisations and Authorities in Cyprus and abroad, to inform them about CySEC's work and activities.

#### 3.4.3.4 Informing the Public and Other Interested Parties

With the aim of informing and protecting investors, as well as informing all other market stakeholders and the broader public, CySEC issued a significant number of Press Releases that were also uploaded on its website and concerned, inter alia, developments on new legislative regulations or directives on the capital market, new investment products and the imposition of sanctions or other decisions by the CySEC Board.

Furthermore, announcements/warnings directed at investors were at times uploaded on CySEC's website, urging them to be especially careful and always ensure that the company they are in contact with is licensed by CySEC to provide investment services within or from the Republic.

CySEC also issued warnings to investors to inform them that individuals were impersonating CySEC officers or representatives and contacting investors asking them to make payments to supposedly recover losses they suffered. CySEC used these warnings to remind investors that it never contacts investors or the public to ask for personal, financial or other information, nor does it have the authority to receive payments by private investors for any purpose, nor does it authorise anyone to do so on its behalf. CySEC is not involved in any way in class actions, compensation schemes, payments between natural or legal persons, public or private organisations.

In addition, a series of interviews and articles by CySEC's Chairman are published each year, with the aim of informing the public about the Commission's activities and work. Media representatives are also provided with statements or/and informative material. More specifically, in 2023, a total of 340 documents were prepared, including articles, interviews, statements, Press Releases, announcements and other information for the media.

#### 3.4.3.5 Journalist seminar

The Cyprus Securities and Exchange Commission held an educational seminar for journalists at its offices in November 2023. During the seminar, media representatives were informed by CySEC's Vice-Chairman and other senior CySEC officials, inter alia, about the role and work of CySEC, CySEC-regulated entities, key and new legislative developments in the sector, new investment products and financial education. Journalists were also given the opportunity to resolve any queries around issues related to CySEC's operations.



#### 3.4.3.6 Work experience week

In 2023, a senior highschooler observed the operations of the Communications subdivision as part of his traineeship.

#### 3.4.3.7 Presentation of CySEC's annual work

In March 2024, a press conference was held at CySEC's offices, during which the Commission's Chairman presented CySEC's work in 2023, developments in the sector and objectives for 2024. The conference was attended by a significant number of financial reporters from various media, who provided extensive coverage of the event.



#### 3.4.3.8 CySEC's website

The Department, in cooperation with other CySEC departments, monitors and edits, when necessary, any material that is uploaded on CySEC's website. During the year, it edited/reviewed over 240 documents, including announcements, decisions, circulars, notices and others, which were then posted on CySEC's website. In addition, the Department edited CySEC's statistical bulletins and other publications.

#### 3.4.3.9 Strategically important events

The Department is responsible for organising and coordinating all large and strategically important events of CySEC. As part of its competencies and the ties it needs to maintain with the market and primarily the entities it regulates, CySEC organises events aimed at informing them on the latest developments, but also relaying CySEC's determination to continue its efforts to further develop the investment services sector and establish Cyprus as an international financial centre.

### EDUCATING THE PUBLIC

The smooth functioning of the financial sector and investor protection are ensured, not only through establishing an excellent legislative and regulatory framework, but also through each investor's ability to assess the risks and returns of various investment options.

European and international organisations have repeatedly highlighted the need to educate the public on basic financial literacy, including on matters of the capital market. However, studies in various EU member states, including our country, reveal there is a very high level of financial illiteracy in the general population. Beyond the benefits it offers to the individuals themselves, financial education has also important benefits for society and the economy.

CySEC encourages the public's education on capital market issues in a number of ways and has taken a series of actions to this end. Among other, CySEC took the following actions in 2023:

- **Production and publication of educational material**

CySEC enriched the special Hub on its website, which is dedicated to Financial Education. Throughout 2023, the Hub was being enriched with new information and educational resources, such as a Guide on avoiding scams, a Guide on sustainable investments, speeches and presentations given to universities and podcasts, as well as

useful and practical advice in relation to investments. Moreover, it also includes information on the public's rights when investing, articles, audiovisual material, notices, guides and other useful educational resources for investors as well as the broader public.

The educational material is also published in newspapers, financial magazines and websites. More information can be found [here](#).

- **Formulation of a National Strategy for the Promotion of Financial Literacy**

CySEC has repeatedly called for a national strategy to actively address financial illiteracy in Cyprus, through various recommendations to the State after having carried out a study on best practices in other countries.

In 2023, CySEC took part, through the Strategy, International Relations and Communications Department, in the operations of the ad hoc Committee for the formulation of a National Strategy for the promotion of Financial Literacy and Financial Education in Cyprus.

The National Strategy will be implemented by an independent Body, the Cyprus Financial Literacy and Education Committee (CyFLEC).

The first meeting of CyFLEC's Board of Directors was held on 5 December 2023, at the Central Bank of Cyprus.

The meeting was attended by the Governor of the Central Bank of Cyprus and President of CyFLEC Constantinos Herodotou, the Minister of Finance Makis Keravnos, the Minister of Education, Youth and Sport Athena Michaelides, the Chairman of the Cyprus Securities and Exchange Commission, Dr George Theocharides, and on behalf of the Insurance Companies Control Service, Ms. Elena Mina.

CyFLEC is set to change the face of Financial Education in Cyprus, in an era when the public's knowledge as well as understanding of financial affairs is increasing, is more important than ever before.

CySEC will actively contribute to the implementation of the National Strategy, along with other stakeholders and Authorities. At the same time, the Commission also encourages other stakeholders to take initiatives for the promotion of financial education, seeking collaborations for the implementation of joint actions.

You can find out more about the subject, in the National Strategy Report for the promotion of Financial Literacy and Financial Education in Cyprus, available [here](#).

- **Organisation and Participation in Campaigns for the Promotion of Financial Literacy**

CySEC actively participates in international campaigns to raise awareness on the importance of financial education and investment risks, making full use of social media to better promote and disseminate key messages.

In 2023, CySEC took part in the following campaigns:

- (i) **Global Money Week 2023**

Organiser: Organisation for Economic Co-operation and Development (OECD)

During Global Money Week held from 20 to 26 March, CySEC joined forces with all participating stakeholders and undertook a series of actions to better inform the public and raise awareness about the importance of financial education.

- Among other activities, it held a lecture on financial education at a university and gave presentations to the media and various podcasts. It also created a new Investor's Guide on online fraud, enriched the Financial Education Hub, and made educational posts on social media. In addition, CySEC undertook a new initiative in cooperation with the Central Bank, the Ministry of Education and the Ministry of Finance, for the preparation and design of electronic educational and informative material (posters and lesson guides for all school grades).

## (ii) World Investor Week 2023

Organiser: International Organisation of Securities Commissions (IOSCO)

During World Investor Week, which was held from 2 to 8 October, CySEC joined forces with Supervisory Authorities from around the world, with a view to inform the investing public and raise awareness about the importance of financial education.

The campaign focused on raising awareness on the financial resilience of investors and sustainable financing, as well as highlighting the various initiatives of Supervisory Authorities in these two crucial sectors.

During World Investor Week, CySEC undertook a series of actions to better inform investors and raise their awareness about the risks involved in investing as well as proper investment behaviour and financial decisions. Emphasis was also placed on the importance of educating the public on key financial concepts. Among other actions, CySEC published a new Investor Guide to Sustainable Investing, created the Smart Investor's Booklet, which contains tips based on the key messages of the campaign, further enriched the Financial Education Hub, and made a series of posts with quick tips on social media.

### Strategic Initiatives for Financial Education

#### Annual Student Awards

CySEC's strategic objectives for the promotion and enhancement of financial education in Cyprus, and especially young people, include the establishment of awards for students of the Economics Departments of public and private universities.

During the academic year 2022-2023, CySEC awarded two university students, one from the Cyprus University of Technology and one from the European University Cyprus.

CySEC's ultimate goal was to encourage students to choose to study and research issues that fall within CySEC's mandate and the sector it supervises, with all the positive consequences academic research will have in terms of increasing and disseminating knowledge.

#### CySEC's participation in Seminars, Conferences and Events

CySEC actively participates in a series of events, seminars and conferences that promote financial literacy and financial education.

Moreover, through strategic collaborations with different stakeholders and organisations for the implementation of activities that bolster the public's education and awareness, CySEC aims to promote the importance of financial education to ensure the economic wellbeing of every citizen as well as society as a whole.

Specifically, in 2023:

- CySEC took part in a summit titled "Financial Alphabet in Cyprus", held by ActionAid Hellas on 18 May 2023.
- It took part in the "Up to YOU(TH)" festival, held by the Cyprus Youth Organisation on 23 September 2023.
- It took part in the 4th Conference titled "Financial Literacy in Cyprus" held by the Cyprus University of Technology on 23 October 2023.



- It organised a discussion in collaboration with the School of Economics and Management titled “What is today’s best investment?” on 29 November 2023.
- It co-organised an Interactive Exhibition for the EU-funded project Numeric[All] along with non-governmental organisation Citizens in Power and the Chartered Financial Analysts(CFA) Society Cyprus, which took place at CySEC’s building from 5 to 7 December 2023.

### Social Responsibility Actions

Recognising the positive social contribution of responsible voluntary activities by organised groups, CySEC has introduced multiple ways to support and encourage its staff to carry out social responsibility activities. They are part of a comprehensive programme, that aims to combine awareness-raising, community outreach and the commitment of employees to social responsibility.

To this end, staff of the Strategy, International Relations and Communications Department, are enthusiastically proposing, organising and coordinating social responsibility actions by CySEC staff. More information on the main activities held within the year can be found under the Corporate Social Responsibility chapter on CySEC’s website.



### 3.5 Financial Services, Personnel and Training Department

*“The Financial Services, Personnel and Training Department provides significant support to CySEC on multiple levels. CySEC’s smooth operation depends on the Department’s work, particularly when it comes to compiling the Commission’s budget, public procurements, human resource management, certification matters as well as other multifaceted issues. Our Department’s aim is to assist the Commission in achieving its strategic planning, providing it with all the necessary means”.*

#### **Costas Angastiniotis**

*Head of Financial Services, Personnel and Training Department*

#### **3.5.1 Duties/Competencies**

The duties of the Financial Services, Personnel and Training Department are divided into two pillars.

The first involves preparing the Commission’s budget, monitoring its revenue and controlling its expenditure, public tendering and procurement, managing equipment and building facilities, book-keeping and keeping the records of the personnel’s Provident Fund and Welfare Fund.

As for the second pillar, the Department’s competencies include human resource management and education. Specifically, among others, this includes ensuring compliance with Personnel Regulations, monitoring CySEC’s staff needs and filling vacancies, including new vacancies in the annual budget, promotions, managing secondment procedures, preparing circulars on various personnel matters, carrying out annual and interim assessments, implementing the group healthcare plan, as well as operating a specialised automated human resource management programme.

As for the personnel’s training, the Department is responsible for the organisation’s education policy, the organisation of seminars and educational programmes depending on training needs, as well as organising seminars that are mainly addressed to individuals registered in the Public Register.

Furthermore, the Department is responsible for organising exams for the certification of individuals employed in IFs, Credit Institutions, Management Companies and Variable Capital Investment Companies, and for maintaining the Public Register of Certified Persons. In addition to the exams, the Department organises training seminars addressed to both certified individuals and CySEC’s staff.

The Department may be contacted via the email: [accounts@cysec.gov.cy](mailto:accounts@cysec.gov.cy), [hr@cysec.gov.cy](mailto:hr@cysec.gov.cy)

#### **3.5.2 Objectives for 2024**

The Financial Services, Personnel and Training Department, in cooperation with other CySEC departments, will continue to investigate changes to its pricing policy, which was initially implemented for CIFs. The preparation of the plan to change CySEC’s pricing policy for other regulated entities was interrupted due to issues that arose in the economy, as a result of the pandemic. In 2024, the Commission is set to start carrying out exams for the certification of persons who provide investment advice services. CySEC will maintain a relevant registry, in line with the Directive regarding Certified Persons and Certification Registers (R.A.D. 44/2019).

A total of 59 new employees were hired in 2023 (16 Assistant Clerical Officers, 3 IT Officers and 40 Officers). A new hiring process is expected to begin within 2024, depending on the number of positions that will be included in the Organisation’s budget for 2024.

The increase in the Department’s staff over the past few years, has led to the need to prepare relevant handbooks to ensure the more accurate recording of procedures and the improved organisation of work carried out within

the department. Within 2024, the Department will continue to record new and existing internal procedures.

The Department will also focus on continuing the implementation of CySEC's "Culture Reinforcement Programme". The programme was successfully completed in 2023. The results of the final study showed that the programme was successful and had a positive impact on CySEC's staff members. As such, the Department will ensure that the programme continues in 2024, focusing on those areas that need further improvement.

### 3.5.3 The department's operations

#### 3.5.3.1 CySEC Personnel

At the end of 2023, CySEC employed 12 Senior Officers, 29 Officers A', 113 Officers, 8 Clerical Officers, 1 IT Officer, 35 Assistant Clerical Officers and 1 Office Assistant.

Furthermore, 1 Officer, 2 IT Officers and 1 Assistant Clerical Officer left CySEC during the year.

At the same time, 1 Senior Officer, 4 Officers A' and 1 Clerical Officer were promoted in 2023.

CySEC's personnel by Department is presented in the following table.

DEPARTMENT	PERSONNEL
Financial Services, Personnel and Training	15
Legal	10
IT and Operations	16
Authorisations	26
Supervision	48
Strategy, International Relations and Communications	13
Risk Management and Statistics	11
Policy	9
Issuers	8
Market Surveillance and Investigations	16
AML - CFT	20
Internal Audit Unit	4
Chair Support / Reception	2
<b>TOTAL</b>	<b>198</b>

Furthermore, as of 1 August 2018, an Officer has been seconded to CySEC from the Office of the Commissioner of Electronic Communications and Postal Regulation, in line with the Law on the Secondment of employees from the Public Sector and Public Law Bodies of 2017 (L. 47(1)17).

#### 3.5.3.2 Representation abroad

##### Permanent Representation of the Republic in Brussels

In 2022, an Officer from the Supervision Department was seconded to the Permanent Representation of Cyprus to the European Union, to monitor and handle financial matters within CySEC's mandate, as well as other issues in various committees relating to financial services and other matters of a technical nature. Her secondment continued into 2023.

### 3.5.3.3 Educating CySEC personnel and Professionals at regulated entities

#### 3.5.3.3.1 Staff training

CySEC ensures the continuous training of its personnel through seminars organised either internally by CySEC, or through its personnel's participation in various seminars and conferences, taking place both in Cyprus and abroad. CySEC also participates in the eLearning programme offered by ESMA, trainings organised by IOSCO, as well as the EU Supervisory Digital Finance Academy (EU-SDFA) with seminars held at EUI's Florence School of Banking and Finance (Florence, Italy).

Within 2023, the organisation's personnel attended several internal seminars on specialised matters such as Blockchain, Cryptocurrencies & Digitalisation of Assets, SREP under IFD and ESG considerations, Going On-Chain: Financial Assets in the 21st Century, Effective Phone Skills, Managing Difficult Emotions and Empathy and Empathetic Communication.

Moreover, personnel are given the opportunity to participate in educational seminars held by regulated entities, whenever possible.

#### Culture Reinforcement Programme

Within 2023, CySEC continued implementing its "Culture Reinforcement Programme", which aimed at strengthening the Organisation's existing culture and the management skills of senior staff, as well as the wider improvement of the organisation's work environment. The programme began in 2021, with the completion of its first three parts. The first part concerned the conduct of a survey on cultural issues and the second concerned the analysis of results. The third part involved training courses for specific groups of CySEC's staff. Another two parts of the programme were completed in 2022. Specifically, the fourth part of the programme involved the conduct of specialised seminars for staff, focusing on each position individually. The seminars were an opportunity to educate staff based on the needs of each position, with the aim of strengthening the skills of both senior officials, as well as the remaining staff members.

The fifth part of the programme was completed in 2023, during which Department heads attended one-to-one coaching sessions, where they had the opportunity to discuss matters related to their department and the management of their staff. Finally, the sixth and final phase of the programme was implemented in 2023. It included the conduct of a final survey and the extrapolation of results in terms of the organisation's culture. Following a comparison with the results of the first survey conducted in 2021, the positive impact of the project was evident, as there was a noticeable improvement.

#### 3.5.3.3.2 Certification & Professional Training of Professionals in the Sector

A total of 100 certification exams were held in 2023, with 1,384 persons registered to participate. Of these, 33.31% registered to take the AML Compliance Officer exam, 59.39% the Upgraded exam and 7.30% the Basic exam. Of those who took the exams, 838 passed. At the end of 2023, there were 4,850 people registered at CySEC's public register and 1,836 at the AML Compliance Officers Register.

#### Improving the compliance of regulated Entities

With the aim of improving the regulated entities' compliance with the law, CySEC now obliges persons registered in the public registry to submit information on their Continuing Professional Training in order to remain registered.

To this end, CySEC holds seminars for regulated entities, as well as lectures that are open to the public. During

these seminars and lectures, any changes to the legislative framework governing the sector and any new laws are presented, while explanations are given on the basic legal provisions and the regulated entities' obligations, resulting from these changes.

Though these seminars, CySEC helps improve the certified persons' level of knowledge on the latest developments and changes to the institutional framework, reinforce the specialised professional knowledge of certified persons in specific areas of investment service provision and reduce the regulated entities' risk of failing to comply with their legal obligations.

In 2023, CySEC organised and held 18 online seminars. The seminars were joined by 538 individuals, the majority of whom were either registered professionals of the industry, or professionals who were interested in becoming registered on CySEC's Certified Persons Register. The seminars were also open to CySEC staff.

The new European Market Abuse Regulation and the institutional framework governing Collective Investment Funds and their managers were among the topics discussed during these seminars, while there was also an analysis of issues relating to financial innovation, requirements for the operation of CIFs and AML issues.



**04**

**Market  
supervision  
and compliance  
of regulated  
entities**



## 4.1 Supervision Department

*“Exercising effective supervision requires a comprehensive approach, which includes strong regulatory supervision, preventive risk management, continuous staff training and vigilant monitoring of compliance. Promoting a culture of transparency and compliance can ensure investor protection and market integrity”.*

### Eftychia Georgiou

Head of Supervision Department

#### 4.1.1. Duties / Competencies

The Supervision Department is responsible for monitoring the compliance of CySEC-regulated entities with their legal obligations. More specifically, it monitors the compliance of CIFs, their branches and tied agents with their legal obligations when providing investment services, including their compliance with capital adequacy requirements. The Supervision Department also monitors the compliance of the CSE and the Central Securities Depository with their ongoing obligations. Furthermore, it monitors the compliance of UCI Management Companies and UCIs as well as their branches and distribution network, with their legal obligations.

#### 4.1.2. Organisational Structure

Due to the enhanced responsibilities of the Supervision Department, a significant number of staff were hired for the needs of the Department. A total of 48 persons were employed by the Department at the end of 2023 as follows:

- 2 Senior Officers
- 6 Officers A'
- 36 Officers
- 1 Clerical Officer
- 3 Assistant Clerical Officers

The employment of new staff as well as the need to enhance the effectiveness of supervision, was deemed necessary to reorganise the Department with the creation of groups/subgroups, each one with a different field of operation.

The Supervision Department can be reached via email at the below addresses: [supervision@cysec.gov.cy](mailto:supervision@cysec.gov.cy), [prudential@cysec.gov.cy](mailto:prudential@cysec.gov.cy), [supervision.uci@cysec.gov.cy](mailto:supervision.uci@cysec.gov.cy), [ongoing.supervisioncif@cysec.gov.cy](mailto:ongoing.supervisioncif@cysec.gov.cy), [thematic.supervisioncif@cysec.gov.cy](mailto:thematic.supervisioncif@cysec.gov.cy)

#### 4.1.3. Objectives for 2024

The Supervision Department's supervisory priorities for 2024 were defined with a view to achieve CySEC's primary goals i.e. investor protection and the integrity/smooth operation of the market. Specifically:

##### A. CIFs

The supervisory priorities for 2024 aim at: a) the intensive and effective supervision of high and medium-high risk CIFs, b) the promotion of a culture of compliance in CIFs and their employees and c) the timely and effective prevention and response to any (potential) adverse events. Specifically, the Supervision Department's supervisory priorities for 2024 are as follows:

- Implementation of organisational requirements (such as governance requirements, compliance operations, internal audits).
- Compliance with rules of professional conduct (such as information addressed to [potential] clients, including advertising communications, customer acceptance, including their categorisation, product compatibility assessment, personal salaries, conflicts of interest, product monitoring, national intervention measures in relation to marketing, distribution and sale of financial contracts for difference and the cross-border provision of services).
- Investigating and addressing practices that could have a negative impact on investors and markets (such as providing services in fractional shares), informing investors on costs and charges, communication through affiliates and influencers, implementation of sustainability requirements, implementation of pre-trade controls and use of copy trading).
- Resilience of CIFs in terms of their capital adequacy (Pillar I and II) – Meeting reporting requirements and publishing relevant information (Pillar III).
- Establishing and implementing measures by CIFs that show early signs of financial distress in order to ensure their viability.
- Adequacy of the governance framework for CIFs with an emphasis on the existence of effective processes to identify, manage and monitor the risks to which they are, or could be, exposed and remuneration policies.
- Implementation of measures for addressing risks in the areas of Technology, Information and Communications Technology (ICT) of CIFs and adequate preparation for the Digital Operational Resilience Act (DORA).
- Adequate preparation for the Markets in Crypto-assets (MiCA) Regulation.
- Improving the quality of data, in line with regulations MiFIR, EMIR, CSDR, STFR and Securitisation and their monitoring.

#### B. Undertakings for Collective Investment Management Companies and Undertakings for Collective Investment

A number of supervisory priorities have been set for 2024:

- Implementation of requirements for:
  - Sustainability risks and relevant disclosure obligations
  - The valuation of assets
  - The management of liquidity
  - Leveraging
- Collection of data and analysis for the exposure of investment funds to Commercial Real Estate and implementation of supervisory measures, if necessary, to promote the resilience of investment funds and mitigate any vulnerabilities in the Commercial Real Estate sector, which may pose a risk to the financial stability of the Republic of Cyprus.
- Improve and monitor the quality of data of derivatives transactions/contracts in line with AIFMD requirements.



#### 4.1.4. Projects implemented within 2023

An important number of supervisory actions have been undertaken and/or completed in 2023 (which started within 2022), in relation to CIFs, UCI MCs-UCIs and the Central Securities Depository. Specifically:

##### Cyprus Investment Firms (CIFs)

- i. **Provision of services:** Supervisory measures mainly focused on high and medium-high risk CIFs, as well as those providing services to private clients and cross-border services. The aim of these supervisory measures was to ensure intensive supervision of high and medium-high risk CIFs and promote a culture of compliance of CIFs with the requirements of the legislative framework.

Beyond the daily monitoring of CIFs, CySEC carried out onsite inspections, desk-based inspections, thematic inspections as well as ad-hoc inspections. Emphasis was placed on the assessment of policies, procedures and inspection mechanisms of CIFs and their practical application in terms of the organisational requirements and rules of professional conduct of CIFs towards their clients (e.g. information addressed to [potential] clients, including marketing communications, client acceptance, client categorisation, product compatibility assessment, remuneration of persons, conflicts of interest, product monitoring, national intervention measures in relation to marketing, distribution and sale of contracts for difference).

Specifically, the following inspections<sup>5</sup> of CIFs were carried out in relation to the above:

- 3 onsite inspections
  - 82 desk-based inspections
  - 24 desk-based follow ups
  - 42 thematic desk-based inspections:
    - 6 regarding requirements on costs and associated charges
    - 30 as part of a Mystery Shopping Exercise regarding the disclosure of information on costs and associated charges
    - 6 on marketing communications
  - 12 ad-hoc desk-based inspections
  - 35 inspections of marketing communications through a special monitoring platform used by CySEC.
- ii. **Prudential supervision:** Supervisory measures in 2023 mainly focused on the following:
    - Developing and operating the XBRL Portal for the submission of prudential reports by CIFs.
    - Collecting data on comparative assessments of remuneration practices and the gender pay gap for highly paid individuals and collecting data on gender-neutral remuneration policies.
    - Desk-based inspections to identify non-compliance with the limitations of the prudential supervision framework.
    - Monitoring the prudential requirements for CIFs that were impacted by the Ukraine-Russia related sanctions.
    - Adopting the guidelines of the European Banking Authority concerning the prudential supervision framework.
  - iii. **Reporting on derivative transactions/contracts:** The following desk-based inspections were carried out to monitor the reporting requirements for derivative transactions/contracts and the quality of data.

<sup>5</sup> The conduct of a number of inspections began in 2022.

- 190 inspections to monitor the reporting of derivative contracts as stipulated by the EMIR Regulation.
- 73 inspections to monitor the reporting of derivative transactions, as stipulated by the MIFIR Regulation.
- 1 inspection to monitor the reporting of securities financing transactions (SFTs), as stipulated by the SFTR Regulation.
- 79 inspections to monitor internalised settlement reports, as stipulated by the CSDR Regulation.
- 24 inspections to monitor the reports of the compliance officer and internal auditor in terms of data reporting requirements.

#### UCI MCs-UCIs

- Activities:** The supervision activities mainly focused on monitoring the requirements for sustainability and dissemination, as well as matters related to the valuation of UCI assets. Specifically, the following inspections were conducted:
  - 14 desk-based inspections to monitor the requirements relating to sustainability risks and dissemination obligations.
  - Resuming desk-based inspections in relation to the requirements for asset valuations.
  - Monitoring the requirements of a total 20 UCI MCs and 62 UCIs in relation to:
    - Asset acquisition by AIFs/ AIFLNP/ RAIFs,
    - Compliance with limitations for the assets under management of sub-threshold AIFMs.
- Prudential supervision:** Supervisory activities in 2023 mainly concerned the following:
  - Assessments based on AIFMD data, in relation to the presence of systemic risk from the use of leverage in the field of AIFMs managed by AIFMDs of the Republic.
  - Adopting Recommendation ESRB/2022/9 of the European Systemic Risk Board (ESRB) aimed at monitoring and addressing vulnerabilities in the commercial real estate sector.
- Reporting derivative transactions/contracts:** A total of 46 AIFMs and UCIs were inspected in relation to the reporting requirements for derivative transactions/contracts from UCI MCs and UCIs and the quality of data.

#### Central Securities Depository

In 2023, the Supervision Department carried out desk-based inspections of the Central Securities Depository (CSD), evaluating the adequacy of the regulations, strategies, procedures and mechanisms that have been established and implemented, as well as the existence of risks that the CSD is currently exposed or could be exposed to in the future.

#### 4.1.5. Supervisory Measures

In cases where CySEC found that CIFs and UCI MCs-UCIs failed to comply with their legal obligations, it proceeded with the imposition of supervisory measures<sup>6</sup>, as follows:

<sup>6</sup> These also concern the year 2022.

## CIF

- i. **Concerning the provision of services:**
  - 95 requests for corrective measures
  - 9 operating license suspensions
  - 10 operating license revocations
  - 3 administrative penalties
  - 7 settlements
- ii. **Concerning prudential supervision:** A number of requests for corrective measures where the Commission identified weaknesses.
- iii. **Concerning the reporting of derivative transactions/contracts:** A number of requests for corrective measures where the Commission identified weaknesses.
- iv. **CySEC organised 3 meetings/workshops** with Board Members/Directors/Internal Auditors of CIFs, where CySEC's Chairman informed them about deficiencies identified during CySEC's supervisory inspections, reminded them of their responsibilities and urged them to take measures to ensure that the CIFs fully comply with their regulatory obligations.

## AIFM

- i. **Concerning the conduct of activities:**
  - 2 suspensions of the operating license of UCIs
  - 1 request for immediate compliance with regulatory requirements
- ii. **Concerning the reporting of derivative transactions/contracts:** 8 requests for corrective measures where the Commission identified weaknesses.

## Other Supervisory Measures

CySEC proceeded with the issuance of a number of circulars for regulated entities such as:

- C617 – Recommendation 2022/9 of the European Systemic Risk Board on vulnerabilities in the commercial real estate sector in the European Economic Area.
- C602 – Requirements of the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores – CNMV) regarding the product intervention measures relating to contract for differences (CFDs) and other leveraged products to retail investors in Spain.
- C595 – ESMA final report on the 2022 Common Supervisory Action (CSA) on Valuation.
- C593 – New reporting standards under Regulation (EU) 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories, as amended (EMIR).
- C571 – EBA Guidelines (EBA/GL/2019/04) on ICT and security risk management.
- C562 – Guidance on principles governing the European Directive on Alternative Investment Fund Managers (AIFMD).
- C553 – Guidelines on certain aspects of the compliance function requirements.
- C548 – Guidance on Liquidity Risk Management (LRM)
- C546 – Submission of CIF's Prudential Supervision documents through CySEC's XBRL Portal.
- C545 – Publication of CySEC's reviews of compliance with the reporting obligation in accordance with article 9 of Regulation (EU) No 648/212 on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR)

#### 4.1.6. Participation in Committees/Groups in Cyprus and abroad

Personnel from the Supervision Department took part in meetings of various committees/groups based both in Cyprus and abroad, which address issues that fall within the scope of the Department's responsibilities.

More specifically:

- ESMA – Investors Protection and Intermediaries Standing Committee
- ESMA – Investors Working Group
- ESMA – Markets Standing Committee
- ESMA – Secondary Markets Working Group
- ESMA – Post-Trading Standing Committee
- ESMA – Data Standing Committee
- ESMA – Investment Management Operational Working Group
- ESMA – Sustainability Standing Committee
- ESMA – Senior Supervisors Forum (Investment Servicers)
- ESMA – Senior Supervisors Forum (Investment Management)
- ESMA – Senior Supervisors Forum (Markets)
- EBA – Subgroup on Investment firms
- EBA – Subgroup on Analysis Tools (SGAT)
- ESA – Joint Committee, Sub Committee DORA
- Council – Attaches and Experts Financial Services and the Banking Union (Financial Services) (EMIR/CCP)

## 4.2 Anti-Money Laundering Department

*“The effective prevention and suppression of money laundering and terrorist financing is crucial to protect the integrity of the markets and the global financial framework, and therefore remains a key objective for CySEC.”*

### **Charalambos Paraskeva**

Head of Anti-Money Laundering Department

#### 4.2.1 Duties / Competencies

The main responsibility of the Anti-Money Laundering Department (AML/CFT) is to monitor the compliance of regulated entities with their obligations, deriving from the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended and the CySEC Directive on Anti-Money Laundering and Terrorist Financing (the Directive), as amended.

The Department also monitors the compliance of regulated entities with their continuous legal obligations, through scheduled onsite and desk-based inspections, which aim to assess the adequacy and suitability of the relevant policies, measures and procedures that are being implemented for the effective management and mitigation of money laundering and terrorist financing risks. Additionally, the Department issues and publishes Directives, Guidelines and Circulars addressed to the regulated entities, relating to the prevention of money laundering and terrorist financing. Moreover, the Department uses a specialised digital system, which among other things, analyses the applicants' risk profile for registration in the register of Crypto Asset Service Providers (CASP) and monitors crypto-asset transactions.

The Department's duties also include, inter alia, ensuring that regulated entities implement the provisions of Security Council Resolutions or Decisions (Sanctions) and/or Decisions or Directives of the Council of the European Union (Restrictive Measures) as well as ensuring compliance with Cyprus' Beneficial Ownership Register of Express Trusts and Similar Legal Arrangements. It also trains regulated entities on matters of Prevention of Money Laundering and Terrorist Financing (AML/CTF) and takes part in European Institutions which are responsible for the preparation of European Directives, Regulations, Standards and Guidelines. Moreover, the Department coordinates the assessment process conducted by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) of the Council of Europe, relating to matters that fall under CySEC's remit.

The Department can be contacted via email, at: [aml@cysec.gov.cy](mailto:aml@cysec.gov.cy).

#### 4.2.2 Objectives for 2024

The Anti-Money Laundering Department has set the following priorities for 2024:

- Complete inspections on regulated entities, that have or used to have business ties with persons who were granted Cypriot citizenship under the Cyprus Investment Programme (CIP).
- Carry out new inspections on regulated entities, to evaluate the adequacy and appropriateness of the relevant policies, controls and procedures they implement to effectively manage and mitigate AML/CFT risks.
- Continue and carry out new inspections on regulated entities, that have or used to have business ties with individuals subject to the Sanctions of the Council of the European Union against Russia and/or are affected by restrictions resulting from the Sanctions.

- Conduct other operations concerning the ongoing Sanctions of the Council of the European Union against Russia, such as the provision of advice through circulars, notifications and guidelines, the collection and evaluation of information from regulated entities on the measures being taken as well as for the potential freezing of assets of individuals subject to sanctions and replying to relevant requests and questionnaires by the competent Authorities in the Republic and abroad.
- Examine the Annual Reports of the compliance and internal audit officers, as regards to the prevention of money-laundering, including the relevant minutes of the Board of Directors' meetings submitted by regulated entities for the year 2023.
- Resume the implementation of an Action Plan, which is based on the findings/recommendations of the assessment report on Cyprus published by the EU Committee of Experts on Evaluation of Anti-Money Laundering Measures (Moneyval), on 12 February 2020.
- Resume the implementation of an Action Plan, on the findings/recommendations of the 2022 National Risk Assessment related to money laundering and terrorist financing, as well as crypto assets and Crypto Asset Service Providers (CASP) and participation in the National Action Plan.
- Continue to implement the Action Plan based on the findings/recommendations of the first (1st), second (2nd), and draft third (3rd) Cyprus Progress Report by MoneyVal with regards to Recommendation 15 of FATF.
- Prepare internal memos regarding the risk profile of entities applying to the CASP Register. Perform audits of the specialised system for the analysis and monitoring of crypto-asset transactions and preparation of an audit plan.
- Implement guidelines issued by the European Banking Authority in relation to combatting money laundering and terrorist financing.
- Implement the guidelines of the European Supervisory Authorities (ESA) in relation to cooperation and exchange of information for the purposes of Directive (EU) 2015/849 between the competent Authorities supervising credit and financial institutions in order to establish AML/CFT Colleges, in which CySEC is the Leader Supervisor, as well as participate in the AML/CFT Colleges of other leading Regulatory Authorities, as a permanent member.
- Establish internal procedures in order to submit CySEC's data to the European Reporting System for material AML/CFT weaknesses "EuReCA", which was created in line with the provisions of Article 9a (1) and (3) of Regulation (EU) No 1093/2010, as well as based on the final draft of Regulatory Technical Standards (RTS) on the establishment of a central AML/CFT database.
- Create a relevant section on Terrorism Financing (TF) and Proliferation Financing (PF) on CySEC's website to inform regulated entities through notifications on relevant recommendations and guidelines by local and international organisations. Moreover, CySEC is also planning on issuing relevant guidelines (practical guides) on TF and PF matters.

### 4.2.3. The Department's Operations

#### 4.2.3.1 Supervision of the Regulated Entities' Compliance

Within 2023, the Anti-Money Laundering Department carried out inspections to assess the adequacy and efficiency of the relevant measures and procedures implemented by the regulated entities for the prevention of money laundering and terrorist financing.



Specifically, within 2023 the Department:

- Completed 16 AML/CFT inspections. Additionally, it is in the process of completing the investigation of 10 AML/CFT inspections which showed potential violations of the specific Law and the relevant Directive.
- Reviewed the Monthly Prevention Statements for AML/CFT purposes submitted by the regulated entities and gathered relevant information.
- Examined the Annual Reports of the Compliance Officers and the Internal Audit Reports on AML/CFT, as well as the relevant Board of Directors minutes, of 161 regulated entities (42 CIFs, 72 ASPs and 44 UCITS Management Companies and 3 CASPs). In total, 322 Annual Reports were reviewed. The reports mainly concerned the policy, practices, measures, procedures and control mechanisms that are being applied to prevent money laundering and terrorist financing.
- Additionally, 35 regulated entities were instructed to take specific measures within a specific deadline, to fully comply with the provisions of the Law and relevant Directive.
- Based on Circular C489, issued on February 2022, entitled “EU Council’s Restrictive Measures and other relevant sanctions against Russia in response to the crisis in Ukraine”, CySEC receives information from all regulated entities pertaining to business relations with persons subject to the EU Council’s Restrictive Measures against Russia. After receiving and evaluating this information, the Department completed 22 thematic reviews (12 in 2022 and 10 in 2023), with more to come in 2024.
- Furthermore, based on Circulars C511 and C517, as well as data/information from the Trust Register that were identified in April 2023, the Department began conducting thematic reviews on 6 ASPs to determine their compliance with the EU Council’s sanctions against Russia as regards to existing trusts. The review of 3 ASPs was completed within 2023 without any violations being found, while the case against one ASP was referred to the Police for further investigation. The reviews of the remaining 3 ASPs are expected to be completed within the first quarter of 2024. Finally, letters have been sent to the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus, presenting findings from the Trust Register regarding trusts that were found to be receiving services by ASPs under their supervision.
- Furthermore, following up on data/information submitted to CySEC, the Department completed, in August 2023, the thematic review of six CIFs on possible violations regarding transactions with Russia’s National Settlement Depository (NDS), without finding any irregularities. Additionally, following up on the data/information received through Circular C596 in September 2023 entitled “Russian Federation Federal Laws No.319-FZ and 519-FZ regarding the transfer of Russian securities to Russia (Forced Transfers)”, the Department identified Forced Transfers carried out by natural and legal persons in Cyprus. The relevant investigation is in its final stage and is expected to be completed within January 2024.
- Finally, the Department uses a specialized electronic system/tool which, among other functions, analyses the risk profile of applicants for inclusion to the CASP Registry and checks transactions in crypto assets. Additionally, throughout 2023 the Department collected and analysed statistical data and information on the risks facing CASPs.

#### 4.2.3.2 Trust Register

As part of harmonisation with the 4th and 5th European Directives on AML/CFT, CySEC has undertaken the creation, management and supervision of the Trust Register which is provided for in Article 31 of the European

Directive and Article 61C of the AML Law. The Register's ultimate goal is to, among others, improve transparency through the mandatory keeping of sufficient and updated information on express trusts and similar legal arrangements and their beneficial owners in a central Trust Register.

On 17 May 2022, CySEC launched the Beneficial Owners Register of Express Trusts and Similar Legal Arrangements (the Register) through the CyTBOR platform (the System).

CySEC issued a Directive for the Beneficial Owners Register of Express Trusts and Similar Legal Arrangements to regulate specific issues pertaining to the characteristics, establishment, operation and access to the Register, as well as other related matters. Moreover, CySEC issued User Manuals and Q&As. All the above related to the Register have been posted on a dedicated section on CySEC's website for the purpose of informing and supporting the System's users.

Among other things, the CyTBOR system is used for the registration, notification, management, maintenance and updating of information of beneficial owners of Express Trusts and Similar Legal Arrangements, as well as access to the Register.

Along with CySEC, all Supervisory Authorities, the Customs Department, The Tax Department, MOKAS (Unit for Combating Money Laundering) and the Police have unhindered access to the Register. At the same time, it allows the corresponding competent authorities of other EU member states to receive timely information on true beneficiaries of Express Trusts and Similar Legal Arrangements. Access to the Register is granted to liable entities as part of taking due diligence measures and verifying the identity of their clients, as well as to any natural or legal entity that can demonstrate a legitimate interest, and to any natural or legal persons which controls an Express Trust or Similar Legal Arrangement or has a controlling stake in a company or other legal entity through, among other means, direct or indirect ownership, or through shares in the bearer, or control by other means, with the exception of the participation in a company or another legal entity as stipulated in subsection (1) of Article 61A and subsection (1) of Article 61B, or which has been established in a Member State other than the Republic of Cyprus.

In the context of determining the compliance of trustees in Express Trusts, or other persons holdings an equivalent position in Similar Legal Arrangements, with their obligations under Section 61C(6)(a) of the Law, and particularly, with their obligation to register their Express Trusts or their Similar Legal Arrangements created before the launch of the System, CySEC, being the competent Authority for keeping the Register, carried out inspections and imposed fines totalling €21,000 on trustees for breaching Article 61C(6)(a) of the Law.

The public can communicate with CySEC on matters related to the Register via email at [cytbtor@cysec.gov.cy](mailto:cytbtor@cysec.gov.cy), and at 22506819.

#### 4.2.3.3 National Risk Assessment on Crypto Assets and Crypto Asset Service Providers – National Action Plan

As part of complying with the international standards of the Financial Action Task Force (FATF), a National Risk Assessment regarding the Risks of Money Laundering and Terrorist Financing was carried out in relation to crypto assets and CASPs. CySEC participated in this assessment as a stakeholder. The National Risk Assessment has been completed and CySEC issued a circular on its website publishing the assessment's results. Moreover, based on the Report's recommendations, CySEC prepared and implemented an Action Plan to address the relevant risks for matters that directly concern the organisation.

In 2023, the Department participated in the preparation of a National Action Plan which, among other, includes all the necessary actions that CySEC needs to take to address the risks identified in the Report mentioned above. In 2024, the Department will continue to implement the Action Plan.

#### 4.2.3.4 Evaluation of Cyprus by the Council of Europe's Committee of Experts on the Evaluation of Money Laundering and Terrorist Financing Measures (Moneyval)

Cyprus' regulatory and supervisory framework to counter money laundering and the financing of terrorism is subject to MoneyVal's assessment procedures, in accordance with the international standards of the Financial Action Task Force (FATF).

Upon completion of the fifth-round mutual evaluation of Cyprus by the Moneyval Committee, the Mutual Evaluation Report of Cyprus (the Report) was published on 12 February 2020. The Moneyval Committee assessed the level of technical compliance and effectiveness of measures implemented by all competent Authorities in Cyprus, including CySEC, as part of the effort to combat money laundering and financing of terrorism.

Based on the aforementioned Report, an Action Plan was formulated for CySEC, containing implementation timelines. The Action Plan is part of CySEC's Strategic Plan and is based on the findings and recommendations of the Moneyval Evaluation Report of Cyprus.

Beyond the above, the Moneyval Committee published the 1st Follow-Up Report on the Republic of Cyprus in December 2021. Moreover, in November 2022, the Moneyval Committee published the 2nd Follow-Up Report on the Republic of Cyprus, which refers to the significant progress the country made in implementing technical compliance with regards to FATF's Recommendation 15. CySEC also participated in the aforementioned evaluations. In 2023, the Department participated and coordinated the procedure regarding the drafting of the 3rd Follow-Up Report on the Republic of Cyprus for its compliance with Recommendation 15. The results of the 3rd Follow-Up Report are expected to be published in early 2024.

#### 4.2.3.5 Issuance of Circulars

During 2023, CySEC prepared and published the following circulars on issues related to AML/CFT:

C551 – EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine – Tenth sanctions package

C555 (re-issuing of C551) – EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine – Tenth sanctions package

C556 – Guidance on Sanctions and Restrictive Measures

C566 – MOKAS Strategic Analysis Report on “Financial intelligence information for Combating Trafficking in Human Beings”.

C567 – Electronic Submission of the Form of the Monthly Prevention Statement for AML/CFT purposes

C568 – Council of Europe and EU workshop titled “Enhancing the effectiveness of implementation of EU sanctions by the private sector”

C570 – EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine – New reporting obligations

C550 – Common weaknesses/deficiencies and good practices identified during the onsite inspections performed in relation to the prevention of money laundering and terrorist financing

C580 – Guidance on identifying, assessing and understanding Terrorist Financing risks in the context of Crypto Assets activities

C577 – European Banking Authority (EBA) public Consultation Paper on amendments to EBA's Guidelines on money laundering and terrorist financing risk factors, to include crypto-asset service providers

C582 – Annual Report of the Unit for Combating Money Laundering (MOKAS) for 2022

C588 – EBA's Opinion on the risks of money laundering and terrorist financing (ML/TF) affecting the EU's financial sector

C589 – MONEYVAL's report on money laundering and financing of terrorism risks in the world of virtual assets

C596 – Russian Federation Federal Laws No. 319-FZ and No. 519-FZ regarding the transfer of Russian securities to Russia (Forced Transfers)

C601 – EBA's Guidelines on the use of Remote Customer Onboarding Solutions under Article 13(1) of Directive (EU) 2015/849

C605 – European Banking Authority (EBA) public Consultation Paper on new Guidelines on preventing the abuse of funds and certain crypto-assets transfers, for money laundering and terrorist financing purposes

C607 – MOKAS' Strategic Analysis Report 2020 – 2022

#### 4.2.3.6 Participation in Committees and Cooperation with Other Authorities in the Republic and Abroad

CySEC closely cooperates with other Supervisory Authorities in Cyprus and the Unit for Combating Money Laundering (MOKAS) to keep each other informed on issues related to their supervisory duties and responsibilities, in relation to combatting money laundering and the financing of terrorism.

Moreover, it participates in the Advisory Authority for Combating Money Laundering and the Financing of Terrorism, as well as the Extended Special Technical Committee comprising all of Cyprus' supervisory authorities, which was established to prevent money laundering and the financing of terrorism.

CySEC also participates in the Ministry of Finance's Advisory Committee on Economic Sanctions (SEOK), whose mandate is to examine requests by credit institutions for the release of frozen funds.

With regards to Sanctions/Restrictive Measures, CySEC participates in relevant ad-hoc meetings with other competent Authorities of the Republic, depending on developments, in online meetings of the relevant committees of the European Council (Freeze and Seize Task Force) which deal with Sanctions/Restrictive Measures, and in onsite visits by experts on matters related to Sanctions/Restrictive Measures.

It also participates in the European Banking Authority's Standing Committee on Anti-Money Laundering and Countering Terrorist Financing (AMLSC), as well as the Expert Group on Money Laundering and Terrorist Financing (EGMLTF) and the Committee on the Prevention of Money Laundering and Terrorist Financing on the Interconnection of Beneficial Ownership (BO) Registers (CPMLTF) of the European Commission.

CySEC is also a permanent member in AML/CFT College meetings with other Supervisory Authorities, organized by the Leader Supervisor of a different Supervisory Authority.

### 4.3 Issuers Department

*“The supervision of issuers’ compliance with their obligations under the law remains a priority for the Issuers Department to ensure the protection of investors and the proper functioning of the market. The Department closely monitors developments on issuer-related matters, adapting its controls and procedures accordingly.”*

#### **Koulla Theocharous**

Head of Issuers Department

#### 4.3.1 Issuers Department

The Issuers Department is responsible for monitoring the compliance of companies from the Republic of Cyprus, whose transferrable securities are listed on a regulated market for trading (issuers), with their continuous legal obligations, as defined in the current legislation. The Department is also responsible for examining applications for the approval of prospectuses for the public offer of securities or their listing on a regulated market for trading, and the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed on a regulated market. The Department is also responsible for monitoring the implementation of Regulation (EU) 2017/2019 regarding Prospectuses and the Public Offer and Prospectus Law, monitoring the implementation of the Public Takeover Bids Law, as well as the Law on Transparency Requirements (Securities Admitted to Trading on a Regulated Market).

The Department can be contacted via email, at: [issuers@cysec.gov.cy](mailto:issuers@cysec.gov.cy)

#### 4.3.2 Objectives for 2024

In 2024, the Issuers Department will focus on monitoring the compliance of issuers and other liable persons with their ongoing obligations under the relevant legislation, along with informing issuers on any issues identified when monitoring their compliance. To this end, the Department will continue to review issuers’ compliance with their obligation to prepare their annual financial report using the European Single Electronic Format, in accordance with the revised European Regulation on annual financial reports for financial years beginning on or after 1 January 2022. Additionally, the auditing of issuers’ financial statements will be reinforced, to establish their level of compliance with the International Financial Reporting Standards.

The Department will also focus on monitoring the compliance of issuers with their ongoing obligations under the relevant Encouragement of Long-Term Shareholder Engagement Law.

Additionally, importance will be afforded on the preparation and training of the Department, and the establishment of the appropriate procedures for monitoring the implementation of the legislation which ensures compliance with Directive 2022/2464/EU regarding the submission of sustainability reports by companies. The legislation is expected to be completed in 2024, with the first reporting period being the financial year of 2024. Issuers will also be informed of any relevant obligations.

#### 4.3.3 The Department’s Operations

##### 4.3.3.1 Market Supervision and Monitoring

Monitoring the implementation of the Public Offer and Prospectus Law and Regulation (EU) 2017/1129, on the Prospectus.

In 2023, Officers of the Issuers Department continued to regularly monitor announcements by Issuers concerning the issue/offer of transferable securities or the introduction of transferable securities to a regulated market, in

order to determine their compliance with the relevant legislation as regards their obligation to issue a Prospectus or a Supplementary Prospectus or whether they were exempted from the Law.

Furthermore, the Issuers Department continued to regularly monitor the notifications of approved prospectuses from the competent Authorities of other member states, which mainly concern public offers of transferable securities in the Republic of Cyprus, of Issuers whose home member state is not Cyprus. The relevant notifications are posted on CySEC's website. During 2023, CySEC received notifications from the competent authorities of other member states for 15 Prospectuses and 23 Supplementary Prospectuses.

In cases where, during the examination of applications for the approval of Prospectuses or relevant announcements, matters arose that could constitute violations of the Stock Exchange Law and the current legislation governing the securities market, they were referred to the Market Surveillance and Investigations Department to be further investigated.

#### **Monitoring the implementation of the Public Takeover Bids Law of 2007, as amended**

Officers of the Issuers Department continued to regularly monitor the announcements/publications as well as the acquisition of voting rights of issuers, to ascertain the compliance of the parties involved with the Public Takeover Bids Law. Specifically, the Department also determines whether the obligation to submit a takeover bid to the issuer's shareholders or to issue a notice of intent/definite decision to submit a takeover bid has been fulfilled. In 2023, the Issuers Department investigated one case based on a relevant publication, to ascertain the compliance of the parties involved with the Law in question, without discovering any violations.

#### **Monitoring the implementation of the Transparency Requirements (Transferrable Securities Admitted to Trading on a Regulated Market) Law of 2007, as amended**

In the context of monitoring the compliance of Issuers, whose transferable securities are listed on a regulated market, with their continuous obligations in line with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the law in regards to their obligation to publish an Annual Financial Report and Interim Financial Report, and the content of the aforementioned reports/announcements. In particular, it examined whether the financial information was prepared and published in accordance with the relevant provisions of the Law, as well as the relevant EU regulations.

In view of the implementation of Regulation (EU) 2019/815 on the establishment of a single electronic reporting format, in 2023, CySEC examined the issuers' compliance with their obligation to prepare and publish their annual reports using the European Single Electronic Format (ESEF) in accordance with the aforementioned Regulation and their submission to CySEC via the dedicated online portal, the CySEC XBRL Portal. The Department provided assistance to issuers on any issues that came up due to the use of the ESEF format in preparing/submitting their annual reports for 2022.

CySEC also continued to monitor and evaluate notifications that were submitted regarding the significant participation of shareholders or other obliged persons in issuers, to ensure compliance with the above Law.

- **Annual Financial Report**

#### **Annual Financial Report for the financial year 2020**

While reviewing the compliance of Issuers with their obligation to publish an Annual Financial Report for the financial year 2020, CySEC reached a settlement in 2023 with the Board Members of two issuers following an investigation into whether they are personally liable for the Issuers' failure to publish their Annual Financial Report for the year ending 31 December 2020, in accordance with Article 9 of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, within the timeframe specified in the said Law, but also thereafter.



The settlement reached, regarding the possibility of personal liability, involved the payment of a sum by the Board Member of each issuer who was a member of the Board at the time that the issuer was required to publish an Annual Financial Report for the year ending 31 December 2020, and/or thereafter where it continued to breach this obligation.

#### Annual Financial Report for the financial year 2021

While reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for the financial year 2021, CySEC proceeded to investigate 17 cases of potential violations of article 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the failure to publish an Annual Financial Report within the deadline specified by Law and/or article 37(2)(a) of the same Law regarding failure to submit the report to CySEC.

The review of these cases was completed in 2023 and CySEC decided to impose administrative sanctions on 16 issuers as follows:

- 3 issuers were handed an administrative fine for breaching articles 9(1) and 37(2)(a) of the specific Law.
- 13 issuers were handed an administrative fine for breaching article 9(1) of the Law in question.

In the context of the same review, CySEC sent letters to a number of issuers who had presented shortcomings or omissions in their published Annual Financial Reports for the financial year 2021, drawing their attention to the provisions of the legislation regarding Annual Financial Reports and their publication.

#### Annual Financial Report for the financial year 2022

In 2023, CySEC also began reviewing the issuers' compliance with their obligation to publish their Annual Financial Report for the financial year 2022. In the context of this review, CySEC proceeded to investigate 15 cases of potential violations of article 9(1) due to their failure to publish an Annual Financial Report within the deadline specified by the Law and/or pursuant to article 37(2)(a) of the same Law regarding failure to submit the report to CySEC.

The review of the abovementioned cases carried through to 2024.

- [Interim Financial Report](#)

#### Interim Financial Report for the first half of the financial year 2021

While reviewing the compliance of issuers with their obligation to publish an Interim Financial Report for the first half of the financial year 2021, CySEC proceeded to investigate:

- 12 cases related to possible breaches of article 10(1) due to failure to publish an Interim Financial Report within the deadline specified by Law and/or article 37(2)(a) of the same Law regarding failure to submit the report to CySEC,
- one case related to the possible breach of article 10(3)(b) of the same Law, as the issuer's Interim Financial Report for the first half of the financial year 2021 did not include the Interim Management Report, and
- one case regarding the possible breach of article 10(3)(c) of the same Law, as the issuer's Interim Financial Report for the first half of the financial year 2021 did not include a Statement by the company's Board Members and other Responsible persons.

The review of these cases was completed in 2023 and CySEC decided to impose administrative sanctions on 13 issuers as follows:

- 3 issuers were handed an administrative fine for breaching articles 10(1) and 37(2)(a) of the Law in question.
- 8 issuers were handed an administrative fine for breaching article 10(1) of the Law in question.

- 1 issuer was handed an administrative fine for breaching article 10(3)(b) of the Law in question.
- 1 issuer was handed an administrative fine for breaching article 10(3)(c) of the Law in question.

#### Assessment of the content of the Interim Management Reports of Issuers for the first half of the financial year 2021

While assessing the compliance of issuers regarding the content of their Interim Management Reports for the first half of the financial year 2021, which were included in the Issuers' published Interim Financial Reports for this period, CySEC investigated a case of a possible breach of article 10(6) of the Transparency Requirements Law (Transferable Securities Admitted to Trading on a Regulated Market) of 2007, as the issuer's Interim Management Report did not include all the relevant information specified in the said article.

The investigation of this case was completed in 2023, with CySEC deciding to impose an administrative fine on the issuer for breaching article 10(6) of the Law in question.

#### Interim Financial Report for the first half of the financial year 2022

While assessing the compliance of issuers with their obligation to publish an Interim Financial Report for the first half of the financial year 2022, CySEC decided in 2023 to investigate 14 cases of possible breaches of article 10(1) due to failure to publish their Interim Financial Reports before the deadline specified in the Law and/or article 37(2) of the same Law regarding non-submission of the report to CySEC.

The investigation of the cases above continued in 2024

As part of the same review, CySEC sent letters to a number of issuers who were found to have minor shortcomings or omissions in their Interim Financial Reports for the first half of the financial year 2022, drawing their attention to the issues that were spotted as well as the relevant provisions of the law.

#### Assessment of the content of the Interim Management Reports of Issuers for the first half of the financial year 2022

In 2023, CySEC proceeded with a review of the issuers' compliance when it came to the content of their Interim Management Reports for the first half of the financial year 2022, which were included in the Issuers' published Interim Financial Reports for this period, in line with article 10(3) of the Transparency Requirements Law (Transferable Securities Admitted to Trading on a Regulated Market) of 2007. The review also covered the issuers' compliance with ESMA's Guidelines on Alternative Performance Measures.

As part of the review, CySEC sent letters to a number of issuers who were found to have minor shortcomings or omissions in the content of their Interim Management Reports for the first half of the financial year 2022, drawing their attention to the issues that were identified as well as the relevant provisions of the law and/or the abovementioned Guidelines.

#### Interim Financial Report for the first half of the financial year 2023

In 2023, CySEC also began a review of the issuers' compliance with their obligation to publish an Interim Financial Report for the first half of the financial year 2023, as well as their compliance as it comes to the content of the Interim Management Reports for the first half of the financial year 2023, which were included in the issuers' published Interim Financial Reports for this period. The review carried through to 2024.

- **Content of financial information**

CySEC reviewed the annual and/or interim financial statements of a number of issuers that had securities listed on the regulated market, to determine whether the financial information disclosed therein was drafted in line

with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law. In particular, the review aimed to determine the level of compliance of the financial statements in question with the International Financial Reporting Standards (IFRS), and in some cases to determine whether the Annual Financial Report generally adhered to other legal requirements, such as in relation to the content of the Management Report.

It should be noted that the selection of the sample of financial statements assessed annually by CySEC is based on a mixed selection model that combines a risk-based approach with random sampling and rotation, in line with the ESMA Guidelines on Enforcement of Financial Information which CySEC has adopted. The risk-based approach is carried out based on the Risk Based Supervision Framework which CySEC has adopted, and which takes into account the risk of inaccuracies in the financial statements, as well as the implications of an inaccuracy on the stock market. The selection criteria also take into account the European Common Enforcement Priorities for the supervision of financial statements, which are determined each year by the European Supervisory Authorities in cooperation with ESMA. More information on how the sample is selected can be found in the Practical Guide “Listed Companies RBS-F Handbook” which is available on CySEC's website.

The selection of the financial statements for assessment in 2023, was made on a sample basis as described above. The annual and/or interim financial statements of 11 Issuers were selected for assessment. In some cases, an overall assessment was made in relation to their compliance with IFRS, while in others, a focused/thematic review was conducted in relation to a specific accounting treatment or for the purposes of the common European priorities for the supervision of the financial statements for the year 2022, as defined by the European Supervisory Authorities in cooperation with ESMA.

When deemed necessary, CySEC conveyed the assessment results to the Issuers they involved, allowing them to provide any relevant explanations before CySEC reached a decision. In instances where the cases selected concerned the common European priorities, the assessment results were also sent to ESMA. In certain cases, after the assessment was completed, Issuers were asked to ensure that corrections are made in their subsequent financial statements. The review of certain financial statements which were selected continued in 2024.

#### **Monitoring the implementation of the Auditors Law of 2017 in relation to the Audit Committee**

CySEC continued to monitor the Issuers' compliance with article 78 of the Auditors Law of 2017 regarding their obligation to have an Audit Committee. This ongoing review concerns both the establishment of an Audit Committee, as well as, on a sample basis, the composition of audit committees to determine whether they comply with the provisions of the said Law.

#### **Monitoring Issuers' compliance with their obligations under the Encouragement of Long-term Shareholder Engagement Law**

In 2023, in the context of monitoring the implementation of the Encouragement of Long-term Shareholder Engagement Law, and Directive D 111-01 of the Cyprus Securities and Exchange Commission for the identification of material transactions with related parties of 2023, officials of the Issuers Department monitored, on an ongoing basis, the issuers' announcements in relation to matters pertaining to transactions with related parties and other matters which fall under the provisions of the said Law.

#### **Circulars**

A number of circulars and announcements were also issued to Issuers throughout the year, aiming to draw their attention to various issues that were spotted or that they should take into consideration when complying with their ongoing obligations or when compiling their financial reports. A number of documents concerning issuers were also posted on CySEC's website. They included Public Statements and Reports by ESMA, and ESMA's Q&A on the Prospectus Regulation.

#### 4.3.3.2 Authorisation and approval

Applications for approval of Prospectuses for public offer or admission of securities to trading in a regulated market

The review of applications for the approval of a Prospectus based on the existing institutional framework, includes checking the completeness, comprehensibility and consistency of the information contained in prospectuses, as laid out in Regulation (EU) 2017/1129 and similar regulatory acts.

In 2023, one prospectus was submitted to CySEC for approval for the admission of securities to a regulated market, pursuant to the existing law. CySEC completed the review of the application in 2024 and approved the aforementioned Prospectus.

In 2023, CySEC did not receive any requests to approve Supplementary Prospectuses.

#### Transfer of competency for approving Prospectuses

In 2023, CySEC did not receive any applications by Issuers whose home member state under Regulation (EU) 2017/1129 is the Republic of Cyprus, to transfer its competency for approving Prospectuses to the competent Regulatory Authority of another EU member state. Additionally, no applications were submitted to CySEC by any other Regulatory Authority for the transfer of its own competency to approve submitted Prospectuses to CySEC.

#### Public Takeover Bid Documents

In 2023, CySEC received one Public Offer Bid following a notice by the Bidders for a mandatory public offer to acquire 100% of the share capital of an issuer with securities listed on the CSE.

CySEC reviewed the Document and decided to approve it and allow its publication.

#### Exemptions from the obligation to conduct a Public Takeover Bid

In 2023, three applications were submitted to CySEC for the granting of an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined the applications, as well as one application submitted in 2022, and issued a decision (of approval or rejection) for all 4 applications.

#### Delisting/suspension of trading

In 2023, CySEC examined and approved a decision by the CSE Council to delist the transferable securities of one issuer from the CSE's regulated market. CySEC approved the decision by the CSE Council given that the conditions for the smooth operation of the issuer's transferable securities on the stock market had expired and important ongoing obligations were not being kept.

CySEC also approved the decision by the CSE Council to continue to suspend trading of the securities of 5 Issuers on the CSE regulated market. In addition, concerning the aforementioned Issuers, as well as another 5, after taking into consideration that the CSE did not have the authority to suspend trading of their securities for a further period of time, CySEC decided pursuant to the powers it is afforded by article 70(2)(ic) of the Investment Services and Activities and Regulated Markets Law of 2017, to request from the CSE Council to suspend trading of the specific Issuers' securities on the regulated CSE market, until they comply with their ongoing obligations, or until a specific date set by CySEC, as the Issuers had not complied with their specific obligations, which prevented investors from receiving the necessary information.

#### 4.3.3.3 Upgrade of the Regulatory and Supervisory Framework

In 2023, the Department continued to pinpoint matters where the various laws that fall under the Department's competency needed to be amended or improved and briefed the Legal Department accordingly. Comments

were also submitted to the Legal Department on the bill amending the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law to bring it in line with Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting.

The Department also assessed and submitted relevant recommendations to determine quantitative ratios for determining Issuers' material transactions with related parties, as part of preparations for the relevant Directive stipulated by the Law on the Encouragement of the Long-Term Active Participation of Shareholders. As a result, CySEC published on 17 March 2023 the "Directive D 111-01 of the Cyprus Securities and Exchange Commission for the identification of material transactions with related parties of 2023", under article 14 of the said Law.

The Directive sets quantitative ratios for determining: a) the companies' material transactions with related parties that must be publicly announced, and b) the companies' material transactions with related parties that must be approved in their AGM.

#### 4.3.3.4 Participation in various groups in Cyprus and abroad

The Department, also participates in various ESMA groups, representing CySEC. Following ESMA's restructuring of its Standing Committees, the Department participates in the following Standing Committees or Working Groups on issues relevant to the Department's work:

- Issuers Standing Committee (ISC)
- Financial Reporting (EECS) Working Group (FRWG – EECS)
- Sustainability Reporting Working Group (SRWG)
- Prospectus Working Group (PWG)
- Shareholder Transactions Working Group (STWG)

In 2023, the Department's officers also participated as experts in the proceedings of working groups of the Council of the European Union regarding matters pertinent to the Department's responsibilities, so that CySEC could convey its views to the Permanent Representation of Cyprus to the European Union.

#### 4.3.3.5 Management of Queries submitted to the Department

The Department's daily tasks include the management of queries submitted via email at [issuers@cysec.gov.cy](mailto:issuers@cysec.gov.cy) by interested parties. In 2023 the most common queries concerned:

- The preparation of Annual Financial Reports using the European Single Electronic Format
- The EU Prospectus Regulation
- The Takeover Bids Law

#### 4.3.3.6 Collaboration with other Departments

Whenever it was requested, the Issuers Department contributed to projects related to CySEC's broader mandate, or projects of other Departments, inter alia, through the provision of information, responding to questionnaires, etc.

## 4.4 Market Surveillance and Investigations Department

*“Investor protection and ensuring the smooth operation of the Cypriot capital market are the beacon of the work of the Market Surveillance and Investigations Department.”*

### **Alkis Pierides**

*Head of Market Surveillance and Investigations Department*

### 4.4.1 Duties/Competencies

The Market Surveillance and Investigations Department is responsible, among others, for investigating complaints filed with CySEC, carrying out ex officio investigations, carrying out investigations on behalf of foreign supervisory authorities and issuing warnings to companies that provide investment services in the Republic, without holding a CySEC license.

More specifically, the Department is responsible for:

- Investigating potential violations of the legislation for which CySEC has been designated as the competent authority.
- Investigating Investors' Complaints.
- Receiving and monitoring notifications submitted to CySEC under Regulation 596/2014 on market abuse.
- Participating in ESMA Committees related to the Department's work.
- Issuing circulars or announcements to regulated entities and the investing public.
- Cooperating with other authorities and organisations of the Republic of Cyprus, EU member states and third countries in the framework of the aforementioned responsibilities
- Informing the investing public about unauthorised websites

### 4.4.2 Objectives for 2024

In 2024, the Department intends to focus on cases involving CIFs operating across borders and for which repeated complaints have been received from foreign supervisory authorities regarding aggressive sales practices.

### 4.4.3 The Department's operations

#### 4.4.3.1 Investigations and administrative sanctions

In 2023, the Department conducted an entry and investigation into 6 CIFs and completed 42 investigations into regulated entities.

At the end of 2023, 48 investigations were underway concerning various regulated entities.

In 2023, CySEC imposed administrative fines on a number of CIFs and other individuals, in connection with cases investigated exclusively by the Department. CySEC reached settlement agreements in a number of these cases.

#### 4.4.3.2 Investigating Complaints by Investors

CySEC receives investors' complaints against regulated entities, which it investigates. CySEC does not have the



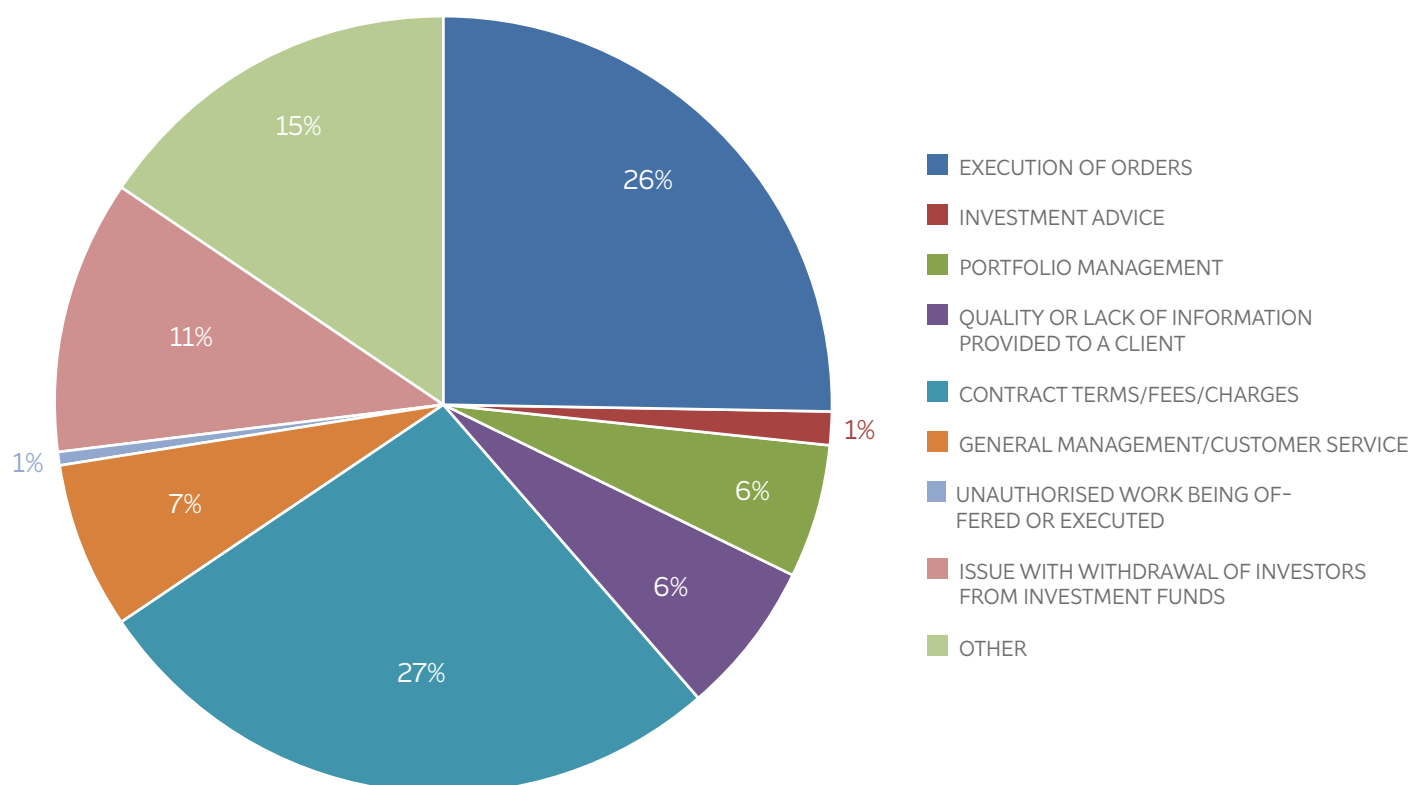
authority to compensate investors. All complaints submitted to CySEC are taken into consideration as part of its supervisory role, to the extent the complaints reveal systemic weaknesses of the regulated entity in question.

#### 4.4.3.2.1 CIFs

##### Investor complaints submitted to CySEC via the CIF complaints submission system

In 2023, CIFs submitted to CySEC a total of 1,976 investor complaints as shown in the following chart:

##### COMPLAINTS AGAINST CIFS BY CATEGORY (2023)

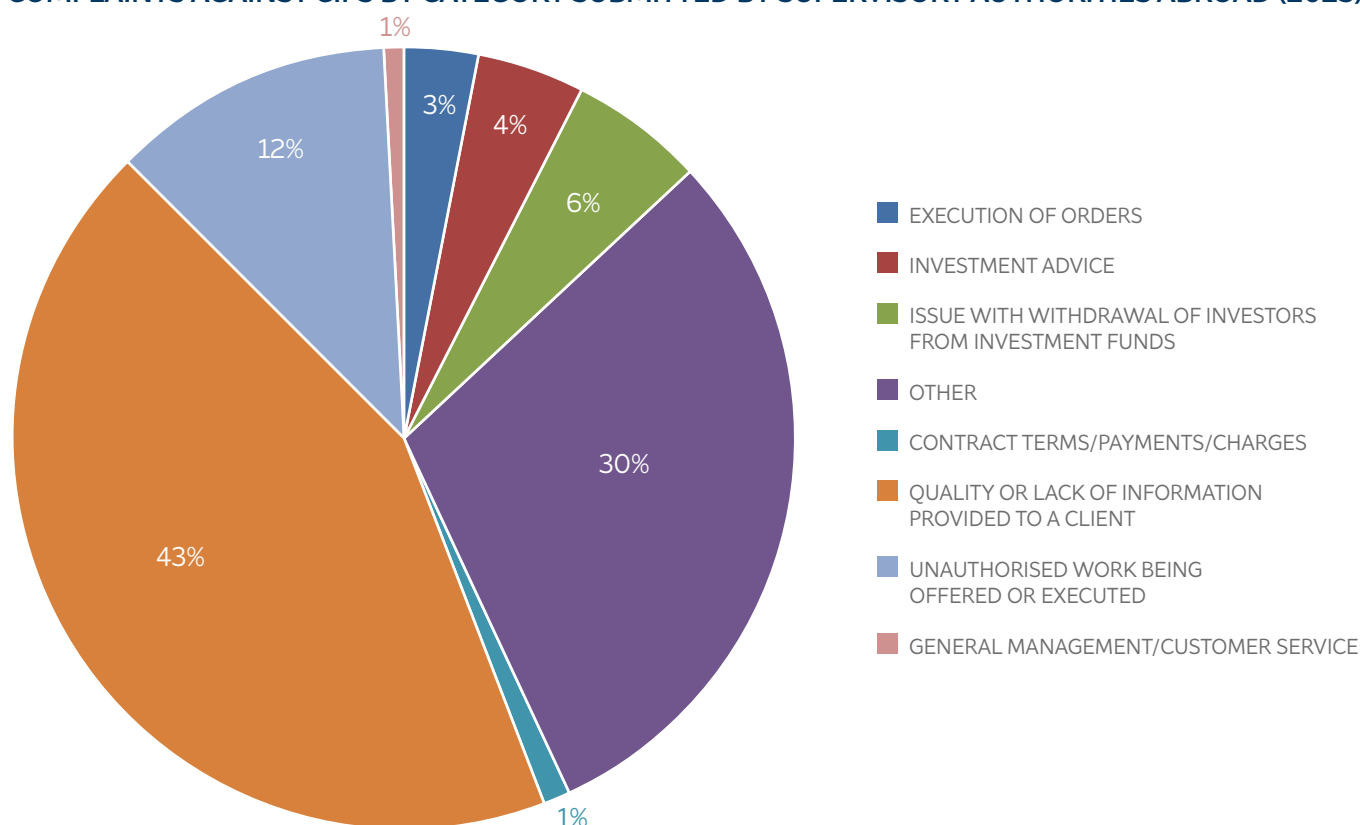


Keeping in mind specific criteria, the Department analysed the data and proceeded to take certain regulatory steps.

##### Investor complaints submitted by Supervisory Authorities abroad

In 2023, CySEC received 160 complaints against CIFs from foreign Supervisory Authorities, regarding a number of topics, as shown in the chart below:

## COMPLAINTS AGAINST CIFS BY CATEGORY SUBMITTED BY SUPERVISORY AUTHORITIES ABROAD (2023)



According to the internal handbook on the complaints handling processes, these complaints are first reviewed by the Supervision Department and cases which need to be investigated are then forwarded to the Market Surveillance and Investigations Department.

## Complaints submitted to CySEC by investors

In 2023, a total of 246 individual investor complaints were submitted directly to CySEC via the complaints section of the CySEC website.

## 4.4.3.3 Complaints against Entities that may have provided Investment Services Illegally

In 2023, 506 complaints were filed by investors against companies that allegedly provided investment services illegally.

To investigate these cases, the Department:

- carries out onsite inspections to determine whether an entity which offers investment services illegally, is physically present in Cyprus,
- inspects the companies' websites to determine whether they appear to be providing investment services in Cyprus without a CIF license,
- and collects information by sending letters to individuals who are believed to be in a position to provide useful information to CySEC.

Additionally, the Department issues announcements (notices/warnings) at regular intervals to inform investors and the public that the websites mentioned in these announcements were not run by CIFs that hold a license by CySEC to offer investment services.

CySEC urges the investing public to refer to its website to find out the authorised (<https://www.cysec.gov.cy/entities/investment-firms/approved-domains/>) and unauthorised (<https://www.cysec.gov.cy/en-GB/investor-protection/non-approved-domains/>) websites.

#### 4.4.3.4 Submission of data to the Law Office of the Republic

Pursuant to article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)2009), in cases where a possible infringement may at first sight constitute a criminal offence, CySEC compiles a findings report or an incident report and submits them along with all the data it has at its disposal to the Attorney General of the Republic.

In 2023, CySEC referred one case to the Attorney General of the Republic to decide whether criminal offences were committed by companies or natural persons.

#### 4.4.3.5 Cooperation with other Supervisory Authorities for the Investigation of Cases

In 2023, CySEC received 32 requests by foreign Supervisory Authorities to provide assistance. As per its duties, CySEC gathered information that concerned legal and natural persons as provided in article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)2009), on behalf of these Supervisory Authorities.

Of the 32 requests for data collection, 2 involved lifting banking secrecy.

## 4.5 Risk Management and Statistics Department

*“A successful risk management programme allows the Organisation to assess the full spectrum of the risks it faces. Risk management also considers the correlation between the different types of risks and their potential cascading impact on an Organisation’s strategic targets. The aim of effective risk management is not the elimination of all risk, but to allow us to determine the risks worth taking and the actions which will lead us to achieving our goals and strategic objectives”.*

**Marinella Georgiadou,**

Head of Risk Management and Statistics Department

### 4.5.1 Duties / Competencies

The Risk Management and Statistics Department (RMSD) acts as a Second Line of Defence for CySEC, aiming to strengthen risk culture and embed risk management across all CySEC activities. In this context, CySEC organises training events on risk management for its staff, deals with the process of detecting, interpreting, assessing and managing the risks CySEC is exposed to through its operations, both internally and externally, while, at the same time, it systematically monitors and assesses the risks facing its regulated entities.

Regarding the risks facing CySEC-supervised entities, the RMSD has a coordinating role in implementing the Risk Based Supervision Framework (RBS-F). In this context, it assesses the risks facing each regulated entity, on a yearly basis, while it also assesses the changes and developments regarding the law and the market, to update the RBS-F. For the timely detection and the monitoring of the ever-changing risks, the RMSD has also enhanced the RBS-F with the Early Warning Tool (EWT) which monitors risks every three months and is already underway. It also coordinates and organises the meetings of the RBS-F Executive Committee, which monitors the Framework’s operation and effective implementation. At the same time, it updates the CySEC Board’s Special Risk Management Committee on RBS-F-related matters. In the context of risk assessment and to support CySEC’s supervisory role and strategic objectives, as well as to inform investors, the Department collects and manages a wealth of data from the regulated entities, analyses it, assesses the risks, and prepares various publications/ bulletins and other analyses with the aim of assessing the risks.

CySEC’s Enterprise Risk Management Framework (ERM-F) was completed in 2023. The ERM-F includes all of CySEC’s risks and contributes to the preparation of CySEC’s annual Risk Assessment Report. The RMSD reviews and revises CySEC’s Enterprise Risk assessments, taking into account the opinion of the officers responsible for CySEC’s risk management, while its effective implementation is monitored by the Special Risk Management Committee of the CySEC Board, in which the RMSD also participates as an observer and coordinator.

The Department can be contacted via email at: [risk.statistics@cysec.gov.cy](mailto:risk.statistics@cysec.gov.cy)

### 4.5.2 Objectives for 2024

The RMSD’s priority is to cultivate a unified risk culture and ensure the effectiveness of Risk Management processes. In this context, the RMSD expects to gradually develop and implement CySEC’s Enterprise Risk Management Framework (ERM-F) across all its activities, while at the same time improving, strengthening and updating it. At the same time, the Framework will be automated through the transfer of CySEC’s Risk Register to a specialised software. The CySEC Board’s Special Committee on Risk Management will be briefed about the implementation of the ERM-F through relevant reports. Additionally, it is expected to prepare and submit its fourth CySEC Risk Assessment Report for the year 2024 to the Ministry of Finance during the second quarter of 2024.

Regarding the Risk Based Supervision Framework (the RBS-F), the RMSD works to ensure it is updated on an

ongoing basis, monitoring the different developments in terms of the legal framework and supervised entities, as well as the developments in the field in which CySEC operates. Just like every year, in 2024 the RMSD will identify new risks and include new parameters in the RBS-F. In this context, it will be updated concerning AML/CFT matters to ensure compliance with Guidelines “EBA/GL/2021/16” issued by the European Banking Authority. At the same time, it is working on expanding the RBS-F to cover ESG-related risks and to this end, it participates in the European Programme entitled “ESG Risk Management Framework for the Financial Sector” along with other Supervisory Authorities from 11 member states, under the DG REFORM Technical Support Instrument programme for 2023 (TSI 2023). This project is ongoing and is expected to be completed in 2026. At the same time, in the context of automating and technically upgrading the RBS-F, the RMSD is expected to complete the development of a digital application/software, and the EWT which is already underway. The EWT will be continuously enhanced with new indicators and data in line with market developments and emerging risks. The aim is for it to be gradually implemented for all supervised entities for all risk categories.

Furthermore, the Department, in collaboration with the Supervision Department, monitors the implementation of a consistent methodology when assessing systemic risk arising from the use of leverage in the AIF sector, based on article 25 of Directive 2011/61/EU (Guidelines).

Additionally, the Department will investigate whether there are needs for new/additional data points and new infrastructure and tools, in order to thoroughly examine CySEC’s internal and external risks, as well as other statistical data on all CySEC-regulated entities, and will proceed with their collection and analysis.

At the same time, under its competency to provide investors, regulated entities and other market stakeholders with information, the Department will continue to prepare a series of Statistical Bulletins, on a yearly or quarterly basis, with the main statistical market data/indices.

The RMSD will also continue to monitor the developments surrounding innovation and technology and the risks/opportunities that arise. As part of CySEC’s technological upgrade regarding data analysis, the RMSD is working towards transferring all existing reports issued by the Department (statistical reports, bulletins, risk analyses) to the new MS BI system.

## 4.5.3 The Department’s Operations

### 4.5.3.1 Enterprise Risk Management Framework – “The ERM-F”

CySEC has completed the Enterprise Risk Management Framework (ERM-F) which aims to support risk management by improving existing procedures, clarifying the roles and responsibilities of those involved in risk management, and utilizing the necessary tools to facilitate the process of assessing, measuring, monitoring and reporting risks facing CySEC.

Through the integration of the ERM-F into CySEC’s operations, the RMSD aims to establish a strong risk management culture, which will allow CySEC to identify, disclose and manage the risks that arise in a timely manner and with due care, in accordance with their significance and magnitude. In this context, the RMSD has proceeded with holding training seminars for CySEC personnel, as risk management is a matter that concerns all staff members.

In 2023, CySEC drafted a Risk and Control Self-Assessment (RCSA) which was completed by the competent Risk Owners. The RCSA provided insight into the effectiveness of the existing controls, while it highlighted future actions expected to be taken to reduce the Operational Risks facing CySEC. Following the analysis of the responses collected, CySEC’s Operational Risks were assessed and based on the results, a third annual CySEC Risk Management Report was drafted and submitted to the Ministry of Finance. It should be noted that this Report was first reviewed by CySEC’s Special Committee on Risk Management and was then approved by the CySEC Board.

Also, in 2023 the RMSD conducted research regarding the different risk management technological tools and/or software solutions available on the market, aiming to find the appropriate tool that would be adopted by CySEC.

#### 4.5.3.2 Risk Based Supervision Framework, RBS-F

The Risk Based Supervision Framework monitors and measures the risk of all regulated entities. The RBS-F gives CySEC the ability to determine the way in which it will execute its supervision, based on the risk facing each entity, and to focus on those that carry the highest risk. The goal is pre-emptive supervision to ensure the smooth functioning of the market.

The RBS-F is implemented for CIFs, ASPs, UCI Management Companies and Issuers on an annual and recurring basis. When implementing the framework, the Risk Cycle which was developed based on international risk management practices, is followed.

As part of the annual update of the RBS-F, several amendments related to its parameters and/or its architecture are made. In 2022, the focus was on the complaints section with the aim of protecting investors, while a study was conducted to revise the Risk Appetite statement. The assessment of CySEC's regulated entities based on 2022, was completed in the last quarter of 2023 and the regulated entities were classified under one of four risk categories (High, Medium-High, Medium-Low and Low Risk). Based on the results of the risk assessment, the Supervision, AML and Issuers Departments are preparing annual supervision action plans to address the risks.

The RMSD is entrusted with the role of coordinating and organising the sessions of the RBS-F Executive Committee which monitors the framework's operation and implementation. In 2023, the Executive Committee held four sessions, which discussed current issues, as regards the risk management of regulated entities.

The RMSD, in collaboration with the IT Department, has upgraded the risk calibration tool through the development of a comprehensive digital application/software solution. The development of the application is already underway, while a few of its operations are already being used. The application is expected to be finalised in 2024 and is set to cover a range of needs related to the RBS-F but also needs beyond the conduct of risk assessments, as it will offer other settings and analytical methods that were not available in existing tools.

The RMSD in cooperation with the Supervision Department has developed an Early Warning Tool (EWT) which will contribute to the improvement and strengthening of CySEC's RBS-F supervisory framework and the timely management of risks. At first, the framework will be used for Conduct Risk purposes for Cyprus Investment Firms (CIFs). The tool will be able to trace significant changes in companies' risk profile, along with new or emerging risks. It will operate concurrently with the RBS-F with the purpose of strengthening CySEC's pre-emptive supervision regarding local and cross-border matters. The EWT's main goal is to allow CySEC to act pre-emptively, immediately and effectively at any moment, and to also assess and adapt the frequency and degree of its supervision depending on any developments in the market. The EWT analyses the data collected through the different forms submitted to CySEC by the CIFs.

Additionally, the RMSD, in collaboration with the AML Department, have created forms for the collection of information pertaining to AML issues from the branches of other Investment Firms based in Cyprus. The aim of the collection of data from these branches is to calculate the AML risk through the Risk Based Supervision Framework, RBS-F.

#### 4.5.3.3 ESRB Bottom-up Quarterly Survey – Preparation of the Quarterly Systemic Risk Survey

Under its competency to monitor and assess CySEC's external risks, the RMSD participates in the European Systemic Risk Board (ESRB – General Board) meetings as an observer. It is also responsible for completing the



Quarterly Systemic Risk Survey which is sent every quarter by the Central Bank of Cyprus on behalf of all Cypriot supervisory Authorities.

#### 4.5.3.4. ESMA Guidelines on AIFMD Directive for Article 25

In 2023, the RMSD in collaboration with the Prudential Supervision Team (Supervisory Department) assessed the systemic risk arising from the use of leverage in the AIF sector, in line with ESMA Guidelines on Article 25 of the AIFMD Directive. The objective was to ensure that Supervisors follow a consistent methodology when assessing systemic risk, resulting from the use of leverage in the AIF sector, as well as to make sure that there is a common methodology for assessing and imposing potential measures in relation to the use of leverage. The results of this assessment have been shared with ESMA.

#### 4.5.3.5 Statistical Analysis, Surveys and Bulletins

The RMSD gathers a plethora of data and information from the regulated entities, as part of assessing their risks but also for further statistical analysis, preparation of reports and specialised surveys, as well as statistical bulletins.

In 2023, the Department prepared and posted the following bulletins on the CySEC website:

##### Sixth Annual Statistical Bulletin

The Department published its 6th Annual Statistical Bulletin which includes key statistical information on all CySEC-regulated entities for the period 2019–2022, with special emphasis on 2022. The Annual Statistical Bulletin for all CySEC-regulated entities will be published once a year and will be enriched with new findings and additions. In 2024, the 7th Annual Statistical Bulletin will be prepared and posted on the CySEC website, with data about 2023.

##### Quarterly Statistical Bulletins for the sector of Management Companies and Undertakings of Collective Investments

The RMSD prepared the quarterly statistical bulletins for the last quarter of 2022 as well as for the first two quarters of 2023, for Management Companies and Undertakings for Collective Investments. The bulletins have been posted on CySEC's website and are one of the main tools for updating the market regarding the collective investments sector in Cyprus.

In the context of data analysis and the creation of interactive reports, in line with CySEC's digital strategy, the Department proceeded to transfer its reports and analyses from the SAS Visual Analytics software to the Microsoft BI software, which is expected to provide advanced analytical capabilities.

#### 4.5.3.6. Participation in various working groups in Cyprus and abroad

In 2023, the Department participated in the ESMA Senior Supervisor's Forum, the aim of which was to facilitate the exchange of expertise between the supervisory Authorities regarding Risk Based Supervision–RBA. It also participated in the Risk Standing Committee, and relevant Working Groups, Financial Stability and Risk Monitoring WG and Investors, Trends and Research WG. Additionally, the RMSD attended the Data Standing Committee (DSC) meetings for the preparation of guidelines/standards for MIFIR, EMIR and AIFMD.

The RMSD also represents CySEC as a non-voting member on the ESRB General Board.

Moreover, the RMSD along with other CySEC departments, actively participated in the Peer review on supervision of cross-border activities of investment firms.

## 4.6 IT and Operations Department

*“At a time of rapid technological progress, the IT Department’s continuous upgrade and development is indicative of our commitment to adapt and thrive in an ever-changing environment. The accelerating pace of technological innovations opens the door to new challenges and opportunities, reinforcing the imperative need to enhance cybersecurity to ensure resilience. As we navigate this digital journey, we are developing strong policies to keep our information and data safe, while maintaining our commitment to innovation. The vision of the IT Department is to shape a secure and innovative future that successfully meets the ever-increasing demands of the ever-evolving technological landscape.”*

### **Yiannis Kallis**

Head of IT and Operations Department

#### 4.6.1 Duties / Competencies

The IT and Operations Department is responsible for managing and upgrading the Commission’s IT systems infrastructure, its website and internal network, as well as other matters relating to the adoption of modern technologies. The main goal is to ensure effectiveness, the safety of data management and uninterrupted communication during the fulfilment of CySEC’s duties, as well as to increase productivity and reduce costs.

The Department can be contacted via email at: [information.technology@cysec.gov.cy](mailto:information.technology@cysec.gov.cy)

#### 4.6.2 Objectives for 2024

The IT Department’s efforts mainly focus on CySEC’s digital transition. In this context, two important projects are ongoing within the Commission. The first is related to examining and managing applications for licenses offered by CySEC, while the second is related to the registration process and examination of applications for certifications offered by CySEC. These two projects are expected to significantly reduce the time necessary to examine applications, as the checks will now be carried out digitally through automated systems, largely eliminating any errors. According to the timetable, the development of these two systems is expected to start in 2024, as the operational analysis has now been completed. These initiatives represent an important step towards CySEC’s digital transition.

At the same time, the IT Department will incorporate cutting edge technologies, such as RPAs (robotic process automations), which will utilize software robots (bots) for the automation of repetitive tasks. The RPA system will first be developed to cover the needs of the Strategy, International Relations and Communications Department. Specifically, the International Relations team receives and sends a large number of emails every day. The RPA system will complete these tasks within seconds, irrespective of the number of messages. The system will run consistently and without interruptions, ensuring that no electronic message is missed, and all tasks are completed instantly.

In 2024, CySEC’s website is also expected to be upgraded. Through the use of a Responsive Web Design, CySEC’s upgraded website will become even more user-friendly. This will also be achieved through the website’s upgraded design, the introduction of filters on various pages and the modification of the menu.

The IT Department will also initiate the processes for CySEC’s certification with the ISO 27001 standard. With this certification, CySEC will implement an integrated information security system based on international standards.

Additionally, the IT Department will proceed with the purchase of a project management system to be used for CySEC’s daily operations and projects. The benefits of acquiring this system include improved productivity as well as better results and better resource allocation.

### 4.6.3 Department Operations for 2023

#### Migration to the Power BI reporting platform

Completing the migration of reporting to the Power BI platform from SAS VA is another important milestone for CySEC's digital transition. The adoption of the Power BI platform as the organisation's main reporting tool allows for improved analysis and faster access to useful information. Improved performance and productivity are also expected across all departments, strengthening informed decision-making and creating a data-driven culture.

#### Cloud Infrastructure to host operations in line with the EMIR/SFTR and MiFID Regulations

The completion of the cloud infrastructure which has been adapted to facilitate operations in line with the EMIR/SFTR and MiFID regulations is another crucial benchmark in CySEC's digital transformation. By utilizing the capabilities of the cloud, we ensure scalability, flexibility and compliance with strict regulatory frameworks. Cloud solutions facilitate seamless data management, enabling real-time monitoring, analysis and reporting, which are vital for regulatory compliance. In addition, the inherent flexibility of the cloud enables prompt adaptation to regulatory and market changes, mitigating risks and ensuring operational consistency. In addition, cloud infrastructure reduces expenditure associated with traditional onsite arrangements, providing cost efficiency and resource optimisation.

#### Acquisition of the Whisper software

The acquisition of Whisper, an advanced tool that converts audio to text by using artificial intelligence, significantly enhances the day-to-day operations of CySEC's frontline departments. Whisper's innovative capabilities contribute, inter alia, to improved productivity, reduced manual effort and increased accessibility to audio content.

#### Actions to develop cybersecurity knowledge and awareness within the organisation

The IT Department promoted several measures to improve the employees' cybersecurity knowledge and awareness. In collaboration with the Digital Security Authority, the Department held training seminars for all staff, focusing on the principles of data security and the identification of cybersecurity threats. Moreover, it distributed and reviewed questionnaires to assess the employees' understanding and compliance with cybersecurity procedures. Finally, it conducted phishing simulations to train staff on how to identify and respond to cyber threats. The results will be used to design future simulations. With these initiatives, the IT Department enhances the protection of information, and the staff's cybersecurity awareness.



**05**

**Corporate  
Social  
Responsibility  
(CSR)**



### Corporate Social Responsibility (CSR) at CySEC

At CySEC, we all work together to create a positive impact on society, maintaining the balance between our mind and heart, putting into practice the values of our organisation which guide every aspect of our daily lives.

The term Corporate Social Responsibility refers to corporations' actions which aim to address social issues. As organisations and as the individuals who comprise them, we must acknowledge our responsibility towards society and the environment.

Today, CySEC implements Corporate Social Responsibility actions on a regular basis, promoting volunteerism, participation in society and joint efforts, while embracing a wide range of sectors.

Community outreach activities and the Organisation's substantial contribution to society is an important objective for CySEC. To this end, the Organisation implements actions, which have a positive impact on society, fostering a culture of social awareness.

Our actions support social bodies, such as public benefit and non-profit organisations and charities, in multiple ways.

CySEC's personnel actively and voluntarily participate in community outreach activities, coordinated by the Social Responsibility Team which was created by staff members.

The main activities carried out during the year under review are summarised below:

#### Participation in Telethon Cyprus (February 2023)

In 2023, CySEC staff continued to support TELETHON Cyprus' charitable work, by wearing the charity's traditional March Bracelets ("martakia"). Our contribution helps promote social cohesion and solidarity.

#### Humanitarian Aid for Earthquake Victims (February 2023)

Our organisation was quick to provide support to the victims of the earthquakes in Turkey and Syria. Our colleagues' awareness over the issue and their response to the collection of humanitarian aid reflect our commitment to supporting vulnerable communities.

#### Support to the Pancyprian Association of Friends of Kidney Patients (April 2023)

CySEC held a fundraiser for the Pancyprian Association of Friends of Kidney Patients' "Kidney Health for All – Preparing for the unexpected, supporting the vulnerable" campaign. Diseases of the kidney, which is a vital organ of the human body, are a severe problem affecting many of our fellow human beings. Our support reflects our concern and commitment to recognizing health as the ultimate wealth for a fulfilling life.

#### 15th and 16th CySEC Blood Donation (May and November 2023)

Considering the significant blood shortage in Cyprus, CySEC regularly and consistently organises at least two blood donation drives per year. In this context, two blood donations were organised on 12 and 15 of May 2023, when CySEC staff visited the Engomi Blood Bank to help boost blood supplies and spread awareness about the importance of giving blood.

The second blood donation drive took place on 24 and 27 of November 2023.





### Multiple Sclerosis Awareness Day (May 2023)

World Multiple Sclerosis Day, marked annually on 30 May, aims to raise awareness and inform the public about the serious challenges facing 2.5 million individuals living with the condition worldwide and the impact of the disease on their daily lives.

However, what does the life and everyday life of a person with multiple sclerosis actually look like? CySEC staff had the opportunity to get a first-hand account of what it is like to live with the disease from one of their colleagues.

### Participation in Pancyprrian Volunteerism Coordinative Council's (PVCC) "All Children with School Supplies" campaign (September 2023)

CySEC actively participated in the 9th campaign of the PVCC for the collection of school supplies for the children of vulnerable families at the beginning of the new school year, in September 2023.

### Book Collection & Bazaar to support the Alkinoos Artemiou Foundation (September/October 2023)

In September, CySEC collected hundreds of books and organised a two-day book bazaar on 18 and 19 of October. CySEC employees had the opportunity to buy books at extremely low prices to support the Alkinoos Artemiou Foundation.

At the end of the initiative, a total of 40 boxes of books were donated to the Foundation's founders so that they can use them as they choose.



### "EUROLIFE Run the Park" Marathon (October 2023)

CySEC participated in the "EUROLIFE Run the Park" marathon, which was held on 29 October 2023, with a team consisting of 15 members, promoting physical activity and teamwork for a good cause.







### CySEC Christmas Charity Bazaar (December 2023)

The Christmas Charity Bazaar is the culmination of the Organisation's corporate social responsibility actions for the year, with CySEC financially supporting a number of charities and helping families in need.

### Digital transformation – Paperless Office

In order to minimize our Organisation's environmental footprint by reducing the use of consumables such as paper and toner, CySEC has, since 2014, been implementing a modern Central Archiving and Document Management system. Under this technologically advanced system, documents created, received and/or archived by CySEC are now entirely digital. Furthermore, CySEC has adopted an e-signature system allowing for the easy and secure submission of documents and data by regulated entities. In this context, CySEC decided that all its publications, such as Annual Reports and Statistical Reports, will be available exclusively in digital format.

### Recycling and Energy Conservation

In 2022, CySEC continued to recycle materials that are used in bulk, such as paper, plastic, batteries, contributing to saving energy and minimising the use of raw materials, as well as reducing the volume of waste and its negative impact on the environment. At the same time, the Financial Services, Personnel and Training Department is in regular communication with the rest of the staff, in order to encourage them to adopt energy-saving habits and inform them about environmental activities.

### Environmental Protection

CySEC follows all the measures and guidelines issued by the Energy Service of the Ministry of Energy, Commerce, and Industry, as well as the recommendations of the Cyprus Energy Foundation. In this context, all tenders published by CySEC include specific provisions related to environmental protection.



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