

**DIRECTIVE DI190-2007-02 of 2012
OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION
ON THE CONDITIONS OF INDEPENDENCE BETWEEN
MANAGEMENT COMPANIES AND INVESTMENT FIRMS AND THEIR PARENT
COMPANIES
TO BE EXEMPTED FROM THE OBLIGATION TO AGGREGATE THEIR
HOLDINGS**

CLASSIFICATION OF SECTIONS

1. Summary title
2. Definition
3. Purpose of the present Directive
4. Conditions for exemption
5. Notifying the Commission
6. Relationship between the parent undertaking and the management company or the investment firm
7. Fines
8. Repeal of Directive DI190-2007-02 tou 2011
9. Entry into force

The Cyprus Securities and Exchange Commission, in accordance with the powers vested in it by virtue of subsection (4) of section 34 and of subsection (4) of section 35 of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, issues the following Directive:

Summary title 1. The present Directive shall be referred to as the Exemption to the Aggregation of Holdings Directive DI190-2007-02 of 2012.

Definition 2. In present Directive, unless the context otherwise prescribes-

«Law» means the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007 as in force.

Any terms used in the present Directive and not otherwise interpreted shall have the meaning attributed to them by the Law.

Where in the present Directive reference is made to the Law, this includes any regulations issued thereof.

Purpose of the present Directive 3. The purpose of the present Directive is to specify the conditions of independence which the management companies and their parent companies or the investment firms and their parent companies must comply with in order not to aggregate their holdings in an issuer in accordance with sections 34 and 35 of the Law.

Conditions for exemption 4. (1) (a) The parent company of a management company, for the purposes of the exemption to the

aggregation of holdings provided for in subsection (1) of section 34 of the Law, must comply with the following conditions:

- (i) not to interfere, by giving instructions directly or indirectly or in any other way, in the exercise of the voting rights held by the management company,
 - (ii) the management company must be free to exercise, independently from the parent company, the voting rights attached to the assets it manages.
- (b) The parent company of an investment firm, for the purposes of the exemption to the aggregation of holdings provided for in subsection (1) of section 35 of the Law, must comply with the following conditions :
- (i) not to interfere, by giving instructions directly or indirectly or in any other way, in the exercise of the voting rights held by the investment firm,
 - (ii) the investment firm must be free to exercise, independently from the parent company, the voting rights attached to the assets it manages.
- (2) For the purposes of the application of sub-paragraph (i) of paragraph (a) of subsection (1) and of sub-paragraph (i) of paragraph (b) of subsection (1):
- (a) "direct instruction" means any instruction given by the parent company or another controlled undertaking of the parent company specifying how the voting rights are to be exercised by the management company or investment firm in particular cases.
 - (b) "indirect instruction" means any general or particular instruction, regardless of the form, given by the parent company or another controlled undertaking of the parent company that limits the discretion of the management company or of the investment firm in relation to the exercise of the voting rights in order to serve specific business interests of the parent company or another controlled undertaking of the parent company.

Notifying the
Commission

5. (1) The parent company of a management company or the parent company of an investment firm in order

to benefit from the exemption to the aggregation of holdings, notifies to the Commission as the competent authority of the issuer whose voting rights are attached to holdings managed by the management companies or the investment firms, depending on the circumstance, without delay, the following:

- (a) a list of those management companies or investment firms, indicating their names and the competent authorities that supervise them, but with no specific reference to the relevant issuers,

It is provided that the parent company updates the list on an ongoing basis.

- (b) a statement that, in the case of each such management company or investment firm, the parent company complies with the conditions provided for in section 4.

- (2) Where the parent company of a management company or the parent company of an investment firm intends to benefit from the exemption to the aggregation of holdings only in relation to the financial instruments of section 31 of the Law, notifies without delay to the Commission only the list of paragraph (a) of subsection (1).

Relationship
between the
parent company
and the
management
company or
investment firm

- 6. (1) Without prejudice to the application of the provisions of sections 46 and 47 of the Law, the parent company of a management company or of an investment firm demonstrates upon relevant request of the Commission, without delay, that-

- (a) the organizational structures of the parent company and the management company or the investment firm are such that ensure that the voting rights are exercised independently from the parent company,
- (b) the persons who decide how the voting rights are to be exercised act independently,
- (c) in the case where the parent company is a client of its management company or its investment firm or has holding in the assets managed by the management company or by the investment firm, the relationship between the parent company and the management company or the investment firm is regulated

by a clear written mandate for an arms-length customer relationship.

- | | |
|--|---|
| Fines | 7. Any person who infringes the provisions of the present Directive is subject to an administrative fine from the Commission in accordance with the provisions of section 36 of the Law. |
| Repeal of
Directive DI190-
2007-02 of 2011

Official Gazette,
Annex III(I):
17.10.2011 | 8. The Commission's Directive on the exemptions to the aggregation of holdings, with reference Regulatory Administrative Decision (Κ.Δ.Π.) 415/2011, is hereby repealed and substituted with the present Directive. |
| Entry into force | 9. The present Directive shall enter into force on the day of its publication in the official Gazette of the Republic. |