



TO : **Investment Firms**
FROM : **Cyprus Securities and Exchange Commission**
DATE : **16 June 2006**
CIRCULAR NO. : **IF (2006-07)**
FILE NO. : **E.K. 6.1.14**
SUBJECT : **Granting credits to clients of Cypriot Investment Firms for
conducting transactions – Bank accounts for clients' money**

The Cyprus Securities and Exchange Commission (the 'Commission') wishes hereby to inform the Cypriot Investment Firms (the 'Firms') that:

1. They can not execute a client order for a purchase of financial instruments without the necessary funds be available in their clients' accounts, unless the clients were granted credits for conducting these transactions.
2. Funds available are considered the money which are cleared funds to the Firm. A cheque is considered as cleared funds only upon its settlement by the bank.
3. Credit is considered to be granted to the client from the time of executing his order for a purchase of financial instruments without the necessary funds be available in his account as from that time a credit risk is generated. Therefore, a credit is granted from the first day where the order is executed and not from the day where the cash settlement of transactions takes place.
4. Credits are allowed to be granted to clients only when the Cypriot Investment Firm has a license from the Commission to offer the particular non-core service.
5. Upon the granting of a license by the Commission, they should adopt and implement, at all times, sufficient procedures for granting credits to their clients for conducting transactions and mechanisms for computing and control, on a daily basis, mainly:
 - the total credits and limits granted to clients,
 - the existence of available funds from the part of the Firm, at the time of the cash settlement of the transactions conducted by the clients that a credit has been granted,

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- the capital adequacy of the Firm in which the limits and / or the credits granted to the above clients are taken into consideration.
6. In cases of granting credits to clients for conducting transactions, they should transfer funds, which correspond to the credits granted, to the bank account for clients' money at the same day in which the order is executed and not the day in which the cash settlement of transactions takes place.
 7. They have to conduct a daily reconciliation of the balances of the bank accounts for clients' money and of the credit balances of the clients.
 8. They have to keep the bank accounts for clients' money correctly and mainly not to mix their own money with their clients' money.
 9. The bank accounts for clients' money should have 'clients' money' indication.
 10. They have to adopt the above immediately.

Sincerely

Marios Clerides
Chairman, Cyprus Securities and Exchange Commission