



**CYPRUS SECURITIES AND EXCHANGE COMMISSION**

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**TO : Cyprus Investment Firms**  
**FROM : Cyprus Securities and Exchange Commission**  
**DATE : April 2, 2012**  
**CIRCULAR No. : CI144-2012-08**  
**FILE No. : E.K. 6.1.14**  
**SUBJECT : Guidelines on systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities**

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The Cyprus Securities and Exchange Commission ('the Commission') following its announcement, dated 16<sup>th</sup> of February 2012, <http://www.cysec.gov.cy/Downloads/Greek/Announcements/2012/> regarding the aforementioned subject wishes with the present circular to inform the Cypriot Investment Firms ('CIFs') and the Regulated Markets the following:

1. The Commission intends to comply with the guidelines, [http://www.esma.europa.eu/system/files/esma\\_2012\\_122\\_el\\_0.pdf](http://www.esma.europa.eu/system/files/esma_2012_122_el_0.pdf), issued by the European Securities and Markets Authority ('ESMA', 'the Guidelines'). The adopting of the guidelines will be effective with the issuance of the respective guidelines by the Commission. The deadline of the implementation of the guidelines is the 1<sup>st</sup> of May 2012.
2. The purpose of the Guidelines is to ensure common, uniform and consistent application of the European Directives (MiFID) and market abuse, as applied to the systems and controls required by:
  - Trading platforms<sup>1</sup> and Investment Firms<sup>2</sup> in an automated trading environment; and
  - Trading platforms and Investment Firms in relation to the provision of Direct Market Access ('DMA')<sup>3</sup> or Sponsored Access (SA)<sup>4</sup>

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<sup>1</sup> Regulated Markets or Multilateral Trading Facility

<sup>2</sup> Investment Firms when executing orders on behalf of clients and/or dealing on own account in an automated trading environment.

<sup>3</sup> An arrangement through which an investment firm that is a member/participant or user of a trading platform permits specified clients (including eligible counterparties) to transmit orders electronically to the investment firm's internal electronic trading systems for automatic onward transmission under the investment firm's trading ID to a specified trading platform.

**This unofficial English text is for information purposes only and is not legally binding.**

3. The Guidelines cover:

- The operation of an electronic trading system by a regulated market or a multilateral trading facility.
  - The use of an electronic trading system, including a trading algorithm, by an Investment Firm for dealing on own account or for the execution of orders on behalf of clients; and
  - The provision of DMA or SA by an Investment Firm as part of the service of the execution of orders on behalf of clients.
4. It is noted that the scope of electronic trading systems used by Investment Firms, includes electronic systems to send orders to trading platforms (whether or not orders from clients are submitted electronically to the Investment Firms) and electronic systems which automatically generate orders i.e. trading algorithms.

For better coordination and pending the issue of the Guidelines, CIFs and the Regulated Markets are required to study carefully the guidelines and take the necessary measures or/and actions in order to ensure that they comply with the above.

For any queries and/or clarifications, please contact the officer, Ms Elena Theodorou, using the e-mail address, [investmentfirms@cysec.gov.cy](mailto:investmentfirms@cysec.gov.cy)

Sincerely,

Demetra Kalogerou  
Chairman of the Cyprus Securities and Exchange Commission

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<sup>4</sup> An arrangement through which an investment firm that is a member/participant or user of a trading platform, permits specified clients (including eligible counterparties) to transmit orders electronically and directly to a specified trading platform under the investment firms' trading ID without the orders being routed through the investment firm's internal electronic trading systems.