
Frequently Answered Questions - FAQs

Form RBS-F – CIFS

General Questions

- 1. Question: Which foreign exchange rate should we use to translate amounts in other currencies: the exchange rates as at the end of the reporting period i.e. 31.12.2015 or the average rates of the reference periods' i.e. the average exchange rates during 2015?**

Answer: You should use the exchange rates as at the end of the reference date i.e. as 31.12.2015.

Please use the exchange rate published in the website of the Central European Bank:

<http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html#downloads>

under 'All bilateral exchange rates time series' with the frequency 'Daily', as at the reference date.

- 2. Question: Concerning the reporting period, please clarify whether a CIF, which license has been activated at 01/06/2015, should state as reporting period 01/06/2015-31/12/2015 or 01/01/2015-31/12/2015?**

Answer: The CIF should state as reporting period 01/06/2015-31/12/2015, i.e. the period during 2015 **after** its license has been activated.

- 3. Question: Please clarify whether the counterparties with which the CIF transacts for own account trading (i.e. proprietary trading activities), should be considered as clients and be reported under sections B and C of the Form.**

Answer: Yes, you should consider such counterparties as clients.

Section B – Clientele

1. **Question:** The definition of the "Client" states that *'it refers to every person to whom the entity provides investment or/and ancillary services and has an account balance as at the reference date and/or had transactions during the reporting period'*.

Please clarify the definition of the "Client" for information requested:

- (a) As at the reference date and
- (b) As at the reference period.

Answer:

- (a) For all information requested regarding clients **as at the reference date** please note that you should include *'every person to whom the entity provides investment or/and ancillary services and has an account balance as at the reference date'* e.g as at 31.12.2015.

In this respect, in section 1.1. **Number of clients** as at the reference date, you should report the number of clients as at 31.12.2015, to whom you have provided services and had an account balance as of that date.

- (b) For all information requested regarding clients **during the reference period** you should include *'every person to whom the entity provides investment or/and ancillary services and has an account balance as at the reference date and/or had transactions during the reporting period'* e.g. for the period from 01.01.2015-31.12.2015.

In this respect, if for example in section 1.2 **Total Volume of Transactions** you have clients that had transactions during the period, but no account balance at the end of the period, you should report the transactions of those clients' **irrespective of whether they had an account balance as at 31/12/2015 or they closed their accounts during 2015.**

1. Clients

1.1 Number of clients as at the reference date

1.1. Question: Please clarify whether an entity owning a number of Cypriot companies, should be considered as one client or whether each of the companies under that entity, should be considered as separate clients.

Answer: A client is the person to whom you provide services for this purpose. Accordingly, in case you provide services to the said Cypriot companies then you should count them as separate clients. Please refer to Article 2 of Law 188(I)/2007 and specifically the definition given for "customer". For the purposes of this document a "Customer" is the same as Client.

1.2. Question: Please clarify if the definition of clients includes clients that have performed free delivery transactions (the delivery of securities free of payment) during the reporting period?

Answer: Yes.

1.2 Total volume of Transactions of clients during the reference period

1.2.1. Question: Please clarify if derivative transactions should be reported in notional or Profit and Loss value?

Answer: Notional value.

1.2.2. Question: Please clarify if Repo and Reverse Repo transactions should be reported?

Answer: Yes.

1.2.3. Question: Regarding transactions in CFDs and Binaries it is required in this section to *'include in volume those transactions that were closed within the reporting period'*. Please clarify whether the same applies for transactions like an open forward transaction, where the client entered during 2015 and it matures in 2016.

Answer: No, the above applies only for transactions in CFDs and Binaries. For the kind of transactions you are referring to, they should be included in the reported volume of transactions.

1.2.4. Question: The guidance notes in this section, state that *‘any forex transactions that for rollover purposes are closed and re-opened the next day, should not be included in the reported volume of transactions’*. Please advise whether other kinds of transactions, transacted within a similar short term period of time e.g. buy a listed share at day one and sell it at day two, the relevant volume of the buy and sell transactions must be reported.

Answer: Yes, both buy and sell transactions must be reported, for the type of transactions referred above.

1.3 Total Deposits of clients during the reference period

1.3.1. Question: Please clarify whether in Total Deposits of clients we should include only the physical cash deposited by clients and exclude all bank transfers made by clients to the Company’s clients’ bank accounts?

Answer: No, you should include both amounts.

2. Client Risk Categorisation

2.1 High Risk Clients

2.1.1. Question: Please clarify whether a CIF, which provides the portfolio management service to its clients but it’s not allowed under its license to hold or administer clients’ money or financial instruments, is required to report in this section the clients’ assets (money or financial instruments) that has a proxy for portfolio management.

Answer: No, the CIFs are required to report in this section only the clients’ assets that have a license to hold or administer.

2.1.2 Volume of Transactions during the reference period

2.1.2.1. Question: Can you please clarify how shall we indicate the volume of Repo transactions in the field “Volume of Transactions”? Shall we include both parts of a Repo transaction (sell-open and buy-close or vice versa) as separate transactions or only one part of the two?

Answer: Both parts of the Repo should be reported.

2.1.3 Clients’ Money as at the reference date

2.1.3.1. Question: Can you please clarify if we should include the equity amount as Clients' Money or only the cash balance of the Company's clients' money?

Answer: Only the cash balance of the Company's clients' money.

2.1.3.2. Question: What do you mean by on and off balance sheet clients’ money?

Answer: Please consult your auditor to inform you whether your clients’ money is kept on or off balance sheet and complete the form accordingly.

Section C – Information for top 10 Clients

1. Question: Please clarify which are the Ultimate Beneficial Owners (UBOs) for clients that are Investments Funds, whose UBOs may be hundreds of investors (holding units in the funds).

Answer: In the case of Investment Funds, the UBOs may be:

- the natural person(s) that **own(s)** (direct or indirect) **more than 10%** of the units of the Investment Fund and/or
- the natural person(s) that **control(s)** (direct or indirect) **more than 10%** of the assets in the Investment Fund (e.g. the person who gives the orders). This person may be different for each Investment Fund set-up (e.g. an investment manager, investment advisor, directors of other related parties etc).

Section D – Clients’ Assets

3. Clients’ Money deposited in third countries as at the reference date

3.1. Question: Please clarify whether the balances (money in transit) at Payment Service Providers (PSPs), should be included under this section.

Answer: Yes, you should include balances in PSPs, since these balances are considered clients’ money kept in PSPs bank accounts until they are cleared and subsequently transferred to your clients’ bank accounts.

Section E – Financial Information

4. Volume of Transactions

4.1. Total

4.1.1. Question: Can you please clarify whether we should include in the “Total” only transactions that were executed by the CIF or whether we should also include transactions that were not executed by the CIF, i.e. Where the CIF provided only the service of reception and transmission to another entity and the other entity executed the transactions?

Answer: Please do not include transactions where the CIF provided only the service of reception and transmission, or where the CIF did not execute the transactions.

5. Hedging

5.1. Question: For hedging positions, please explain whether own positions and/or clients' positions should be included.

Answer: The Company's own position that is hedged.

6. Other Financial Information

1. Question: Can you please clarify whether we shall include information of own debts and losses or clients' as well?

Answer: Please include only the Company's own information.

Section F – Governance & Ownership

4. Remuneration

4.1 Senior staff's total remuneration

4.1.2. Question: Please clarify whether the amounts paid for persons providing services for outsourced functions (e.g. Compliance, Internal Audit, Risk Manager etc.) will be included in senior staff's total remuneration?

Answer: Yes, confirmed.

4.1.3. Question: Can you please clarify whether we should report net or gross salary?

Answer: Gross Salary.

Section G – Services

1. Clients' related services

1.2 Number of clients who deal in or are advised on complex products as at the reference date

1.1.2. Question: Please clarify whether in this section "Clients" are considered only the brokerage clients or if we must also include counterparties such as entities that we have transactions with and are related to complex instruments using ISDA agreements?

Answer: Yes, you should include such counterparties.

1.4 Credit granted to clients during the reporting period

1.4.1. Question: In case the Company offers various kinds of bonuses to its clients will this be considered as granting credit to them?

Answer: No.

1.4.2. Question: Kindly advice whether providing leverage to clients for trading purposes is considered as credit granted to clients.

Answer: No.

1.4.3. Question: Please clarify if, in case the service of granting credit was not provided during the reporting period but there are outstanding balances from credit provided during previous years, whether these outstanding balances should be reported under this field?

Answer: No, you should not report credit provided during previous years.

2. Trading Platform

2.1. Question: Could you please provide the definition of a ‘trading platform’?

Answer: ‘Trading platform’ is defined as the platform through which you provide electronic trading to your clients.

Section H – Distribution Network

1. Persons in the distribution network

1.4 Number of sales persons

1.4.1. Question: Please clarify if we need to include, also the number of sales persons employed by the group, of which our company is a part of, including affiliated entities?

Answer: No, please include only the sales persons of your company.

1.4.2. Question: Please advise whether the number of persons employed by service providers under outsourcing arrangements, to provide the CIF with Sales and Customer support services, has to be included in this section.

Answer: No.