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TO : **Cypriot Investment Firms**  
FROM : **Cyprus Securities and Exchange Commission**  
DATE : **April 12, 2012**  
CIRCULAR No : **CI144-2012-10**  
FILE No : **E.K. 6.1.14**  
SUBJECT : **Information addressed to clients including marketing communication**

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The Cyprus Securities and Exchange Commission ('the Commission') wishes, with the current circular, to remind the Cypriot Investment Firms ('CIFs') that all information, including marketing communication, addressed by CIFs to their clients or potential clients, shall be fair, clear and not misleading (section 36(1)(a) of Investment Services and Activities and Regulated Markets Law of 2007 as amended ('the Law'))

Specifically:

1. The aforementioned information should fulfil the conditions laid down in paragraphs 6(2) - 6(8) of the Commission's Directive DI144-2007-02 of 2011 'For the Professional Competence of Investment Firms and the Natural Persons employed by them'. For ease of reference, the relevant paragraphs of the aforementioned directive are attached in detail, in the Appendix.
2. When communicating information, including marketing communication, to their clients or potential clients, CIFs should consider whether omission of any relevant fact will result in information being unfair, unclear and/or misleading.
3. Regarding the marketing communication, it is recommended that:
  - Important information, statements or warnings are prominent using bold type styles.
  - Both the benefits and drawbacks of a financial product/service are balanced through equally prominent features.
  - Risk warnings are contained within their own distinct border, thus drawing the reader's attention to them.

- Risk warnings are clearly stated within the main body of the marketing communication and ahead of the ‘small print’ (i.e. legal text or contact information)
  - Risk information appears on the website home page of CIFs that the customer first arrives at, when following a promotional link.
4. Regarding the risk warnings that are stated in point 3 above, the CIFs are urged to use wording such as the following: *‘the investment value can both increase and decrease and the investors may lose all their invested capital’*. In addition, in case of a leverage product, CIFs should emphasize that *“loses may be more than the invested capital”*.

Yours sincerely

Demetra Kalogerou  
Chairman, Cyprus Securities and Exchange Commission

This unofficial English text is for information purposes only. The official text is in the Greek language.

The conditions laid down in paragraphs 6(2) – 6(8) of the Directive DI144-2007-02 of 2011, with which the information, addressed to clients or potential clients, must comply, are:

*(2) The information:*

*(a) shall include the name of the IF;*

*(b) shall be accurate and in particular shall not emphasize any potential benefits of an investment service or financial instrument without also giving a fair and prominent indication of any relevant risks;*

*(c) shall be sufficient for, and presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received;*

*(d) shall not disguise, diminish or obscure important items, statements or warnings*

*(3) Where the information compares investment or ancillary services, financial instruments, or persons providing investment or ancillary services, the following conditions shall be satisfied:*

*(a) the comparison must be meaningful and presented in a fair and balanced way;*

*(b) the sources of the information used for the comparison must be specified;*

*(c) the key facts and assumptions used to make the comparison must be included.*

*(4) Where the information contains an indication of past performance of a financial instrument, a financial index or an investment service, the following conditions shall be satisfied:*

*(a) that indication must not be the most prominent feature of the communication;*

*(b) the information must include appropriate performance information which covers the immediately preceding 5 years, or the whole period for which the financial instrument has been offered, the financial index has been established, or the investment service has been provided if less than five years, or such longer period as the firm may decide, and in every case that performance information must be based on complete 12-month periods;*

*(c) the reference period and the source of information must be clearly stated;*

*(d) the information must contain a prominent warning that the figures refer to the past and that past performance is not a reliable indicator of future results;*

*(e) where the indication relies on figures denominated in a currency other than that of the Member State in which the retail client or potential retail client is resident, the currency must be clearly stated, together with a warning that the return may increase or decrease as a result of currency fluctuations;*

*(f) where the indication is based on gross performance, the effect of commissions, fees or other charges must be disclosed.*

*(5) Where the information includes or refers to simulated past performance, it must relate to a financial instrument or a financial index, and the following conditions shall be satisfied:*

*(a) the simulated past performance must be based on the actual past performance of one or more financial instruments or financial indices which are the same as, or underlie, the financial instrument concerned;*

*(b) in respect of the actual past performance referred to in point (a), the conditions set out in points (a) to (c), (e) and (f) of subparagraph 4 must be complied with;*

*(c) the information must contain a prominent warning that the figures refer to simulated past performance and that past performance is not a reliable indicator of future performance.*

*(6) Where the information contains information on future performance, the following conditions shall be satisfied:*

- (a) the information must not be based on or refer to simulated past performance;*
- (b) the information must be based on reasonable assumptions supported by objective data;*
- (c) where the information is based on gross performance, the effect of commissions, fees or other charges must be disclosed;*
- (d) the information must contain a prominent warning that such forecasts are not a reliable indicator of future performance*

*(7) Where the information refers to a particular tax treatment, it shall prominently state that the tax treatment depends on the individual circumstances of each client and may be subject to change in the future.*

*(8) The information shall not use the name of any competent authority in such a way that would indicate or suggest endorsement or approval by that authority of the products or services of the IF.*