



ΕΠΙΤΡΟΠΗ  
ΚΕΦΑΛΑΙΑΓΟΡΑΣ  
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

2020

# ANNUAL REPORT



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# CHAIRWOMAN'S STATEMENT

## **Demetra Kalogerou**

Chairwoman of the Cyprus Securities and Exchange Commission (CySEC)

The year 2020 was marked by the spread of the coronavirus (COVID-19) pandemic across Cyprus, which led us into uncharted territory, creating conditions that we continue to experience to this day, with a negative impact on the entire economy.

With the primary goal of protecting public health and especially the wellness of its staff and market stakeholders, CySEC took a series of timely actions, adopting all the Government-announced decrees and measures.

Among other, by using the appropriate electronic systems, the Commission immediately adopted remote working, while at the same time safeguarding data protection. Furthermore, all meetings took place exclusively via teleconference or by phone. A

special space was also created on CySEC's website, aimed at keeping market participants up to date with all the actions it was taking in relation to COVID-19. This ensured CySEC's smooth business continuity.

Throughout 2020, the Commission was in constant contact with the European Securities and Markets Authority (ESMA) and other European supervisory authorities, while continually monitoring and assessing all developments related to the pandemic and its impact on the regulated entities' activities and the market as a whole.

In this unstable environment, Cyprus Investment Firms (CIFs) were forced to implement the remote working model, which in turn tested the resilience of their technological infrastructure and systems in practice, at a time when their turnover had increased significantly. Those operating in the foreign exchange market were faced with big intraday fluctuations, often increased transaction volumes, while they also found themselves with added duties when it came to providing investment services. Complying with a relevant call by CySEC, they were obliged to constantly monitor the financial impact of the coronavirus outbreak on their activities, and identify potential threats, informing their clients accordingly.

At the Cyprus Stock Exchange (CSE), no problems were noted and therefore trading continued without interruption. Also, special certificates were issued for CSE members, allowing them to access its systems and Central Repository remotely. All listed companies were called to inform investors about the impact of COVID-19 on their business. There was an inevitable, direct impact on the turnover of listed companies active in the tourism and retail trade sectors, as their operations were suspended following government decrees to prevent the spread of the pandemic. Furthermore, listed companies from other sectors were affected indirectly. Consequently, there was also an impact on the share prices of listed companies as well as the market as a whole. More specifically, during the period March 2020 to December 2020, the CSE General Index dropped 11.89% and the Main Market Index fell by 15.66%. The Hotels Index dropped 6.77% in the same period, while the FTSE/CySE Index recorded a 12.83% decrease.

The Managers of Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs) did not face any liquidity problems during the pandemic, and they did not have to consider the use of special tools to manage their liquidity. Among other things, this was because many AIFs have long lock-up periods (3-5 years) and/or long redemption periods (6 months to a year), due to their investment in assets that are not liquid by nature. Furthermore, a significant number of investment funds that invest in assets that are more liquid by nature, i.e., bonds and securities, beyond their capacity to liquidate assets in the specific markets, they also have enough investments in cash or a cash equivalent to cover any future increase in acquisitions. Additionally, most UCITS invest in highly capitalised, and therefore highly liquid securities.



CySEC's priority throughout this very difficult year was to ensure the uninterrupted and smooth operation of the securities market and in extent, protect investors; especially at a time when investor interest for high-risk products was particularly strong, while at the same time the environment favoured unscrupulous activity. Among other, we made a special effort to ensure investors were kept up to date on all the developments in the investment services sector, through notifications and announcements published on CySEC's website, but also through articles in the Press. More than 90 articles, interviews, statements and Press Releases were published in the media in 2020. Furthermore, 15 notifications were sent to investors regarding 86 domains that did not belong to entities that were licensed to provide investment services and/or carry out investment activity, and they were added to the "List of Non-Approved Domains" that can be found on the Commission's website.

Meanwhile, CySEC continued to examine applications to license new regulated entities. In total, 88 entities were approved, of which 69 are active in collective investments, 14 in the provision of investment services and 5 in the provision of administrative services. Moreover, 4 of the applications submitted in 2020 were related to Brexit.

By the end of 2020, CySEC had 788 entities under its supervision, compared with 746 at the end-of 2019, recording a 5.63% increase. The total number of entities under CySEC's supervisory authority is expected to increase further, as another 90 new applications were under review.

In view of Britain's exit from the European Union, towards the end of 2020, the Commission introduced a Temporary Permissions Regime (TPR) for British companies to provide investment services in Cyprus, without requiring physical presence on the island, given that the provision of these investment services exclusively concerned professional clients and eligible counterparties.

The Commission places special emphasis on its digital transformation, which is part of its strategic planning to improve its efficiency in exercising its supervisory and regulatory role. To this end, two important projects were launched in 2020: one was to design a data governance framework with the aim to optimise the management of CySEC's huge volume of data, while the other was to identify potential operational threats/risks of the Commission itself (Enterprise Risk Management), by creating a framework that assists timely detection, proper evaluation and treatment. These projects are expected to be completed in the second half of 2021.

At the same time, beyond CIFs, the digital archive for submitting corporate data was extended to include Alternative Investment Fund Managers (AIFMs), which we consider to be an important milestone as it enhances transparency and the efficiency of the emerging alternative investments sector in Cyprus. The aim is to expand it further to allow ASPs (Fiduciary Services) to submit their data electronically as well.

In terms of legislation, an important development in 2020 was the implementation of the national law on Small Alternative Investment Fund Managers (Mini-Managers). The legislation concerns the regulation and operation of Mini-Managers, that is, those whose assets do not exceed €100m using leverage or €500m without leverage. The first application for a Mini-Manager licence was submitted in early 2021.

The draft law for the regulation and operation of the companies providing administrative services to AIFs (fund administrators) is expected to be completed within 2021. The administrator, who is licensed and fully supervised by CySEC, will be able to outsource such services to third parties.

In early 2020, we proceeded to issue the Directive on the Provision of Crowdfunding Services in Respect of Transferrable Securities. CySEC's Directive exclusively concerns crowdfunding that relies on the issuance of transferrable securities (i.e., shares or securities). CySEC has already received the first application for a permit to operate a crowdfunding platform.

Taking into consideration the extraordinary conditions that were created by the pandemic, CySEC's supervisory Departments had to readjust their plans for supervisory inspections, implementing an extensive remote inspection programme, and carrying out limited on-site inspections.

The Supervision Department carried out 585 desk-based inspections on 235 CIFs, that is, 98% of total CIFs. In

addition, a total of 174 AIFMs / AIFs were inspected remotely for compliance with the minimum asset requirements and 111 AIFMs for compliance with data reporting. Furthermore, remote inspections were performed on a total of 5 UCITS MC (10 UCITS) to verify their compliance with the annual and interim reporting obligation.

Moreover, the Supervision Department audited almost all documents that were submitted by CIFs relating to their capital adequacy and annual reporting requirements. It also remotely inspected 126 Managers of Undertakings for Collective Investment and 431 UCIs.

In 2020, as part of the common supervisory action launched by the European Securities and Markets Authority (ESMA) to ensure CIFs are abiding by adequacy rules and UCITS are managing liquidity threats, CySEC carried out a series of thematic supervisory reviews.

The AML/CFT Department audited the compliance officers' annual reports and the Internal Audit Reports, including the minutes of the Board of Directors sessions of 434 UCITS, ASPs and AIFMs.

In 2020, the Issuers Department continued to monitor the issuers' compliance with their ongoing obligations, and particularly with the obligation to publish their Annual Financial Report for the full year of 2019, as well as their Interim Financial Report for the first half of 2020. Due to the pandemic, a significant number of issuers did not comply with these obligations within the stipulated deadline. In 2020, the Market Surveillance and Investigations Department investigated cases relating to possible violations of the current legislation by Issuers, CIFs and ASPs. More specifically, it conducted 16 investigations throughout the year, while another 26 were underway at the end of 2020. Furthermore, 6 cases were referred to the Attorney General of the Republic to decide whether criminal offences had been committed by companies or natural persons.

Following the above investigations and supervisory controls, CySEC proceeded to impose administrative fines and other measures. In particular, it imposed administrative fines of a total of €3.19m, out of which €2.02m concerned CIFs. It also suspended the licence of 8 CIFs, revoked the operating licence of 3 CIFs and called on more than 93 regulated entities to take specific measures, within a specific deadline, in order to correct weaknesses and/or omissions that were identified during the inspections of the supervisory Departments.

A further 8 CIFs suspended their operations after giving up their licence. Furthermore, a total of 28 Management Companies and Undertakings of Collective Investments suspended their operations. This was due, among other things, to a voluntary waiver of their licence, interruption of their operations and their liquidation for dissolution. Moreover, 14 ASPs in total suspended their operations on their own request to give up their licence.

Additionally, CySEC decided to continue or begin to suspend trading of 19 Issuers' securities on the CSE-regulated markets, until they complied with their ongoing obligations or up until a specific deadline set by CySEC. Furthermore, three companies' securities were delisted from the CSE-regulated markets in 2020.

Despite the difficult financial environment, the Cypriot market continues to grow at a steady pace. In 2021, the Commission will continue to focus on its technological advancement, with the aim of ensuring sustainable growth of the securities markets, while closely monitoring developments surrounding the pandemic by taking all appropriate measures to protect investors and ensure the smooth operation of the market.

To ensure CySEC's optimum performance as a supervisory authority, it is vital that it continues to have at its disposal all the appropriate powers and to be constantly supported with all the necessary resources in order to successfully fulfil its important role.

## COVID-19 pandemic

- When the COVID-19 pandemic reached Cyprus, CySEC took immediate action, creating an Ad-Hoc Committee comprising the Heads of all Departments to manage the entire situation.
- A special area was also created on the CySEC website to keep regulated entities, investors and other stakeholders up to date with developments.
- Over 20 circulars/announcements were issued, both for the companies listed on the Cyprus Stock Exchange, aiming for the market's smooth functioning, as well as all other regulated entities, in relation to their own obligations.

## Remote working

- In line with the measures announced by the Government, CySEC immediately adopted remote working arrangements, while also protecting the Commission's data. Moreover, all meetings took place exclusively via teleconference or by phone.
- As such, it ensured the securities market's uninterrupted and smooth operation, thereby protecting investors at a time when interest for high-risk products was incredibly high, and the environment was vulnerable to unscrupulous activity.

## Changes in shareholding

In 2020, the Securities and Exchange Commission reviewed around 45 shareholder changes at CIFs and 8 shareholder changes at internally-managed AIFLNPs.



## Notifications

In 2020, CySEC issued 15 notifications to investors concerning 86 websites that did not belong to entities with an operating licence to provide investment services and/or engage in investment activities.



## Regulated entities and Authorisations

- In 2020, 88 entities were authorised, of which 69 were active in collective investments, 14 in the provision of investment services and 5 in the provision of administrative services.
- As a result, by the end of 2020, CySEC had 788 entities under its supervision, compared with 746 at end-2019, recording an increase of 5.63%.

## Brexit

Study into the potential impact and monitoring of developments surrounding the United Kingdom's exit from the EU. Towards the end of 2020, the Cyprus Securities and Exchange Commission enacted a Temporary Permissions Regime (TPR) so that British companies could continue to provide investment services in Cyprus, without requiring their physical presence/establishment on the island, provided that these investment services exclusively concerned professional clients and eligible counterparties.



## Technological upgrade

In 2020, tenders were opened for the creation of an Enterprise Risk Management Framework and a Data Governance Framework.

## Digital archive

Beyond CIFs, the digital archive for submitting corporate data was extended to include Fund Managers.

## New products and services

- The national law on Small Alternative Investment Fund Managers (Mini-Managers), whose assets do not exceed €100m using leverage or €500m without leverage, came into effect.
- In early 2020, CySEC also issued a Directive on the Provision of Crowdfunding Services in Respect of Transferrable Securities. CySEC's Directive is exclusively about crowdfunding that relies on the issuance of transferrable securities (i.e., shares or securities).



## Fines and other measures

- Administrative fines totalling €3.19m, of which €2.02m concerned CIFs.
- 8 CIFs had their operating licence suspended.
- 3 CIFs had their operating licence revoked.
- Specific measures imposed on over 93 regulated entities where weaknesses and/or omissions were spotted.

## Supervisory action

- As we entered uncharted waters with the outbreak of the pandemic, CySEC's supervisory Departments readjusted their plans for supervisory inspections, implementing an extensive remote inspection programme, though also carrying out a limited number of on-site inspections.
- 585 desk-based thematic reviews were carried out on 235 CIFs, which is equivalent to 98% of CIFs.
- A total of 174 AIFMs/AIFs were inspected remotely for compliance with the minimum asset requirements and 111 AIFMs for compliance with data reporting.
- The compliance officers' annual reports and Internal Audit Reports were reviewed, including the relevant minutes of the BoDs of 434 UCITS, ASPs and AIFMs.
- Review of cases relating to possible violations of the current legislation by Issuers, CIFs and ASPs.
- 6 cases were referred to the Attorney General of the Republic, to decide whether criminal offences had been committed by companies or natural persons.

## Memorandum of Understanding

In 2020, CySEC signed a bilateral Memorandum of Understanding (MoU) as well as an MoU on Alternative Investment Fund Managers (AIFMD MoU) with Astana Financial Services Authority (AFSA), its counterpart in the Republic of Kazakhstan.



## AML exams

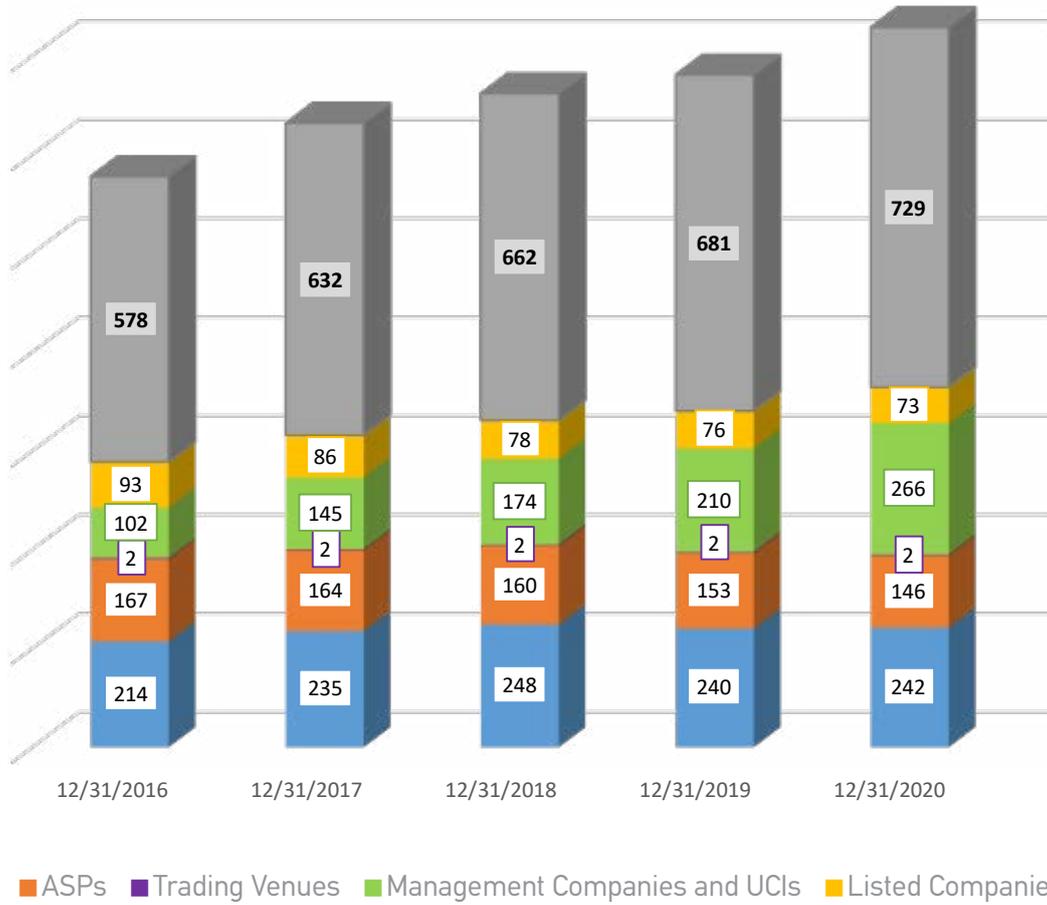
In February 2020, the certification exams for compliance officers on matters relating to anti-money laundering (AML) and terrorist financing were launched and were addressed to all individuals wishing to work at CySEC-regulated entities.

## Certification exams

- Throughout 2020, 168 certification exams were held, with 2,114 people registering to take them.
- 47% of those registered to take the Compliance Officer exam, 46% took the upgraded exam and 7% the basic exam. Of those, 1,120 were successful.
- At the end of 2020, there were 3,708 people registered on CySEC's public register and 619 people on the Compliance Officers Register.
- Amendments to improve the Directive on the Certification of Persons and the Certification Registers R.A.D. 44/2019.

# THE REGULATED ENTITIES IN NUMBERS

The regulated entities in numbers

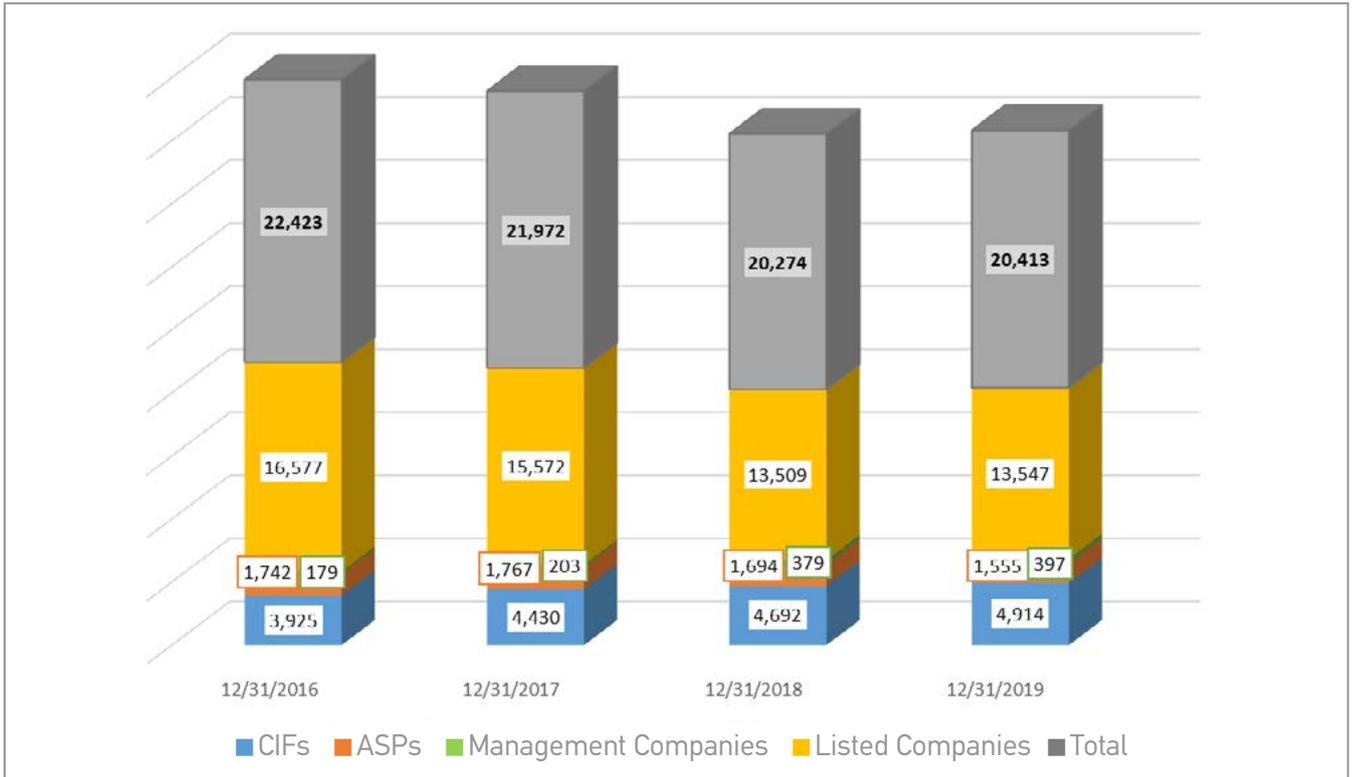


Regulated Entities as a percentage in 2019



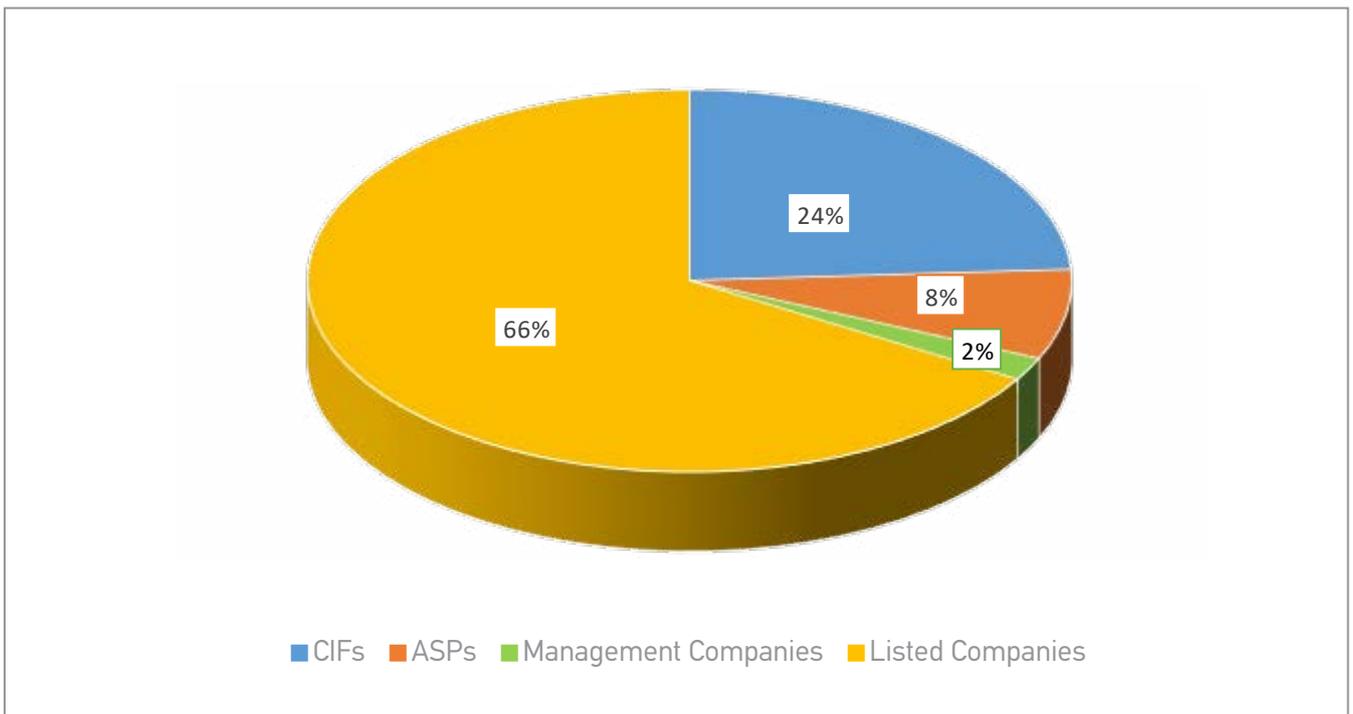
# THE REGULATED ENTITIES IN NUMBERS

## Number of employees



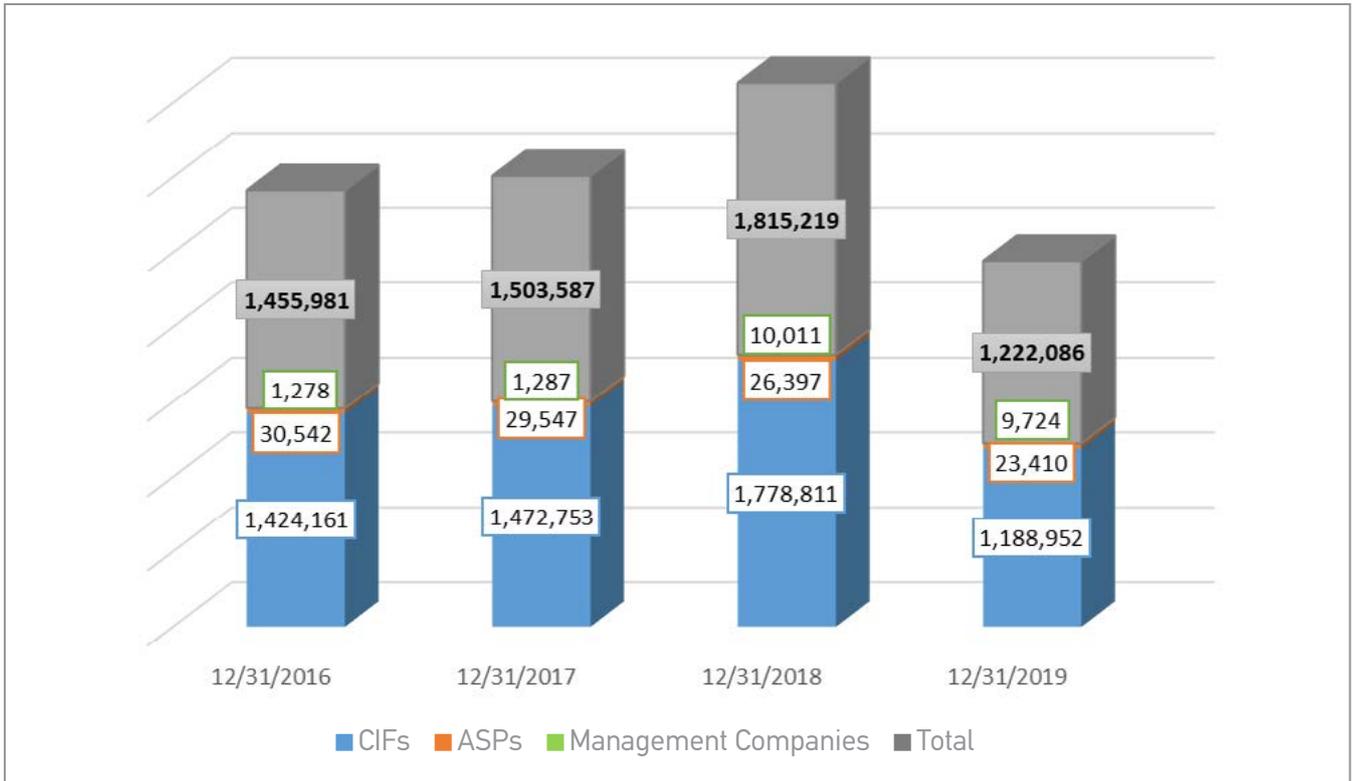
\*\* The number of listed companies only includes the employees of issuers who are listed on the CSE

## Number of employees as a percentage



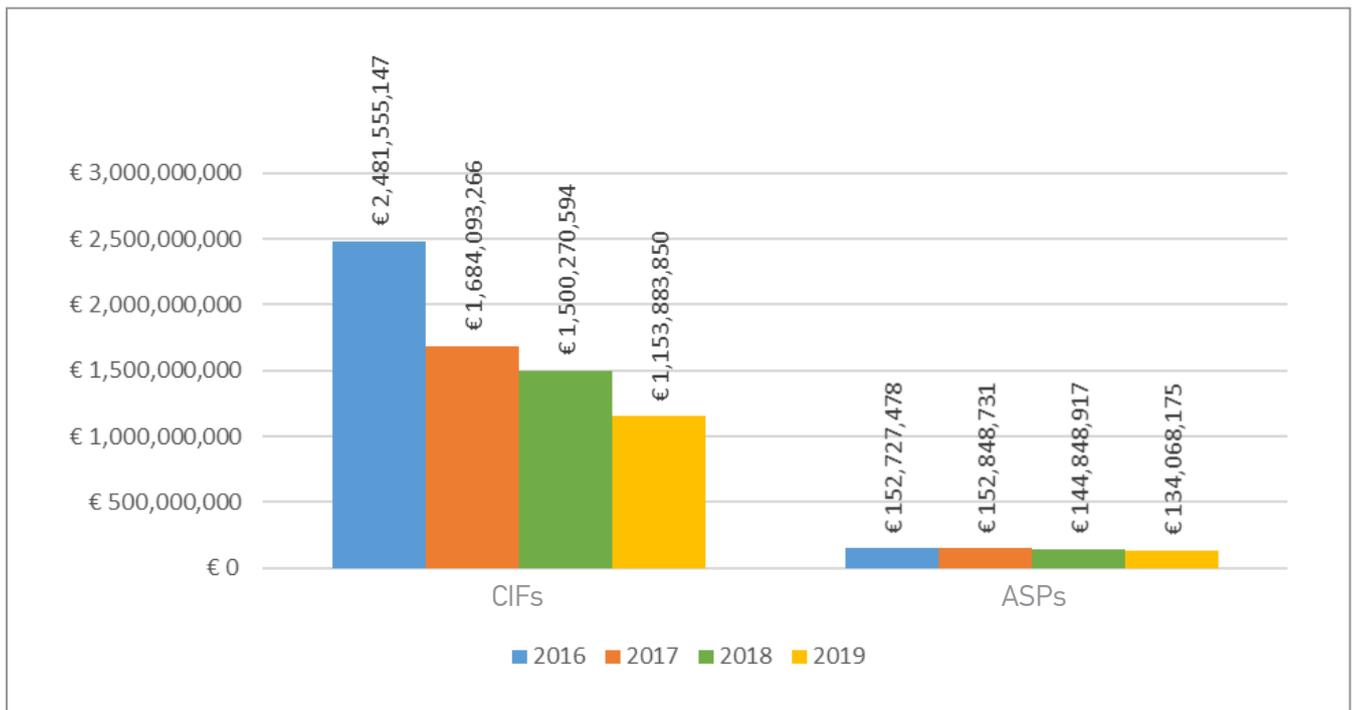
# THE REGULATED ENTITIES IN NUMBERS

## Number of clients



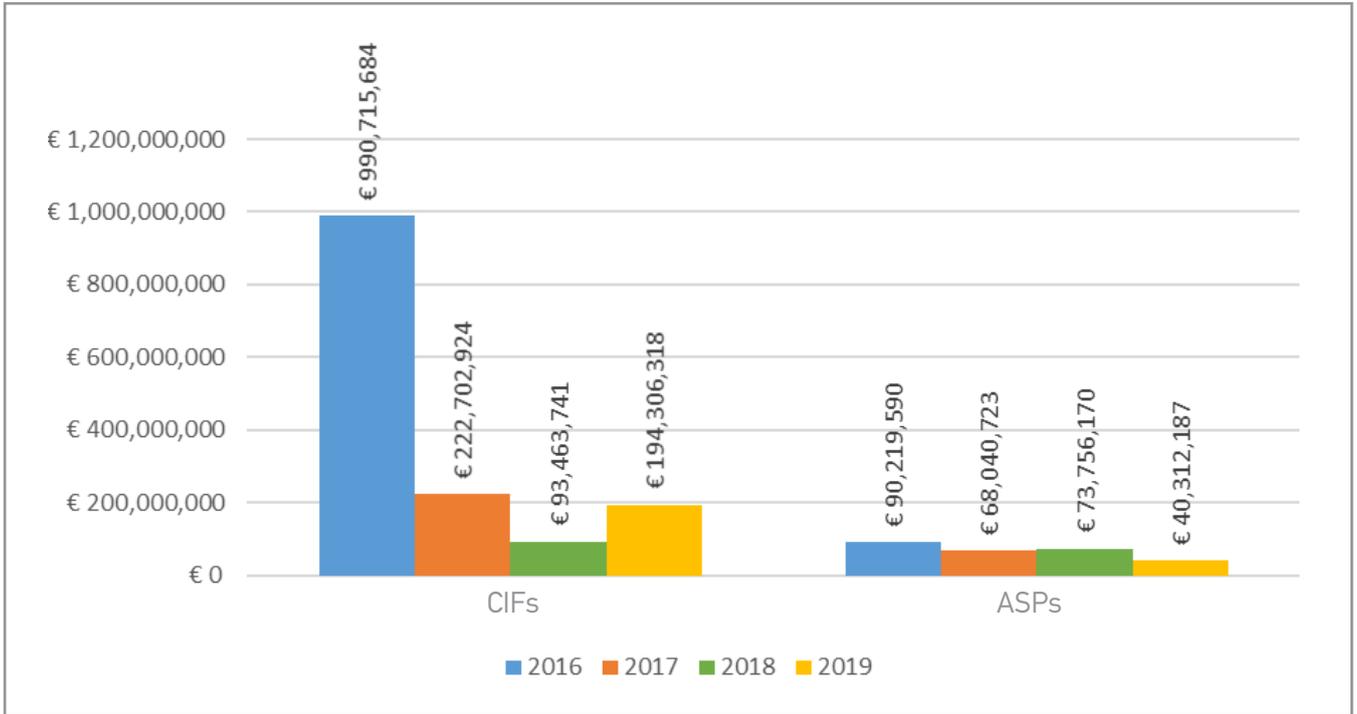
\* There is no available data for the companies listed on the CSE markets

## Turnover of CIFs and ASPs

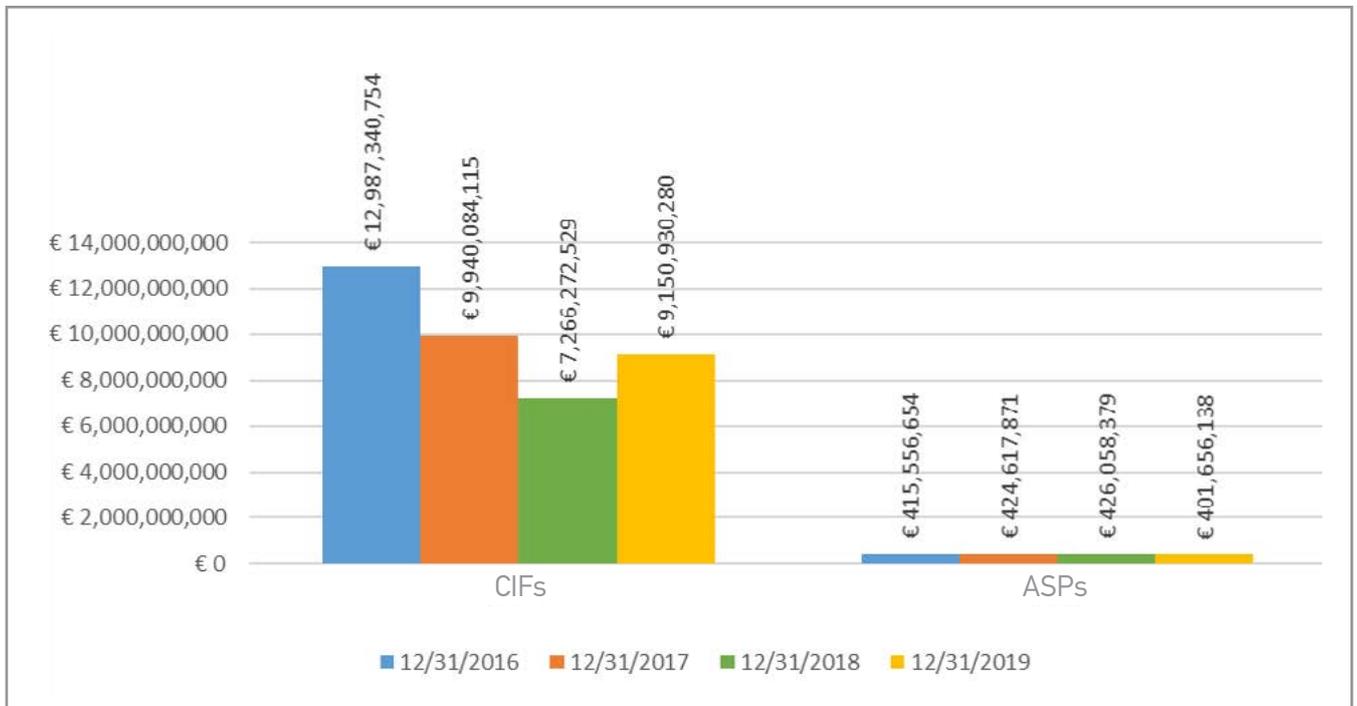


# THE REGULATED ENTITIES IN NUMBERS

## Net profit after tax of CIFs and ASPs

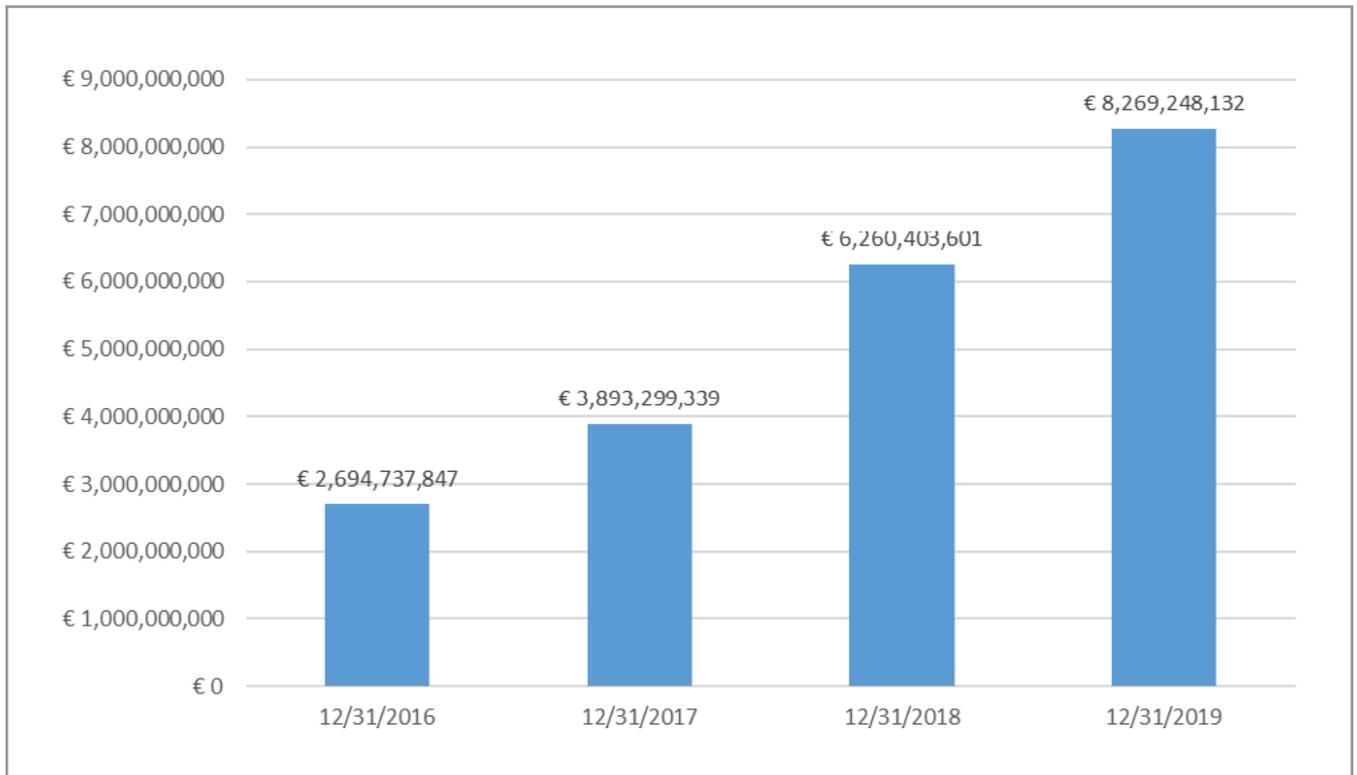


## Total assets of CIFs and ASPs



# THE REGULATED ENTITIES IN NUMBERS

## Assets under Management by Collective Investment Management Companies



1

# The Commission



The Cyprus Securities and Exchange Commission (CySEC) is an independent public supervisory authority, responsible for supervising the investment services market, the stock exchange market and the collective investments and asset management sector. Furthermore, it supervises businesses that provide administrative services, which do not fall within the remit of ICPAC or the Cyprus Bar Association.

## Vision

The vision of CySEC is to establish the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment.

## Mission

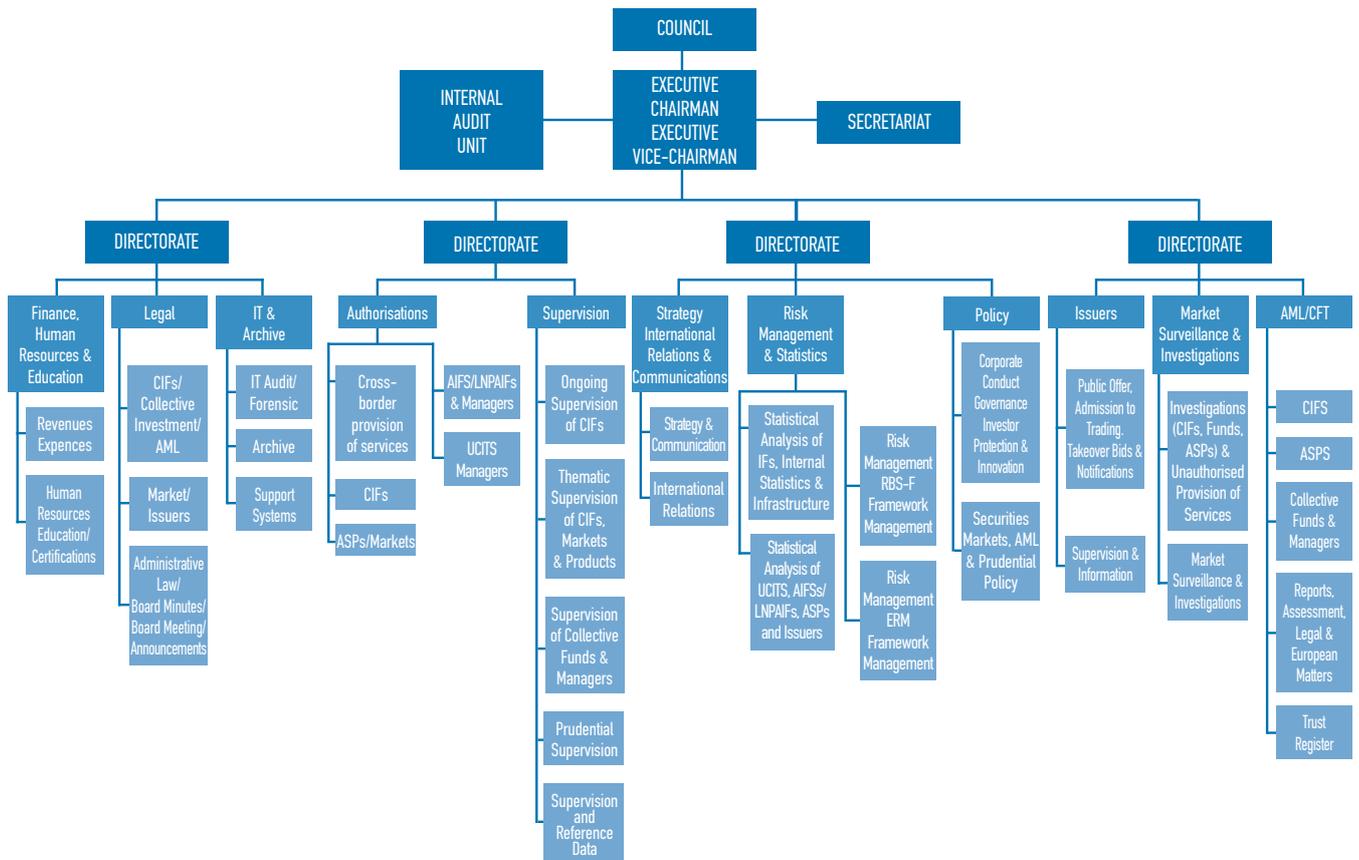
The mission of CySEC is to exercise effective supervision to ensure investor protection and the healthy development of the securities market.

## Responsibilities

Among other, CySEC's main duties and responsibilities include:

- Examining applications and granting operating licences to entities that are under its supervision, as well as suspending or revoking said licences.
- Supervising and auditing the operation of the Cyprus Stock Exchange and other organised markets in the Republic, and the transactions taking place therein.
- Supervising and inspecting the organisations under its supervision, to ensure their compliance with the law governing their operation.
- Carrying out investigations as part of exercising its legally mandated competencies, as well as on behalf of other foreign competent Authorities.
- Requesting and collecting information necessary or conducive to exercising its duties under the law, and requesting and demanding information in written form from any natural or legal entity or organisation deemed to be in a position to provide the required information
- Imposing any legally mandated administrative and disciplinary sanctions provided by the law.
- Demanding the cessation of practices which are contrary to the securities market laws.
- Applying to a competent court for the issue of an order for detention or charge or freeze or prevention of alienation, or transactions involving assets.
- Issuing regulatory Directives and Decisions.
- Cooperating and exchanging data and information with other public Authorities of the Republic, competent foreign supervisory Authorities and other organisations.

## Organisational chart



## Website

CySEC's website <https://www.cysec.gov.cy/el-GR/home/> includes information concerning CySEC and its work. Also, in the context of transparency for stakeholders and investors, the website features all the decisions of the CySEC Board, as well as the legislations, announcements, circulars, Press Releases and other documents prepared by CySEC's various Departments.

2

# The CySEC Board



## 2 THE CYSEC BOARD

CySEC is administrated by a seven-member Board, consisting of the Chairwoman and Vice Chairman, providing their services on an exclusive and full-time basis, as well as five non-executive members. All Board Members are appointed by the Council of Ministers, following a suggestion by the Minister of Finance. Board Members serve a five-year term which is renewable for five more years.



**Demetra Kalogerou**  
Chairwoman



**George Theocharides**  
Vice Chairman



**Anastasia Anastasiades**  
Member



**Theodoros Theodoulou**  
Member



**Evanthia Tsolaki**  
Member



**George Pitros**  
Member



**Spyros Ierotheou**  
Member

## Participation in meetings

In 2020, the CySEC Board convened 46 times.

Participation	%
Demetra Kalogerou	100
George Theocharides	100
Anastasia Anastassiades	100
Theodoros Theodoulou	89
Evanthia Tsolaki	96
George Pitros	100
Spyros Ierotheou	91

*\*Mr Theocharides was appointed as CySEC's Vice Chairman in July 2020, after Mr Andreas Andreou completed his term.*

Due to the pandemic, the vast majority of meetings between the Chairwoman and Vice Chairman in 2020 were held online. The Chairwoman and Vice Chairman participated in 24 online meetings with the European Securities and Markets Authority (ESMA). They held another 161 online meetings with other stakeholders and other individuals in Cyprus over matters that fall within CySEC's remit.

### 2.1 Audit Committee

The Audit Committee, which consists of non-executive CySEC Board members Theodoros Theodoulou (Chairman), Anastasia Anastassiades and Spyros Ierotheou, launched its operations on 1 January 2020. Throughout the year, the Audit Committee held eight meetings, some with physical presence and others via teleconference, due to the COVID-19 pandemic. The Chairman and two members were present at all the meetings. All of the Committee's decisions were submitted for approval to the CySEC Board's plenary.

### 2.2 CySEC's compliance with the Code of Public Governance

The Cyprus Securities and Exchange Commission ("CySEC") is an Independent Public Supervisory Authority, which must follow best governance and organisation practices, on the basis of the Code of Public Governance ("CPG"), so as to ensure transparency, accountability and equity, which in turn will help it be effective and viable.

CySEC follows practices and procedures geared towards establishing governance principles but also balancing the needs of all stakeholders, including staff, regulated entities, investors as well as other public, European and international organisations ("interested parties"). Furthermore, by implementing these practices, CySEC's aim is to ensure transparency and provide timely information, while also safeguarding the Board's relevant independence in its decision-making.

It is noted that CySEC is in the process of creating a Code of Governance, aiming to fully implement the principles of the CPG. The Code of Governance will incorporate all current governance practices and procedures, and when deemed necessary, be bulked up to bring it in line with the CPG.

CySEC's current governance structure is presented below, by CPG thematic unit.

#### 2.2.1 Organisational Values & Engagement with Stakeholders

All of the Departments were involved in preparing and agreeing on CySEC's Organisational Values, which have been approved by the Board. The values are announced to the staff and are incorporated in CySEC's approved

internal policies and procedures. In addition, the Strategic Plan, which includes CySEC's Vision, Mission and Values, is communicated to all new Board members. .

The Board is responsible for overseeing CySEC's operation and ensuring that these values are adopted by the heads of all the Departments.

The Strategic Plan also includes CySEC's annual targets and projects, which are based on the legitimate and reasonable needs and expectations of all stakeholders. CySEC submits proposals where it believes guidelines must be issued and communicates with the stakeholders regularly to hear their comments and views, to ensure the adequacy of existing regulations, including the relevant amendments, and/or create new regulations for the supervisory framework, as well as for the compliance of regulated entities and investors.

### 2.2.2 Vision, Mission & Strategy

CySEC's Strategic Plan is based on its Values and Vision. The Strategic Plan includes CySEC's annual targets and projects, taking into consideration its annual budget, as well as the annual review and future expectations of CySEC and the stakeholders.

The Strategic Plan is assessed and approved by the Board, which is responsible for monitoring its execution and ensuring its implementation by the Heads of Departments.

The Board reviews, discusses and re-approves the Strategic Plan wherever deemed necessary, going by developments in the securities market, and CySEC's current and future operating framework. The Departments' action plans and CySEC's available resources also dictate whether the Plan needs to be revised, to ensure its future sustainability.

### 2.2.3 Capacity-Building at CySEC

The Board ensures that the appropriate structures are in place when it comes to management and staff. CySEC follows the public service recruitment process, based on Law 123(I) of 2014 on the Evaluation of Candidates for Appointment in the Public Service, and applies the provisions of the regulations under the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I) / 2009) ("Law"), regarding recruitment. CySEC recruits staff based on the Strategic Plan and approved budget.

The Board has defined CySEC's organisational structure, which consists of the Heads of Departments as well as the independent Internal Audit Unit, in a way that ensures CySEC reaches its targets, based on the Strategic Plan.

CySEC implements staff recruitment, assessment and training procedures, to ensure that its staff have the skills required to implement the Strategic Plan. Any training needs are also identified during the annual staff performance assessments. The training needs are assessed by the Heads of Departments, who then organise specialised internal seminars, but also seminars by third parties, based on the Strategic Plan.

Furthermore, the Board is responsible for monitoring and ensuring the efficacy and adequacy of technology and data management. More specifically, the Strategic Plan lays out CySEC's needs and priorities when it comes to technology and data management, as these have been discussed and decided by the Heads of Departments in cooperation with the IT Department and approved by the Board.

### 2.2.4 Risk Supervision and Internal Audit

The Board is responsible, along with the Audit Committee ("AC") and the Risk Management and Statistics Department, for the supervision and risk management of CySEC.

More specifically, the AC is responsible for developing and maintaining a sufficient and effective internal audit

system, the financial information procedure, the independence and impartiality of the Internal Audit Unit and external audits, the effective operation of the Internal Audit Unit and CySEC's compliance with the recommendations of the Auditor General of the Republic. The AC informs the Board about any issues that are detected as a result of the audits, while it also receives authorisation to take the required actions so that CySEC can deal with them.

In addition, CySEC has implemented the Risk Based Supervision Framework (RBS-F), which is used to measure and mitigate the risks arising from Regulated Entities. The Board is briefed by the Heads of Departments on any important issues that arise, so they can be assessed and dealt with.

### 2.2.5 Supervision, Referral and Decision-making

Based on CySEC's internal procedures, the Board receives the following reports and information, in order to assess CySEC's performance:

- Annual report of the projects per CySEC Department,
- Annual report on CySEC's work over the preceding year and assessment based on the Strategic Plan,
- Budget report for the following year,
- Periodic Reports by the Audit Committee on matters it is looking into,
- Annual Report, which includes governance, the Departments' role and responsibilities, CySEC's annual activities relating to supervising and developing the sector, as well as corporate social responsibility activities and CySEC's responsibility to protect the environment,
- Annual audited financial statements by the Auditor General,
- Audit Office Report on findings following an audit, as well as relevant recommendations.

The Annual Report, along with the Annual audited financial statements, are uploaded on CySEC's website after being approved by the Board.

### 2.2.6 The Board's efficiency

By Law, the Board members are appointed by the Council of Ministers after being nominated by the Minister of Finance, and they must be trained in the money market and securities market. As part of the briefings given to new Board members, the Chairwoman has individual meetings with them and provides them with a detailed description of their duties and responsibilities stemming from the Law, prior to their participation in a Board plenary session.

By Law, any individual who takes up duties as a Board member signs a declaration of loyalty and confidentiality when carrying out their duties. The law also provides that any Board members' potential conflict of interest is dealt with.

### 2.2.7 Future plans

CySEC is in the process of implementing the following projects:

- Establishing an Enterprise Risk Management Framework, which provides for the creation of a Risk Register, relating to the internal and external risks facing CySEC, as well as the creation of a relevant mechanism that will identify, assess and manage said risks.
- Creating a Data Governance Framework, with the aim of optimising the way CySEC's Data is managed and upgrading the capacity to use and analyse it. The Activities Plan that will be prepared will be implemented gradually, through various projects in the coming years.
- Drafting a special action plan for the implementation of the National Strategy against Corruption.

# 3

## Development of the Sector



### 3.1 Authorisations Department

“The development and progress of the Cypriot securities market, by attracting new, healthy and robust financial organisations, remains one of CySEC’s primary objectives. The aim of the Authorisations Department is to ensure that new market entrants meet the requirements of the licensing legislation and that any substantive changes that arise after the operating licence is granted are in compliance with the Law governing the regulated entities’ operation.”

#### **Irene Spyrou**

*Head of Authorisations Department*

#### 3.1.1 Duties / competencies

The Authorisations Department is the first point of contact between regulated entities and CySEC, as is where applications for all types of operating licences that fall under the supervision of CySEC are submitted and assessed. It also examines issues that have to do with substantive changes that require CySEC’s approval. To this end, the Officers of the Authorisations Department monitor the compliance of regulated entities with their obligations in terms of substantive changes to their activities, their shareholder and organisational structure, as well as the exercise of cross-border activity. Furthermore, the Department’s officers investigate cases for possible breaches relating to substantive changes. The Department can be contacted via the email: [authorisations@cysec.gov.cy](mailto:authorisations@cysec.gov.cy)

#### 3.1.2 Reorganisation of the Department

The Authorisations Department has a flexible organisational structure, which can be adapted according to CySEC’s needs.

In 2020, the CIF/ASP sub-department was divided according to function. The division of functions took place at a mid-management level, with Officers reporting to the relevant Officer A’, who has the responsibility of monitoring the execution of the specific operation.

In the context of enhancing the assessment process when applications/notifications are submitted, an Investigation Unit had been established, with the aim of improving the efficiency of the assessment process for operating licences and notifications for substantive changes, as well as reinforcing CySEC’s supervisory role in the field of prudential supervision, as it enables it to identify issues that could potentially affect the suitability of individuals connected to regulated entities. However, due to the general understaffing of CySEC, the Investigation Unit did not operate in 2020. Nonetheless, when it comes to assessing the suitability of the nominated shareholders of companies applying for an operating licence or notifying share structure changes, we seek the assistance of the Investigations and AML Departments.

#### 3.1.3 Objectives for 2021

The Authorisations Department’s aim for 2021 is to proceed, in cooperation with the IT Department, with planning the following:

- Automation of CySEC’s request process, whether it concerns applications for an operating licence or substantive changes.
- Automation of the request process for the provision of cross-border services.
- Development of a system to keep the Authorisations Department’s statistical data on the requests it receives and processes.

## 3.1.4 The Department's operations

## 3.1.4.1 Review of applications for operating licences

Category	No. of applications submitted in:		No. of companies granted a licence in:		Conditional Licence / pre-approval		No. of rejections		No. of applications withdrawn by applicants	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
CIF	11	26	9	14	16	14	3	2	3	5
ASP	8	9	4	5	1	0	2	2	-	0
UCITS MC	0	1	0	0	0	0	0	0	-	0
UCITS	2	2	1	0	0	1	1	0	1	0
AIFM	9	8	9	5	4	0	0	0	1	1
RAIF	24	41	19 (listing)	41 (listing)	0	0	0	0	-	1
AIF (ext. Managed)	23 <sup>1</sup>	11	6	14	10	3	0	0	-	2
AIFLNP (ext. Managed)	8	1	6	5	2	0	0	0	-	-
Special Purpose Entities	1	0	2	1	1	0	0	0	-	0
AIF (int. Managed)	1	2	-	2	1	1	0	0	-	0
AIFLNP (int. Managed)	4	5	9	1	11	2	0	1	-	1

## 3.1.4.2 Personal interviews

Moreover, 260 personal interviews were conducted with Directors, AML Officers/Risk Managers/Portfolio Managers, from the date the Interview Panel was appointed.

Προσωπικές συνεντεύξεις ανά εποπτευόμενη οντότητα		
	2019	2020
CIF	114	179
ASP	18	21
AIF/AIFLNP/AIFM/UCITS/ UCITS Management Companies	54	60
<b>TOTAL</b>	<b>186</b>	<b>260</b>

<sup>1</sup> of which 14 requests were to turn an AIFLNP into an AIF

**3.1.4.3 Review of notifications for substantive changes by CIFs**

	2019	2020
Number of notifications to participate in a CIF that were reviewed by the CySEC Board	46	47*
Number of notifications to change a CIF's organisational structure that were assessed	224	160
Number of applications by a CIF to extend their operating licence, including applications to engage in other activities	41	19

\*Includes supplementary notes, where the Board asked for additional data

The above data show that the highest number of applications were for a CIF operating licence. Compared with 2019, there was a 136% increase in such applications in 2020, while the number of Notifications to participate in a CIF remained stable. Of the applications submitted in 2020, 4 related to Brexit. It is worth noting that in 2020, an interest was shown by individuals with no immediate connection to the investment services sector to participate in a CIF.

As for the Collective Investments sector, there appears to be a steady interest by investors to become active as Alternative Investment Fund Managers, while there is limited interest in UCITS Management Companies. There has also been an increase to the tune of 70% in listed RAIFs and a 47% reduction of applications for an AIF/ AIFLNP licence.

The number of applications for an Administrative Service Providers operating licence has remained stable for the past 2 years.

**3.1.4.4 Review of requests by CIFs for voluntary withdrawal of operating licence**

	2019	2020
Number of requests submitted to CySEC	12	12
Number of requests that were reviewed	16	10*

\* Includes 2 cases where CySEC did not decide to revoke the operating licence, as the procedure had not been completed.

**3.1.4.5 Review of requests for substantive changes to Undertakings for Collective Investment**

Notifications	Number	
	2019	2020
Change of Shareholders at internally-managed AIFLNP	6	8
Changes to AIFLNP's organisational structure	38	39
Conversion from internally-managed AIFLNP to externally-managed AIFLNP	4	-
Conversion of AIFLNP into an AIF	17 <sup>2</sup>	-

<sup>2</sup> 3 applications were officially submitted in early 2020

Notifications	Number	
	2019	2020
Compliance of AIF with the provisions of the Law	41	39
Conversion of internally-managed AIF into an externally-managed one	1	3
Change of AIF manager	3	6
Change of Custodian at AIF/RAIF	1	5

### 3.1.4.6 Review of requests to revoke the operating licence of Undertakings for Collective Investment

	2019	2020
To revoke the operating licence of internally-managed AIFLNPs	11	4
To revoke the operating licence of externally-managed AIFLNPs	5	6
To revoke the operating licence of internally-managed AIFs	1	0
To revoke the operating licence of externally-managed AIFs	4	1

### 3.1.4.7 Cross-border Activity

#### 3.1.4.7.1 CIF notifications

In 2020, the following CIF notifications were processed:

- CIFs that have used Outward Passporting
  - i) Free provision of cross border services

Notifications	2019	2020
CIFs that sent a notification for free provision of services to member states for the first time	28	28
CIFs that sent a notification for additional services, increase/reduction of financial instruments in member states	31	23
CIFs that sent a notification on changes to their contact details (address, telephone, fax, contact person)	70	35
CIFs that sent a notification on changes to their domains (addition of new one/removal of current one)	71	63
CIFs that sent a notification on changes to trading names	5	8
CIFs that sent a notification on the use of a tied agent, registered in the Republic, to provide cross-border services to member states	1	0
In order to suspend CIFs, notifications were sent to the member state in which the CIFs provide cross-border activities	7	8
Notification on the termination of the licence of CIFs that provide cross-border activities in member states	16	9

Notifications	2019	2020
Notification on the termination of the provision of services to a specific member state	5*	11
CIFs that sent a request for free provision of services to third countries*	66	43

Note:

\* CIF requests to provide services to third countries are not relayed, as the Law does not cover the provision of services to third countries; however, they can be processed (under Circular 256) provided the CIF presents a relevant licence from the third country's supervisory authority or a legal opinion, and the company is informed accordingly.

ii) Opening a CIF branch in a member state

In 2020, 11 notifications were sent to open a branch in a member state. Furthermore, 7 branches ended their operation, of which 5 were registered and 2 were in the process of being authorised by the competent member state.

iii) Appointment of tied agents in member states

Throughout 2020, 6 notifications were sent for the appointment of a tied agent. Additionally, 11 tied agents were terminated, of whom 8 were registered and 3 were in the process of being authorised by the competent member state.

iv) Appointment of tied agents registered in the Republic

In 2020, one CIF tied agent registered with the CySEC register in the Republic. Furthermore, 3 tied agents were terminated during the year.

v) Representative offices

In 2020, 2 requests were sent to establish CIF representative offices in member states.

## ■ IFs that used inward passporting

i) Free provision of cross-border services

	2019	2020
IFs that sent a notification for the free provision of services in the Republic for the first time	141	70*
IFs that sent a notification for an increase/reduction of investment services, increase/reduction of financial instruments, as well as contact detail changes	86	46
IFs that sent a notification for the use of a tied agent registered with a member state's register, for the provision of services by the agent in the Republic	8	7

Note:

\*The largest volume of notifications from IFs for the free provision of services in the Republic came from the following member states:

A/A	COUNTRY	No. of notifications in 2019	No. of notifications in 2020
1	United Kingdom	60	39
2	Germany	15	11
3	Ireland	19	5
4	France	6	5

ii) Establishment of IF branch in the Republic

During 2020, one request/application was received by an IF from a member state to establish a branch in the Republic. Furthermore, one member state's IF branch was terminated.

iii) Appointment of tied agents in the Republic

One (1) notification was received from an IF of a member state to appoint a Tied Agent in the Republic in 2020, which however was then withdrawn.

iii) Other operations

In 2020, the Notifications Unit took on an additional volume of work ahead of the end of the United Kingdom's transitional period (31 December 2020) and its exit from the European Union.

More specifically, the Notifications Unit was informed by CySEC-regulated entities whether they intended to make use of the UK's Temporary Permissions Regime (TPR), in order to continue to provide services in the UK following the end of the transitional period. The information received by the CIFs was processed and relevant archives were prepared for the CIFs that would make use of the TPR, so that CySEC's website could be updated accordingly following the UK's exit from the EU.

Furthermore, CySEC's counterpart supervisory authority in the UK, the Financial Conduct Authority (FCA), sent CySEC a file of CIF applications that it had received regarding the TPR, which led to further exercises/inspections.

### 3.1.4.7.2 Notifications by AIFMs and UCITS MC

In 2020, the following notifications were processed for AIFMs and UCITS MC:

#### Alternative Investment Fund Managers (AIFM)

(a) AIFMs of the Republic that have used outward passporting

#### Free provision of cross border services

	2019	2020
AIFMs of the Republic who sent a notification for the free provision of services in member states, including the distribution of AIF shares	5	7

Note:

*\*The highest volume of notifications by AIFMs of the Republic for the free provision of services in the European Union came from one member state:*

A/A	COUNTRY	No. of notifications	
		2019	2020
1	Luxembourg	3	3

(b) AIFMs of member states that have used inward passporting

#### Free provision of cross border services

Notifications*	2019	2020
AIFMs of member states who sent a notification for the free provision of services in the Republic, including the distribution of AIF shares	96	93

*Note:*

\* The notifications from AIFMs of member states for the free provision of services in the Republic came from the following member states:

A/A	COUNTRY	No. of notifications	
		2019	2020
1	United Kingdom	21	5
2	Luxembourg	37	47
3	Ireland	27	31
4	France	10	1
5	Sweden	1	2
6	Czech Republic	-	1
7	Malta	-	2
8	The Netherlands	-	3
9	Slovenia	-	1

#### UCITS Management Companies (UCITS MC)

(a) UCITS MC of the Republic that used outward passporting

#### Free provision of cross border services

Notifications*	2019	2020
UCITS MC of the Republic that sent a notification for the free provision of services in member states, whether to establish a branch, or under the free provision of services regime, including the distribution of UCITS shares.	3	3

*Note:*

\* The notifications by UCITS MC of the Republic for the free provision of services in the European Union, concerned the following member states:

A/A	COUNTRY	No. of notifications	
		2019	2020
1	Greece	2	2
2	Luxembourg	1	1

(b) UCITS MC of member states that have used inward passporting

Member state of origin of UCITS MCs	2019	2020
France	5	6
Luxembourg	9	9
Lichtenstein	1	1
Greece	6	6
Italy	1	1
Ireland	3	4
United Kingdom	1	1
<b>Total</b>	<b>26</b>	<b>28</b>

#### Notifications by foreign UCITS to distribute their shares in the Republic Foreign harmonised UCITS

Number of foreign harmonised UCITS	2019	2020
Single scheme UCITS	5	5
Umbrella scheme UCITS	33	32
<b>Total</b>	<b>38</b>	<b>37</b>

The foreign UCITS in 2020 mainly originated from Luxembourg and Ireland.

The total number of sub-funds to umbrella schemes increased to 412 in 2020, from 363 in 2019. The number of CySEC-registered Agents rose to 19 in 2020, compared with 16 in 2019.

#### 3.1.4.8 Supervisory Coordination Network (SCN) for companies relocating from the UK because of Brexit

The Supervisory Coordination Network that was set up to handle cases of companies withdrawing from the UK because of Brexit, completed its work at the end of 2020. The Network was created in May 2017, with the main objective of promoting common approaches and practices by all national supervisory authorities, when it came to cases where UK entities wished to relocate and/or move their activities or operations to another member state of the European Union, because of the United Kingdom's withdrawal from the Union (Brexit).

Throughout the year, CySEC participated in four of the Network's meetings, represented by Officers of its Authorisations and Supervision Departments, who presented three new cases of Investment Firms that relocated/moved their activities to the Republic.

## 3.2 Policy Department

*“The COVID-19 pandemic has brought about significant changes to the way that humanity functions, while also affecting how the financial markets function, making it imperative to strive for innovation and sustainable investments. As we remain dedicated to our goal of establishing and fine-tuning supervisory regulations, and with investor protection and healthy market growth in mind, we have prioritised the Policy Department’s actions, taking the new global reality imposed by the pandemic into account”.*

### **Marios Nearchou**

Head of Policy Department

#### 3.2.1 Duties / competencies

The Policy Department is responsible for forming CySEC’s broader policy, with the aim of protecting investors and ensuring the healthy growth of the financial sector. The Department analyses market practices and the adequacy of existing regulations and where necessary, it proposes the issuance of guidelines for the compliance of regulated entities with the supervisory framework, or ways to amend existing national regulations and/or create new national regulations.

The Department also has an active role in the policy-making process at a European level, either through its direct participation in relevant working groups, or through internal consultations with the CySEC representatives that participate in the European Securities and Markets Authority (ESMA) working groups. In particular, it is actively involved in processing and issuing technical standards, guidelines, Q&As and other supervisory convergence tools. Furthermore, through the Department, CySEC participates in the working groups of the Council of the European Union where European regulations are adopted, when deemed appropriate by the Republic’s government departments.

The Policy Department is also responsible for supervising and coordinating the operations of the Innovation Hub. The Department can be contacted via the email: [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy)

#### 3.2.2 Objectives for 2021

The Department’s objectives for 2021 include, among other, promoting the following actions:

- Issue the relevant Policy Statement, on finalising the regulations for the process of identifying customers remotely through innovative methods, in collaboration with the Legal Department and the AML Department.
- Issue a factsheet on the actions of CySEC’s Innovation Hub.
- Create an Information Hub on Brexit and prepare relevant Q&As
- Create informational material on sustainable financing.
- Represent the Republic in European Council working groups to enact regulations on cryptoassets.
- Participate in national initiatives on the use of Distributed Ledger Technology (DLT).
- Manage inquiries sent to the Innovation Hub, which due to the COVID-19 pandemic is expected to continue to operate online.
- Manage inquiries by market participants.
- Carry out a study and submit proposals on the potential replacement of Directive 131-2014-02 with a new

Directive, which will also include provisions on RAIFs, based on the Law on AIFs, which invest via loans.

- Carry out a study and submit proposals to the CySEC Board regarding the use of websites.
- Participate in various studies carried out by ESMA regarding, inter alia, ways of improving the regulatory framework for investment services, technology and innovation.
- Look into the possibility of enacting regulations on safeguarding clients' funds.
- Carry out a study into establishing a sanctions policy at CySEC.
- Complete examining the UCITS Directives to identify any issues that potentially need to be revised, in cooperation with the Legal Department and the Authorisations Department.
- Participate in actions on a European and national level relating to Innovation and Financial Technology.

### 3.2.3 Department's operations

#### 3.2.3.1 Keeping track of important developments affecting the sector

In 2020, the Department studied the impact from the United Kingdom's exit from the European Union and took a series of initiatives to ensure a smooth transition to the new era.

Furthermore, it studied the European initiatives on sustainable financing and a department representative participated in the decision-making forums.

#### 3.2.3.2 Innovation Hub

Since it was established in 2018, the Innovation Hub has become a channel of communication between CySEC and innovative businesses, facilitating the exchange of information and views on emerging financial and regulatory technologies. By operating the Innovation Hub, CySEC aims to reinforce the knowledge that regulated and non-regulated entities have on these technological applications, as well as on the implementation of the regulatory framework.

In 2020, the Department issued a progress report on the activities of the Innovation Hub over the previous year, and managed inquiries submitted through the Innovation Hub, which continued its operations online due to the COVID-19 pandemic.

#### 3.2.3.3 Crowdfunding

The Policy Statement and Directive on Crowdfunding were issued in early 2020. More detail is provided in the Legal Department's operations chapter.

In 2020, a representative of the Department participated in finalising the European Regulations on Crowdfunding that will apply across the entire European Territory. Regulation (EU) 2020/1503 on European Crowdfunding Service Providers is expected to come into effect in November 2021. The regulation enacts common requirements for the provision of crowdfunding services on European Territory and lays out the way in which such service providers function as well as the way they are set up, authorised and supervised.

#### 3.2.3.4 Contact with other Authorities

The Policy Department is in regular communication with the European authorities, national authorities and state organisations on matters that pertain to CySEC's policy.

Throughout 2020, officers from the Department participated in the national initiatives on the use of Distributed Ledger Technology (DLT). They also participated in activities related to Innovation and Financial Technology, at European as well as national level.

In addition, the Department's officers responded to a multitude of questions submitted by market participants to the department regarding CySEC's current policy on issues that fall under its mandate.

### **3.2.3.5 Other operations**

In 2020, Policy Department officers provided assistance to draft the supervisory framework for Administrative Service Providers to Fund Managers. They also participated in the enactment of a national Law on the operation of Investor Compensation Funds.

At the same time, the possibility of replacing Directive 131-2014-03 with the corresponding new Directive, which will also include provisions on RAIFs, in line with the AIF Law, who invest using loans, was considered in cooperation with the Legal Department and Authorisations Department. The Department's officers further participated in transposing the provisions of the 5th anti-money laundering Directive, for service providers in virtual currencies, in cooperation with the Legal Department.

Meanwhile, in cooperation with the Legal Department and the Authorisations Department, the Directives on UCITS were examined in order to identify any issues that needed to be revised.

The Department also issued a Consultation Paper on forming a regulatory framework to reinforce the process of remote customer identification using innovative methods, in cooperation with the Legal Department and the AML Department.

### 3.3 Legal Department

*“The modernisation of the regulatory framework governing the securities market is among CySEC’s top priorities. CySEC’s Legal Department closely monitors all the legislative developments at a European level and by enriching the regulatory framework with a series of new and harmonising legal regulations, investor protection is ensured, along with the uninterrupted operation and growth of the market.”*

**Elena Michaelidou**

Officer A’ of Legal Department

#### 3.3.1 Duties / Competencies

The duties of the Legal Department mainly include the monitoring and drafting of legislation concerning the securities market, the preparation and submission of proposals to amend the legislation with a view to improve and bring it up to date, and maintaining a record for CySEC’s cases that are pending in court.

Also, it monitors, coordinates and cooperates with CySEC’s external lawyers and supports the CySEC Board in a secretariat capacity (taking meeting minutes, recordkeeping, archiving decisions, preparing announcements on decisions, etc.). It also provides legal support for CySEC (internal advice to CySEC and revision of documents), prepares advice/answers to the questions submitted to CySEC, and handles the harmonisation of Cyprus’ legislation with the EU. The department can be contacted via the email: [legal@cysec.gov.cy](mailto:legal@cysec.gov.cy)

#### 3.3.2 Objectives for 2021

In 2021, the Legal Department intends to make further improvements to the institutional framework, such as prepare and publish the Directive on the Register of Express Trusts and Similar Legal Arrangements and the Directive on Crypto-Asset Service Providers, which stem from the adoption of an amendment to the Prevention and Suppression of Money Laundering Law, which in turn harmonises national legislation with Directive (EU) 2018/843, and other harmonising draft laws.

#### 3.3.3. The Department’s operations

##### 3.3.3.1 Legislation

###### Crowdfunding

CySEC issued the Directive on the Provision of Crowdfunding Services in Respect of Transferrable Securities, on 17 January 2020.

CySEC’s Directive exclusively concerns equity-based crowdfunding (i.e. shares or securities) and not lending-based, reward-based or donation-based crowdfunding. Stakeholders come into contact through crowdfunding service providers, who act as intermediaries and use electronic systems to match small and medium-sized enterprises that need financing, with investors interested to invest in them.

At European level, on 20 October 2020, Regulation (EU) 2020/1503 on European Crowdfunding Service Providers for Business was published in the Official Journal of the European Union. The Regulation enacts common requirements for the provision of crowdfunding services, the operation, organisation, authorisation and supervision of such service providers, as well requirements for transparency and marketing communication when it comes to providing these services in the European Union. The Regulation applies for crowdfunding bids of up to €5,000,000.

### The Small Alternative Investment Fund Managers Law (Mini-Managers)

CySEC prepared and promoted the national legislation on the regulations and operation of sub-threshold alternative investment fund managers, pursuant to the Alternative Investment Fund Managers Law of 2013 (L.56(I)/2013).

The Small Alternative Investment Fund Managers Law of 2020 (L.81(I) of 2020) was then published in the Cyprus Government Gazette, on 3 July 2020. The law provides that alternative investment fund managers (AIFMs) must be authorised by CySEC in order to manage AIF investments, whose assets do not exceed the threshold set in L.56(I)/2013; that is €1,000,000,000 for assets acquired through use of leverage or €500,000,000 for unleveraged assets.

Furthermore, pursuant to its powers provided in L.81(I)/2020, CySEC went ahead and published the following two Directives geared at improving the Law's implementation:

- Directive DI81-01 on the Fees Payable and Annual Contributions of Small AIFMs, which was published in the Cyprus Government Gazette on 31 July 2020 and concerns the fees payable and annual contributions that will be paid to CySEC, and
- Directive DI81-02 on the Procedures Regarding Authorisation of Small AIFM in the Republic, which was published in the Cyprus Government Gazette on 7 August 2020 and sets out the information and documentation that need to be submitted to CySEC for a Small AIFM licence to be granted in the Republic.

### The Cyprus Securities and Exchange Commission Law

On 13 November 2020, Law 152(I)/2020 was published in the Cyprus Government Gazette, amending the Cyprus Securities and Exchange Commission Law of 2009 to 2019, as regards the CySEC's Board meetings via teleconference.

More specifically, with the amendment, provisions of L.73(I)/2009 were aligned with those provided in the General Principles of Administrative Law on the conduct of meetings by administrative bodies via teleconference or other systems.

Furthermore, CySEC prepared and is promoting an amendment to the Cyprus Securities and Exchange Commission Law on issues related to the establishment of its Board, which is expected to be implemented in 2021.

### Recovery of Investment Firms and Other Entities under the Supervision of CySEC (Amending) Law

In 2020, a Draft law was prepared in cooperation with the Supervision Department aimed at:

- Harmonising with Directive (EU) 2019/879 of the European Parliament and Council of 20 May 2019, which amended directive 2014/59/EU on the ability of credit institutions and investment firms to absorb losses and recapitalise, and directive 98/26/EC,
- Improving harmonisation with Article 61.3 of the European Union treaty, entitled "Directive 2014/59/EU of the European Parliament and Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012",
- Improving harmonisation with Article 1.2 of the European treaty, entitled "Directive (EU) 2017/2399 of the European Parliament and Council of 12 December 2017 amending directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy".

The draft Law was voted into law by the House of Representatives in May 2021.

### Prevention and Suppression of Money Laundering Law

In cooperation with the Ministry of Finance, Central Bank of Cyprus and the Unit for Combating Money Laundering, CySEC is preparing a draft law to amend the Prevention and Suppression of Money Laundering Law, to harmonise with Directive (EU) 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

In the section that concerns CySEC, the upcoming amendments are important because:

- A Beneficial Ownership Register of Express Trusts and Similar Legal Arrangements will be created and managed by CySEC.
- A Crypto-Asset Service Providers register will be created and kept by CySEC, which will become liable entities and will be subject to the obligations of AML Law, with their operation and distribution of their products being subject to CySEC supervision.

### The Investment Services and Activities and Regulated Markets Law

On 5 May 2020, L. 44(I)/2020 was published in the Cyprus Government Gazette, amending the Investment Services and Activities and Regulated Markets Law in order to harmonise with article 64(5) of Directive 2019/2034 on the prudential supervision of investment firms (IFD).

Furthermore, in 2021, amendments to the Investment Services and Activities and Regulated Markets Law of 2017, are expected to be forwarded, in order to harmonise with:

- Directive (EU) 2019/878, which amends Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, earnings, supervisory measures and powers and capital conservation measures,
- Directive (EU) 2019/2034 as regards the prudential supervision of investment firms (IFD),
- Directive (EU) 2019/2177, amending directive 2009/138/EC, directive 2014/65/EU and directive (EU) 2015/849, as well as,
- Directive 2020/1504 amending directive 2014/65/EU, so that legal entities that are licensed to provide crowdfunding services based on Regulation (EU) 2020/1503 are exempted from the Law.

### The Alternative Investment Funds Law

CySEC has prepared and will forward an amendment to the Alternative Investment Funds Law, which will provide CySEC with the ability – in cases where the Republic's market conditions impact on the ability to comply with the deadlines established by the specific Law and/or directives issued pursuant to this Law – to extend these deadlines.

### Draft Law – The Administration Services of Investment Fund Administrators Law

CySEC is drafting a legislation that will regulate entities engaged in providing services for the management of alternative investment funds, which is expected to be forwarded within 2021.

Based on the existing institutional framework, the administrator – who is licensed and fully supervised by CySEC – has the right to assign the provision of services relating to the management of collective investment firms to third parties. By introducing the new institutional framework, the function of providing services relating to the management of collective investment firms must be executed by the licensed and CySEC-regulated entity.

The aim of the new legislation is to create a prudential supervision regime for the companies that provide these services, thus ensuring a climate of trust and appropriate investor protection.

### Draft Law re the Reporting of Infringement

CySEC is promoting a draft law that will regulate the reporting of complaints, infringements or possible infringements of its regulatory framework, by an individual to the Commission directly as well as by employees to their employers, who are CySEC-regulated.

The need to prepare the draft law arose from the European regulatory framework, which now mentions the obligation of member states to regulate the reporting of infringements.

### The Alternative Investment Fund Managers Law

CySEC, in cooperation with the Ministry of Finance, is promoting an amendment to the Alternative Investment Fund Managers Law, so as to harmonise with:

- Directive 2019/1160 as regards the cross-border distribution framework (CBDF) for undertakings for collective investment, and
- Directive 2019/2034 as regards the prudential supervision of investment firms (IFD).

Directive (EU) 2019/1160 and the relevant Regulation (EU) 2019/1156 on the Cross Border Distribution of Funds, simplify the procedures for notifying the competent authorities of another member state, as well as the distribution and advertising regulations in the case of cross-border distribution by UCITS and AIF.

### The Open-Ended Undertakings for Collective Investment (UCI) Law

CySEC, in cooperation with the Ministry of Finance, is promoting an amendment to the Open-Ended Undertakings for Collective Investment Law, so as to harmonise with:

- Directive 2019/1160 on the cross-border distribution of undertakings for collective investment (CBDF),
- Directive 2019/2034 on the prudential supervision of investment firms (IFD), and
- Directive 2019/2162 on the issuance of covered bonds (CBD).

Beyond the harmonising amendments, an amendment to the law has been drafted and promoted that will provide CySEC with the ability to extend any deadlines, in the event that the market conditions in the Republic impact on the ability to comply with any deadline provided in the specific Law and/or regulations issued pursuant to this Law, which however are not provided in the European Union acts that are harmonised in the Law.

### The Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law

The Commission is promoting a draft law aimed at the more precise implementation and improvement of Law 190(I)/2007, so that:

- Any references to abolished laws/European directives in Law 190(I)/2007 are replaced with those that apply currently,
- The issuer is obliged, when publishing any “privileged information” pursuant to Regulation 596/2014, to also submit them to the Commission.
- It is clarified that the obligation to disclose the acquisition/distribution of own shares concerns only the issuers of shares that have been admitted to trading on a regulated market.

### Draft Law– The Capital Adequacy Law

In 2021, a law is expected to be promoted to re-harmonise with Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms. The aim is to implement Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, and to harmonise with articles of Directive (EU) 2019/878, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, earnings, supervisory measures and powers, and capital conservation measures.

The objective of the new law is to enact regulations regarding:

- Access to the activity of CIFs,
- Supervisory powers and tools for the Commission's prudential supervision of CIFs,
- The Commission's prudential supervision of CIFs, in a way that is compatible with Regulation (EU) No. 575/2013,
- The Commission's disclosure requirements, as regards the prudential regulation and supervision of CIFs.

It is noted that the relevant provisions of Directive 2013/36/EU were transposed into national law, specifically the Investment Services and Activities and Regulated Markets Law of 2007 (L. 144(I)/2007), and even though the specific Law was abolished, these specific provisions remained in force, pursuant to a transitional provision in Law 87(I)/2017, until their re-harmonisation.

#### **Draft Law – The Prudential Supervision of Investment Firms Law (IFD)**

In 2021, the Prudential Supervision of Investment Firms draft law will be promoted, to achieve harmonisation with articles of Directive (EU) 2019/2034 regarding the prudential supervision of investment firms (IFD) and to implement Regulation (EU) No. 2019/2033 regarding the prudential supervision requirements for investment firms.

The aim of the new legislation is to enact regulations regarding:

- CIFs' initial capital,
- The supervisory powers and tools for the Commission's prudential supervision of CIFs,
- The Commission's prudential supervision of CIFs, in a way that is compatible with Regulation (EU) No. 2019/2033, and
- The Commission's disclosure requirements, as regards the prudential regulation and supervision of CIFs.

#### **Institutional framework of the Investor Compensation Fund**

In 2021, legislation is expected to be promoted to re-harmonise with directive 97/7/EC, regarding the investor compensation systems.

At present, the provisions transposing Directive 97/9/EC exist in the Investment Services and Activities and Regulated Markets Law (L.87(I)/2017), as well as Directive DI 87-07 of CySEC on the Operation of the Investor Compensation Fund. Once the new legislation comes into effect, the relevant provisions contained in Law 87(I)/2017 will be abolished.

### **3.3.3.2 Regulations and Directives**

#### **Directive for the Prevention and Suppression of Money Laundering Activities (AML Directive)**

CySEC amended the Directive on the Prevention and Suppression of Money Laundering Activities, and it was published in the Cyprus Government Gazette on 26 February 2020. It now:

- Specifies that the Internal Audit Department's report and the relevant minutes of the CySEC-regulated entities' meeting must be submitted within twenty-one (21) days from the relevant meeting, and no later than four months from the end of the calendar year,
- Gives CySEC the discretion to extend deadlines, in cases where market conditions in the Republic impact on the ability to comply with any deadlines set in the specific Directive.

### Directive for the Certification of Persons and Certification Registers

CySEC promoted two amendments to the Directive on the Certification of Persons and Certification Registers, with the aim of improving and better implementing it. The relevant regulatory administrative acts were R.A.D. 73/2020 and R.A.D. 353/2020, which were published in the Cyprus Government Gazette on 21 February 2020 and 7 August 2020 respectively. Primarily, based on the new amendments:

- CySEC can authorise the appointment of an individual who is not registered with the Certification Register, without its decision being limited to just “exceptional cases”.
- Deputy AML compliance officers must be certified as compliance officers for such matters.
- The time required to apply for a change/cancellation of the exam prior to the set date of the exam is reduced from 8 to 5 working days.
- An exception is provided for individuals registering for the first time with one of the Registers, so that they are not required to complete their professional training hours within the first year of registration.
- There are no restrictions on re-registering an individual with one of the Registers, if said individual has been struck off.

### ICF Directive

CySEC promoted an amendment to the ICF Directive (DI87-07), which was published in the Cyprus Government Gazette on 9 February 2020, as R.A.D. 154/2020, enabling CySEC to:

- Extend any deadlines provided in the Directive in cases where, due to special market conditions in the Republic, the Fund’s members are unable to meet the provided deadlines.
- Impose an extraordinary contribution on ICF members, on the basis of the latest available audited statement of eligible funds and financial instruments, instead of on the basis of eligible funds and financial instruments in the immediately preceding year.

### CySEC Directive for the Extraordinary Measure of Suspension of Obligations relating to the Financial Statements of Financial Entities

In line with the Emergency Measures by Financial Institutions and Supervisory Authorities Law of 2020, CySEC issued a Directive (R.A.D. 177/2020), which was published in the Cyprus Government Gazette on 29 April 2020. It laid out the implementation method and duration of the extraordinary measure suspending the obligations of issuers, ASPs, UCITS, AIFs, Mini Managers and UCITS management companies to prepare, submit and announce their financial results for the year 2019.

### Directive for the Beneficial Ownership Register of Express Trusts and Similar Legal Arrangements

Following the adoption of an amendment to the Prevention and Suppression of Money Laundering Law to harmonise with Directive (EU) 2018/843, CySEC intends to issue a Directive regulating matters that have to do with the Beneficial Ownership Register of Express Trusts and Similar Legal Arrangements. Indicatively, it will regulate:

- The way in which the Register will function, be managed, maintained, updated and revised,
- The time required to apply to register on the Register, the information that must be included in the registration form, as well as the relevant procedure to be followed,
- The conditions for a registration form to be approved or rejected,
- The procedure and timeframe for notifying on any changes to the data that was submitted upon registration, and
- The conditions under which an express trust’s registration is suspended.

### Directives on Crypto-Asset Service Providers

Following the adoption of an amendment to the Prevention and Suppression of Money Laundering Law in order to harmonise with Directive (EU) 2018/843, CySEC intends to issue a Directive regulating matters that have to do with Crypto-Asset Service Providers (CASP). Indicatively, it will regulate:

- The way in which the CASP Register will function, be managed, kept, updated and revised,
- The conditions for a registration form to be approved or rejected,
- The operational and organisational requirements for CASPs,
- The obligations of individuals who hold an administrative position at the CASP, and
- The obligations of the individuals who are beneficiaries in the CASP.

### Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

As of 21 July 2019, Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (Prospectus Regulation), which was published in the Official Journal of the European Union on 30 June 2017, was fully implemented.

Regulation 2017/1129 lays out the requirements for the drawing up, approval and distribution of the Prospectus distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a Member State, repealing the provisions of Directive 2003/71/EC (Prospectus Directive).

The aim of Regulation 2017/1129 is to facilitate companies' access to more diverse sources of capital anywhere within the European Union, offer investors additional opportunities to utilise their funds and achieve the more efficient functioning of the markets. The objective of this Regulation is to ensure investor protection while also improving the domestic capital market.

In view of the full implementation of Regulation 2017/1129, which now governs the relevant regulatory framework, a law is expected to be promoted in 2021 to replace the Public Offer and Prospectus Law, which will incorporate the powers afforded to CySEC by the specific Regulation and include provisions on the obligation to prepare a prospectus.

### Batch of Regulations on Sustainable investments

Another important regulation that has been completed and will gradually come into effect starting March 2021, is the batch of Regulations on sustainable investments, which takes into consideration the Paris Agreement on climate change, as well as the EU's action plan for the financing of sustainable development. More specifically, what is sought is to reorientate capital flow towards financial products that are focused on sustainable investments.

The batch consists of three Regulations. The first two Regulations were already published, back in December 2019. The first Regulation (2109/2088) on sustainability-related disclosures in the financial services sector, concerns the information and regulations that need to be kept by financial market participants when they create financial products, as well as financial advisors when providing investment advice to investors regarding such products. This Regulation will start enter into force on 10 March 2021.

The second Regulation (2019/2089) – the amended Benchmark Regulation – lays out the EU reference indexes and specifically the "Climate Change Performance Index" and the "EU Paris-aligned Benchmark". The indexes' managers must publish detailed information for investors, on whether and to what extent an overall degree of alignment with the goal of reducing carbon emissions or achieving the objectives of the Paris Agreement is being achieved. As we know, the Paris agreement aims to contain the increase of the average global temperature to well below 2°C – compared with pre-industrial levels – and to continue

efforts to limit the temperature increase to 1.5°C, compared with pre-industrial levels. The Regulation has already come into effect.

On 22 June 2020, the third and final Regulation in the batch of legislative measures for sustainable investments was published. Regulation (EU) 2020/852 regards enacting a framework that facilitates sustainable investment and amending Regulation (EU) 2019/2088. The Regulation completes the batch of measures and lays out the criteria by which a financial activity is considered environmentally sustainable. These criteria will apply in all member states, so as to lift any obstacles hindering the operation of the domestic market, as regards the concentration of capital for sustainable projects, as well as to avert the emergence of future obstacles in such projects. The Regulation is being implemented gradually; some provisions come into effect on 1 January 2022 and the rest on 1 January 2023.

### 3.3.3.3 Communication with regulated entities/investors/stakeholders

In 2020, the Legal Department received a series of queries by market stakeholders, investors, lawyers, auditors and other individuals, on issues related to laws that were passed. The laws that gathered the most queries can be seen in the table below.

Law	No. of requests
Investment Firms Law (IFs)	55
Administrative Service Providers Law (ASPs)	31
Laws on Collective Investments	120
Other laws	55

### 3.4 Strategy, International Relations and Communications Department

*“Our Department is called upon, through CySEC’s strategic planning, to carve out the entire Commission’s direction, ensuring all its people have clear targets and that their actions are in line with its vision and mission. At the same time, as the international capital markets’ degree of interconnection and interdependence increases, the role of International Relations becomes heightened and acquires a leading role; both in forming the regulations that govern financial activity along with the other Regulators, as well as in supervising entities with ever-increasing geographical scope. In this highly internationalised environment, our Department is also responsible for ensuring CySEC’s work is properly communicated to all stakeholders and audiences, including the broader public, whose financial education – also among the Department’s responsibilities – is proving to be a substantive contributor to its protection, acting as a supplement to supervision.”*

**Liana Ioannidou**

*Head of Strategy, International Relations and Communications Department*

#### 3.4.1 Duties / competencies

The Strategy, International Relations and Communications Department has a vital role in CySEC’s operation and reflects CySEC’s public image, on a local as well as European and international level. The Department’s responsibilities have increased significantly over the past few years, mainly as a result of the capital market’s growth and the internationalised nature of CySEC-regulated entities.

The Department is divided into three sub-departments: a) Strategy, b) International Relations and c) Communications. It is responsible for CySEC’s strategic planning, its international relations, internal and external strategic communication, and promoting CySEC’s work, as well as educating the public on matters relating to the capital market and securities investment services.

It is also responsible for providing support to the CySEC Chairwoman and Vice-Chairman, as well as the Commission’s other departments, on the matters mentioned above.

#### 3.4.2 Objectives for 2021

In 2021, the Department will continue to oversee the implementation of CySEC’s strategic planning and ensure that its work is properly communicated. Emphasis will be given to continuing and deepening CySEC’s cooperation with its counterparts abroad, as part of its supervisory role, as well as to forming legislative regulations governing financial activity on a European level, through its participation in the various ESMA committees and working groups. At the same time, the Department will look into new initiatives and collaborations to enhance the financial literacy of the public.

#### 3.4.3 The Department’s operations

##### 3.4.3.1 Strategy

##### Strategic Planning

CySEC implements a multiannual strategic plan for the major projects it takes on, with its Vision and Mission in mind. The strategic planning includes the preparation of a multiannual (3-5 years) Strategic Plan covering the entirety of CySEC, which is updated in a way that reflects the progress achieved in the various projects, as well as the addition of new projects, depending on developments.

The preparation of a robust Strategic Plan, which is a responsibility of the Strategy, International Relations and Communications Department, is of vital importance for the Commission. It is a map that shows the growth of the Commission itself and its environment. On the one hand it offers the Commission's individual departments and working groups the chance to outline future projects that will add value to their own operations and work, and hence the Commission's, and on the other, it aligns all interested parties with the strategic priorities.

The Strategic Plan is prepared following a review of the Cypriot capital market's needs and data, and its aim is to direct the daily operations and big projects that are being implemented under CySEC's remit.

Throughout the year, the Department updated CySEC's Strategic Plan, in line with developments and progress in various sectors/operations/projects.

#### **Managing CySEC's public image**

The Department is responsible for the correct and fair promotion of CySEC's work, strategy-wise, and makes recommendations to CySEC's chairmanship, which contribute to the capital market's growth and progress, and to attracting new healthy and robust financial organisations. Furthermore, it seeks out and explores new ways of showcasing CySEC's work. In 2020, the Department managed a number of such issues.

#### **Information and communication with decision-making centres**

The Department facilitates communication with state officials, various organisations and stakeholders, with the aim of upgrading and modernising CySEC's operation, as well as developing and progressing the capital market, and attracting new healthy and robust financial organisations. In 2020, the Department prepared a number of documents and letters for such matters.

### **3.4.3.2 International Relations**

#### **Providing assistance and exchange of information**

Given that cross border cooperation and exchange of information between supervisory authorities is very important and necessary when it comes to executing its supervisory role, as enacted by the European Directives and Regulations, CySEC attaches great significance to its cooperation with the supervisory authorities of other countries. In 2020, the Department closely cooperated with counterpart supervisory authorities from other EU member states and third countries and has handled 502 requests for two-way assistance and exchange of information. In 2020, there were 371 incoming and 131 outgoing requests.

#### **Representing CySEC abroad**

In 2020, the Department represented CySEC both in permanent committees/working groups and top-level ESMA and IOSCO meetings, such as the ESMA BoS, ESMA SCSC, IOSCO ERC, and IOSCO GEMC. In 2020, a total of 34 meetings took place (2 with physical presence and 32 via teleconference).

#### **Signing of protocols and memoranda of cooperation**

In 2020, CySEC signed a bilateral Memorandum of Understanding and Cooperation (MoU), as well as an MoU regarding Alternative Investment Fund Managers (AIFM MoU), with the corresponding supervisory authority of Astana, Kazakhstan, the Astana Financial Services Authority (AFSA). The signing of the MoU will boost cooperation between the two supervisory authorities, with the aim of facilitating the exchange of information and technical expertise. The agreement is essentially the framework by which CySEC and AFSA will be able to carry out investigations into potential law violations relating to the securities market, in a more efficient way. The two Authorities will cooperate closely to ensure the integrity of their markets, investor protection and the sound growth of the supervised markets' securities.

To date, CySEC has signed 22 bilateral MoUs, 51 MoUs with supervisory authorities outside of the EU, based on the European Directive for Alternative Investment Firm Managers (AIFM), while it is a co-signatory to the Multilateral Memorandum of Understanding of ESMA and IOSCO. Furthermore, CySEC signed the Multilateral Memorandum of Understanding between the European Supervisory Authorities and the Financial Conduct Authority in the United Kingdom, in the event of a no-deal exit of the UK from the European Union, as well as the Multilateral Agreement between the European Central Bank and the national competent authorities on the exchange of information as regards the prevention of money-laundering and terrorist financing.

The signing of MoUs between CySEC and the competent supervisory authorities or other agencies abroad, creates the framework and procedures for close interstate cooperation which facilitates the exchange of information between the parties, for the better supervision of transactions and activities in the capital markets sector. At the same time, a framework is created to promote the exchange of expertise, know-how and best practices, which will help broaden and strengthen supervisory procedures and practices. Furthermore, these memoranda are an affirmation of the mutual spirit of cooperation between the supervisory authorities and other agencies abroad, as well as of our extroverted economies, thus contributing towards increasing the productive business ties between Cyprus and other countries, to the benefit of the national financial markets.

### 3.4.3.3 Promoting CySEC's work

#### Presentation of the national legislative and supervisory framework

As part of its role to develop the capital market, CySEC cooperates with the Cyprus Investment Promotion Agency (CIPA), supporting its work to promote Cyprus abroad as a reliable investment destination, while it also cooperates with other state and private bodies.

More specifically, the CySEC Chairwoman and Vice-Chairman participate as speakers in important conferences organised in Cyprus and abroad, presenting the regulatory and supervisory framework that governs the Cypriot capital market.

In 2020, due to the COVID-19 pandemic and its outbreak in Cyprus, all conferences and other events that required physical presence in Cyprus and abroad, were postponed after March. Along the way, many of these were carried out online with the use of various special platforms. As a result, 22 speeches and presentations were prepared in 2020 for a series of events in Cyprus and abroad, which the Chairmanship participated in. Their agenda had to do with the institutional framework of the Cypriot capital market and other current issues that were of interest to the Sector's stakeholders.

Furthermore, informative material and statistical data were prepared and forwarded to public organisations and authorities in Cyprus and abroad in 33 cases, to inform them about the activities and work of CySEC.

### 3.4.3.4 Informing the public and other stakeholders

With the aim of informing and protecting investors, as well as informing all other market stakeholders and the broader public, CySEC issued a significant number of Press Releases that were also posted on its website and concerned, inter alia, developments on new legislative regulations or directives on the capital market, new investment products and the imposition of sanctions or other decisions by the CySEC Board.

Furthermore, announcements/notices directed at investors were at times posted on CySEC's website, urging them to be especially careful and always ensure that the company they are in contact with is licensed by CySEC to provide investment services within or from the Republic.

CySEC also issued warnings to investors that individuals were falsely pretending to be CySEC officers or representatives and contacting investors asking them to submit payments in exchange for supposedly

recovering losses they suffered. CySEC used these warnings to remind investors that it never contacts investors or the public to ask for personal, financial or other information, nor does it have the authority to receive payments for any purpose by private investors, nor does it authorise anyone to do so on its behalf. CySEC is not involved in any way in collective actions, compensation schemes, payments between natural or legal persons, public or private organisations.

In addition, a series of interviews and articles by CySEC's Chairwoman are published each year, with the aim of informing the public about the Commission's activities and work. Media representatives are also provided with statements or informative material. More specifically, in 2020, around 115 documents were prepared, including articles, interviews, statements, Press Releases, announcements and information for the media.

### 3.4.3.5 Presentation of CySEC's annual work

In March 2021, a press conference was held at CySEC's offices, in line with the relevant health protocols, during which the Commission's Chairwoman presented CySEC's work in 2020, developments in the sector and the objectives for 2021. The conference was attended by a significant number of financial reporters from various media, who provided broad coverage of the event.



### 3.4.3.6 The CySEC website

The Department, in cooperation with other CySEC departments, monitors and edits, when necessary, any material that is published on CySEC's website. During the reference year, it edited/reviewed 375 documents, including announcements, decisions, circulars, notices and others, which were then posted on CySEC's website. In addition, it edited CySEC's statistical bulletins.

Also in 2020, due to the pandemic, a special section was created on the CySEC website to keep investors, regulated entities and other stakeholders up to date with the latest developments. The Department gathered all of the material and in coordination with the IT Department, posted it on CySEC's website.

### 3.4.3.7 Strategically important events

The Department is responsible for organising and coordinating the major and strategically important CySEC events. As part of CySEC's competencies and the contact it needs to maintain with the market and primarily the entities it regulates, it organises events aimed at informing them on the latest developments, but also

relaying CySEC's determination to continue its efforts to further develop the investment services sector and establish Cyprus as an international financial centre. No events were organised in 2020, primarily due to the measures imposed to prevent the spread of COVID-19.

#### 3.4.3.8 Educating the public

The smooth functioning of the financial sector and investor protection are ensured, not just by preparing an excellent legislative and regulatory framework, but also by each investor's ability to assess the risks and returns of the various investment options.

European and international organisations have repeatedly highlighted the need to educate the public on basic financial literacy, including on the capital market. However, studies in various EU member states, including our country, show there is a very high level of financial illiteracy in the general population. Beyond the benefits for the individuals themselves, financial education also has important benefits for society and the economy.

The Cyprus Securities and Exchange Commission (CySEC) has repeatedly called for a national strategy to tackle financial illiteracy in Cyprus. CySEC encourages the public's education on capital market issues in a number of ways, and has itself taken a series of actions to this end.

Among other, CySEC took the following actions:

- It has a special section on its website dedicated to investors, where informative material and notices issued by CySEC or other countries' supervisory authorities are posted.
- At times, it carries out island-wide studies to determine the public's level of knowledge on financial matters, with emphasis on issues related to the capital market and investing in securities.
- It issued an Investor Guide presenting the public's rights when investing.
- It carried out seminars and lectures on basic financial literacy in all cities, which were open to the public.
- It contributed to the revision of the Upper Secondary Education's (Lyceum) syllabus for Commercial Studies on capital market issues, after being asked by the Ministry of Education.
- It regularly publishes informative articles and warnings to investors, in newspapers, financial magazines and websites.
- It participated in World Investor Week in 2019, which was a global campaign organised for the third time by IOSCO, with the aim of promoting education and protecting investors.
- It participated in secondary education career days, to inform and educate young people about CySEC, its competencies and the sector it supervises.
- It participates in conferences and workshops on financial literacy, where CySEC encourages other stakeholders to take initiatives to promote financial education, who it also may seek to partner up with to promote joint actions.

#### Submission of specific proposals to carve out a national strategy

In 2020, CySEC participated with its Vice Chairman in a meeting of the House Committee on Education and Culture, where "The need to enact a national strategy to deal with financial illiteracy in Cyprus" was discussed. It submitted a Memorandum listing CySEC's positions and also participated in the Ad Hoc committee that was then set up, under the coordination of the Central Bank of Cyprus, to examine the matter and submit suggestions on how to reinforce financial education and address financial illiteracy in Cyprus.

#### 3.4.3.9 Social responsibility actions

Aware of the positive impact that responsible voluntary action by organised bodies can have on society,

CySEC's long-term strategy encourages and supports its staff to participate in social contribution actions, which are part of a comprehensive programme aimed at combining the personnel's awareness, active support and commitment towards their social responsibility.

Despite the challenges caused by the COVID-19 pandemic when it came to organising social responsibility actions, CySEC staff participated in the following actions throughout the year:

- €400 donation to the "Anemoni" Day Centre for Children, which was founded by the Pancyprian Association for the Protection of Spastic and Disabled Children
- €100 contribution to the Pancyprian Association for children with cancer and related diseases "A Dream A Wish", Agia Skepi Therapeutic Community, which supports drug addicts in their rehabilitation and social reintegration, the "Thermokitida Agapis" foundation, which is a continuation of the Association of Friends of the Neonatal Intensive Care Unit, and a non-profit organisation that cares for and supports the families of premature babies.
- Following the tragic events in Lebanon on 4 August 2020, CySEC's staff gathered and delivered supplies to the Cyprus Red Cross, so they could be sent to support families in Lebanon.
- Due to the restrictive measures to prevent the spread of the COVID-19 pandemic, the annual internal Christmas bazaar took place online, under the title "CySEC Xmas Online Charity Bazaar", the proceeds from which provided direct support of €1,000 to the Anti-Cancer Association, Europa Donna and the Karaiskakio Foundation. CySEC's Xmas Online Charity Bazaar was included in the Activities Programme for the Pancyprian Volunteerism Coordinating Council's Volunteerism Week, which lists the voluntary actions that are carried out during Volunteerism Week in Cyprus.

In 2020, CySEC continued its longstanding policy of recycling materials that are used in big quantities, such as paper, plastic and batteries, with the aim of helping save energy and raw materials, as well as reducing the volume of its waste and their impact on the environment.

Furthermore, CySEC follows all the proposed measures/instructions issued by the Energy Service of the Ministry of Energy, Commerce and Industry, as well as the Cyprus Energy Foundation. The provisions included in the tenders CySEC opens for the purchase environmentally-friendly products are also relevant.

### 3.5 Financial Services, Personnel and Training Department

*“The Financial Services, Personnel and Training Department provides significant support to CySEC on multiple levels. CySEC’s smooth operation depends on the Department’s work, particularly when it comes to compiling the Commission’s budget, public procurements, human resource management, certification matters as well as other multifaceted issues. Our Department’s aim is to assist the Commission in achieving its strategic planning, providing it with all the necessary means. However, the biggest challenge in 2020 was having to deal with and manage the extraordinary conditions brought on by the coronavirus pandemic. With proper organisation and in cooperation with the other Departments, we managed to immediately shift CySEC’s operation to remote working and protect our staff from the virus spreading within the organisation.”*

#### **Costas Angastiniotis**

Head of Department

#### 3.5.1 Duties / competencies

The duties of the Administration and Personnel Department are divided into two pillars. The first involves preparing the Commission’s budget, monitoring its revenue and controlling its expenditure, public tendering and procurement, managing equipment and building facilities, book-keeping and keeping the records of the personnel’s Provident Fund and Welfare Fund.

As for the second pillar, the Department’s competencies include – among other – keeping the Personnel Regulations, investigating CySEC’s staff needs and filling vacancies, including new vacancies in the annual budget, promotions, managing secondment procedures, preparing circulars on various personnel matters, carrying out annual and interim assessments, implementing the group healthcare plan and Gesy, as well as matters relating to human resource management, such as implementing CySEC’s culture strengthening programme.

In addition, the Department is responsible for the personnel’s training, by organising seminars and educational programmes depending on their needs, as well as organising seminars that are mainly directed at individuals registered on the Public Register.

Furthermore, the Department is responsible for organising exams for the certification of individuals involved in IFs, Credit Institutions, Management Companies and Variable Capital Investment Companies, and for maintaining the Public Register of Certified Persons. The Department may be contacted via the email: [hr@cysec.gov.cy](mailto:hr@cysec.gov.cy)

#### 3.5.2 Objectives for 2021

The Financial Services, Personnel and Training Department, in cooperation with other CySEC departments, will continue to look into how to change its pricing policy, which was initially implemented for CIFs. The preparation of the plan to change CySEC’s pricing policy to include other regulated entities was interrupted due to problems that arose in the economy, as a result of the pandemic.

It is worth noting that CySEC will launch exams in 2021 for the certification of professionals who provide information to individuals wishing to receive investment services. CySEC keeps a relevant Register, in line with the Directive on the Certification of Persons and the Certification Registers (R.A.D. 44/2019).

Furthermore, the Department also plans to upgrade its system for managing certified persons, so as to offer those who wish to take CySEC’s certification exams, but also persons who have already been certified, the ability to create a user code and submit their requests to CySEC electronically, through the system.

The procedure to recruit new officers will also be completed within the new year, after it was postponed due to the government’s restrictive measures on people’s movement in 2020. Furthermore, a new procedure to hire assistant

clerical officers is expected to be launched, to fill the vacancies that couldn't be filled in 2020.

Due to the increase in the Department's staff, manuals will be prepared clearly listing the procedures that must be followed, to better organise its operations.

The human resource management programme is also expected to enter into force in 2021, first with the implementation of the annual leave management function. The programme was piloted in 2020, following the new working regime brought on by the pandemic. As such, the necessary amendments were made to the programme to support this new situation.

The department will place special emphasis on implementing the programme to reinforce CySEC's culture. Through the programme, the aim is to pinpoint the sectors where there's room for improvement, such as staff administration. Also, the Department's goal for 2021 is for its staff to go through special training on matters of better organisation, performance and communication.

### 3.5.3 The Department's operations

#### 3.5.3.1 CySEC personnel

As of the end of 2020, CySEC employed seven (7) Senior Officers, 23 Officers A', 54 Officers, four (4) Clerical Officers and 25 Assistant Clerical Officers.

Two Officers and one Assistant Clerical Officers left CySEC during the year. At the same time, two Human Resource Officers, two IT officers and four Assistant Clerical Officers were hired.

Given CySEC's need for more human resources and pursuant to The Transfer of Cyprus Stock Exchange Personnel to the Cyprus Securities and Exchange Commission Law of 2015 (L.126(I)/2015), two Assistant Clerical Officers on an indefinite contract were transferred from the CSE to CySEC, and given a permanent contract.

CySEC's personnel by Department is presented in the following table.

DEPARTMENT	PERSONNEL
Financial Services, Personnel and Education	13
Legal	5
IT and Operations	10
Authorisations	22
Supervision	18
Strategy, International Relations and Communications	8
Risk Management and Statistics	8
Policy	3
Issuers	7
Market Surveillance and Investigations	9
AML	11
Internal Audit Unit	3
Chair Support / Reception	2
<b>TOTAL</b>	<b>119</b>

### 3.5.3.2 Representation abroad

#### Permanent Representation of the Republic in Brussels

At the end of 2020, an Officer A' of the Strategy, International Relations and Communication Department was seconded to the Permanent Representation of the Republic of Cyprus in Brussels (Financial Services Attaché), to monitor and handle financial issues that fall within CySEC's remit, as well as other issues at the various committees that have to do with financial services and other matters of a technical nature.

As of 1 August 2018, an Officer has been seconded from the Office of Electronic Communications & Postal Regulations, in line with the Law on the Secondment of employees from the Public Sector and Public Law Bodies of 2017 (L47(1)17).

Participation in the European Securities and Markets Authority (ESMA)

CySEC's Administration and Personnel Department participates in the ESMA committee, which is responsible for developing a common culture and cooperation amongst the EU member states' supervisory authorities.

This group continued to develop the training policy for CySEC's staff.

### 3.5.3.3 Educating CySEC personnel and professionals at regulated entities

#### 3.5.3.3.1 Staff training

CySEC ensures the continuous training of its personnel through seminars organised either internally by CySEC, or through its personnel's participation in various selected seminars and conferences, both in Cyprus and abroad. CySEC also participates in the eLearning program offered by ESMA.

In 2020, due to the pandemic, internal seminars were only held on special issues, based on the Departments' needs.

The Department's officers participated in seminars on computer operation, word/excel expertise and Professional Customer Service. The Department's officers also attended seminars on issues of their concern, which were organised internally at CySEC with the aim of improving the compliance of regulated entities. Furthermore, a number of other internal seminars were held, which were directed at the personnel of various CySEC Departments, depending on each Department's competencies and fields of interest.

#### 3.5.3.3.2 Certification & professional training of professionals at regulated entities

In 2020, 168 certification exams were held, with 2,114 persons registering to take them. Of those, 47% registered to take the Compliance Officer exam, 46% the upgraded exam and 7% the basic exam. Of those who took the exams, 1,120 were successful.

At the end of 2020, there were 3,708 people registered with CySEC's public register and 619 with the Compliance Officers Register.

In 2020, amendments were made to improve the Directive on the Certification of Persons and the Certification Registers R.A.D. 44/2019.

#### Improving the compliance of regulated Organisations

As part of the amendments that CySEC has implemented and with the aim of improving the regulated entities' compliance with the law, CySEC now obliges persons registered on the public registry to submit information on their Continuous Vocational Training in order to remain registered.

To this end, CySEC holds seminars for the regulated entities, as well as lectures that are open to the public. During these seminars and lectures, any changes to the legislative framework governing the sector and

any new laws are presented, while explanations are given on the basic legal provisions and the regulated entities' obligations, resulting from these changes.

Through these seminars, CySEC helps improve the certified persons' level of knowledge on the latest developments and changes to the institutional framework, reinforce the specialised professional knowledge of certified persons in specific investor service provider sectors and reduce the risk of the regulated entities failing to comply with their legal obligations.

In 2020, CySEC organised and held 14 seminars online. The seminars were joined by 278 individuals, of whom the majority were registered professionals of the field, or professionals who were interested in becoming registered on CySEC's certified persons registry.

The new European Market Abuse Regulation and the institutional framework governing Collective Investment Firms and their managers were among the topics discussed during these seminars, while there was also an analysis of issues relating to financial innovation.

CySEC had been planning to hold other seminars as well, with physical presence; however, this was not possible due to the restrictive measures that were announced by the Government to prevent the spread of the pandemic.

### 3.5.3.3 Compliance officers' exams on preventing money-laundering and terrorist financing

The Department also worked intensively to complete the procedures in order to make it feasible to launch, in February 2020, the exams for certifying compliance officers on matters that have to do with preventing money-laundering and terrorist financing, which concerns all individuals who wish to work at CySEC-regulated entities.

Once they pass their exams, these individuals must register on CySEC's registry for AML compliance officers and each year, they must keep their knowledge up to date through continuous vocational training.

### 3.5.3.4 Other work

In 2020, CySEC complied with Law L89(I)/2019 on Electronic Invoicing in Public Procurement and is hence now technically prepared to receive and process invoices electronically.

CySEC recognises the importance of training, both when it comes to its staff as well as the public. And so, by continuously improving its activities, in 2020, it was certified as a Vocational Training Centre by the Cyprus Human Resources Development Authority (HRDA). The certification is affirmation of the quality of the training seminars that CySEC has been organising for years.

Beyond its regular activities, the Department also closely monitored the developments surrounding the pandemic and the decrees issued by the Government for restrictive measures, taking the necessary actions and coordinating the other departments to ensure the Commission's smooth and uninterrupted operation.

## 3.6 Internal Audit Unit

*“Through its work, the Internal Audit Unit aims to ensure CySEC’s smooth, effective and efficient operation. Having the necessary authority and independence required to execute its role, the Unit acts as a supplement and is a substantial ally in achieving the organisation’s goals.”*

### **Maria Savva**

*Head of Internal Audit Unit*

### 3.6.1 Duties / competencies

The Internal Audit Unit’s main competencies include the provision of independent, objective assurances and advisory services in relation to the Commission’s operations. The Unit’s mission is to function in a supplementary manner to achieve the Commission’s objectives, through the adoption of a systematic and disciplined approach, for any needs the Unit assesses, suggesting ways to improve the efficiency of risk management procedures, the internal control system and governance.

### 3.6.2 Objectives for 2021

In 2021, the Internal Audit Unit plans to bring CySEC in line with the Code of Public Governance. The Council of Ministers decided on 25 July 2019 (decision no. 87.869) that all public organisations will implement the principles of the Code of Public Governance. CySEC is obliged to comply with these principles.

# 4

## Supervision of the market and compliance of regulated entities



## 4.1 Supervision Department

*“Supervising financial sector participants is one of CySEC’s main competencies, with the ultimate aim of ensuring the smooth operation of the market and protecting the investing public. In this continuously changing investment environment, CySEC follows a comprehensive approach to prevent, manage and resolve future problems that may arise for market participants.”*

### **Eftychia Georgiou**

Head of Supervision Department

#### 4.1.1. Duties / Competencies

The Supervision Department is responsible for monitoring the compliance of CySEC-regulated entities with their legal obligations. More specifically, it monitors the compliance of CIFs, their branches and tied agents with their supervisory and regulatory obligations when providing investment services, including their compliance with capital adequacy requirements. The Supervision Department also monitors the compliance of the CSE and securities depository with their ongoing obligations. Furthermore, it monitors the compliance of AIFMs and the AIFs they manage as well as MC UCITS and the UCITS they manage with their legally-mandated obligations, including their branches and AIF and UCITS networks. The Supervision Department is divided into five teams, as follows:

- Team for the Ongoing Supervision of CIFs
- Team for Thematic Supervision of CIFs, Markets and Products
- Prudential Supervision Team
- Team for the Ongoing Supervision of Funds and Fund Managers
- Team for the Supervision of Reporting and Data Analysis

The Department can be contacted via email at: [supervision@cysec.gov.cy](mailto:supervision@cysec.gov.cy)

#### 4.1.2 Objectives for 2021:

In 2021, the Supervision Department will continue to carry out its work. As it comes to CIFs, it will focus on the following:

- The smooth transition of CIFs from the current prudential framework to the new prudential framework (IFD/IFR), which enters into force in June 2021.
- Supervising the compliance of high-risk and medium-high-risk CIFs with their legally-mandated obligations, by carrying out relevant inspections.
- Supervising the compliance of a sample of medium-high risk and low-risk CIFs with specific legally-mandated obligations, by carrying out inspections.
- Carrying out thematic inspections on a sample of CIFs, regardless of their risk classification, or ad-hoc inspections, regarding the following obligations/requirements:
  - Supervision of products, including the requirements for the preparation of a basic information document for investors
  - Assessment of the compatibility requirements of the services/products offered to clients
  - Information addressed to clients, including marketing communications
  - Transparency of transactions

- Inducements and remunerations requirements
  - Cost and charges requirements
  - Best execution requirements
  - Governance requirements
  - Clients' money requirements
  - Risk management procedures
  - Transaction reporting obligations, and
  - National intervention measures in relation to the placing, distribution and sale of financial contracts on disagreement (CfDs).
- Monitoring their compliance with the transaction reporting requirements, as provided in the Regulations MiFIR, EMIR, CSDR, STFR, Securitisation and AIFM.
  - Monitoring their compliance with capital adequacy requirements, capital requirements (Pillar I and II requirements – ICAAP) and the publication of relevant information (Pillar III requirements).
  - Inspecting the CIFs' recovery plans.
  - Issuing guidelines, circulars and forms to help CIFs comply with their legal obligations.
  - Examining and upgrading the regulatory and supervisory framework governing CIFs' operation.
  - Examining the growth of the capital market to include new sectors/products, such as the provision of cryptocurrency services, and the use of Distributed Ledger Technologies (blockchain).
  - Active participation in committees, in Cyprus and abroad, which define the regulatory framework governing CIFs.
  - Automation/Improvement of the functions and procedures of the Department for more effective supervision.

When it comes to supervising Management Companies & Undertakings for Collective Investments, the Department's planning includes the following:

- Monitoring their compliance with their legal obligations, with emphasis on the requirements for costs and charges, the requirements for calculating the net value of assets under management, organisational requirements, the conflict-of-interest requirements, and minimum asset collection requirements.
- Examining and upgrading the regulatory and supervisory framework governing the operation of Management Companies & Undertakings for Collective Investments.
- Issuing guidelines and circulars to assist the regulated entities in complying with their legal obligations.
- Active participation in committees, in Cyprus and abroad, which define the regulatory framework governing the regulated entities.
- Automation/Improvement of the functions and procedures of the Department for more effective supervision.

### 4.1.3 Supervision Department's Operations

#### 4.1.3.1 Inspections

Directive on the Certification of Persons and the Certification Registers R.A.D In 2020, the Supervision Department monitored the compliance of regulated entities with their ongoing legal obligations, by carrying out a limited number of onsite inspections at their offices, due to the pandemic's restrictive measures, and examining documents that were submitted, pursuant to the current law, or analysing the data referring to it.

## CIFs

The Supervision Department carried out the following inspections on CIFs:

### Onsite inspections

In 2020, there was a limited number of onsite inspections on CIFs because of the pandemic. The inspections had to do with organisational requirements (i.e. organisational structure and compliance function), investor protection provisions (i.e. monitoring products, assessing compatibility and suitability and the provision of information to clients during the placement, distribution and marketing of products, including the costs and charges), and their conflict-of-interest obligations, as laid out in the MiFID II Law, as well as the clients' money requirements and risk management procedures.

It is noted that a significant number of onsite inspections were carried out in 2020, which were performed towards the end of 2019.

### Thematic desk-based inspections

In 2020, the Supervision Department carried out 585 thematic desk-based inspections on 235 CIFs. The inspections concerned the following requirements/obligations:

- Investigating the impact of COVID-19.
- Compatibility assessment requirements.
- Marketing communications requirements.
- Compliance function requirements.
- National intervention measures as regards the placement, distribution and marketing of Contracts for Difference (CfDs).
- Costs and charges.
- Clients' money requirements.
- Derivative contract reporting requirements.
- Transaction reporting requirements.
- The Legal Entity Identifier (LEI) requirement for the usage of an identifier for CIF's clients-legal entities.
- Clients' money and risk management requirements.
- Assessment of the report on the internal capital adequacy assessment process (ICAAP).

### Desk-based/document inspections

#### Document inspections

In 2020, the Supervision Department inspected almost all documents that were submitted by CIFs, regarding:

- i. Capital adequacy requirements for:
  - Capital adequacy/exposure issues and Pillar I calculations
  - the notifications of Pillar III,
  - the suitability of regulations implemented by CIFs when it comes to their clients' assets,
  - the auditors' opinion on the audited financial statements, keeping of CIF clients' money.
- ii. Requirements for the submission of annual reports (compliance, internal audit).

## AIFM/AIF

### Thematic desk-based/document inspections

In 2020, the Supervision Department carried out desk-based and document inspections on 126 AIFMs and 431 AIFs. The inspections concerned:

- i. Requirements for the risk management of the liquidity of UCITS and UCITS investment divisions,
- ii. Requirements for asset acquisition by AIF and AIF investment divisions,
- iii. AIFMD data reporting and quality requirements of AIFM and AIF/AIF investment divisions,
- iv. Requirements for the continuous monitoring of sub-threshold AIFMs' assets under management.

The pandemic's impact on the entirety of AIFM and UCITS MC operations, and particularly on liquidity risk management. Continuous monitoring of the potential use of liquidity management tools.

#### **4.1.3.2 Supervisory measures**

In the cases where CySEC found that CIFs did not comply with their legal obligations, it proceeded with imposing supervisory measures. In 2020, CySEC reached a settlement with a number of CIFs. Furthermore, it suspended a number of CIFs' operations and made representations and suggestions for weaknesses that needed to be corrected by CIFs.

At the same time, it issued a number of circulars to regulated entities in 2020, including the results from inspections, information about the pandemic and recommendations for compliance with their ongoing legal obligations. The Department also issued a Consultation Paper on how to reinforce the protection of CIF clients' money. Furthermore, CySEC's practical guide for a new prudential framework for IFs (IFR/IFD) was prepared and posted to its website in 2020.

#### **4.1.3.3 Participation in various groups in Cyprus and abroad**

The Department also participates in a number of ESMA groups. More specifically, it participates in the Investors Protection and Intermediaries Standing Committee, the Secondary Markets Standing Committee, the Post-Trading Standing Committee, the Data Standing Committee and the Investment Management Operational Working Group. It also participates in the European Banking Authority's Subgroup on Investment Firms.

## 4.2 Anti-Money Laundering Department

*“The integrity, stability, prestige and credibility of the Cyprus securities market, through preventing and suppressing money laundering and terrorist financing, remains one of CySEC’s main goals.”*

**Charalambos Paraskeva,**

Head of Anti-Money Laundering Department

### 4.2.1 Duties / Competencies

The main responsibility of the Anti-Money Laundering Department (AML/CFT) is to monitor the compliance of regulated entities with their legal obligations, as defined in the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 and the CySEC Directive on Anti-Money Laundering and Terrorist Financing.

The Department also monitors the compliance of regulated entities with their continuous legal obligations, through scheduled onsite and desk-based inspections, which aim to assess the adequacy and suitability of the relevant policies, measures and procedures that are being implemented for the effective management and decrease of money laundering and terrorist financing risks. Additionally, the Department issues and publishes Directives, Guidelines and Circulars for the regulated entities, relating to the prevention of money laundering and terrorist financing.

Its duties also include, inter alia, the training of the regulated entities in matters of Prevention of Money Laundering and Terrorist Financing as well as participating in European Institutions which are responsible for the preparation of European Directives, Regulations, and Standards. The Department can be contacted via e-mail, at: [aml@cysec.gov.cy](mailto:aml@cysec.gov.cy).

### 4.2.2 Objectives for 2021

The Anti-Money Laundering Department has set the following priorities for 2021:

- Complete the Trust Registry, as stipulated by the 4th European Directive (EU) 2015/849 on preventing money laundering and terrorist financing, and which is amended by Directive (EU) 2018/843 (5th European Directive). The project entails the creation, management and supervision of this Registry, which will keep information about the ultimate beneficial owners of express trusts and other relevant legal arrangements in the Republic.
- Issue a Directive and/or Directives to regulate specific issues relating to the characteristics, establishment and functioning of the Register of Express Trusts and Similar Legal Arrangements, access to the register and any other related matters.
- Amend the CySEC Directive on the Prevention of Money Laundering and Terrorist Financing, in order to harmonise with the 5th European Directive.
- Carry out onsite and desk-based inspections on regulated entities, that have or used to have business ties with individuals who were granted Cypriot citizenship under the Cyprus Investment Programme (CIP).
- Examine the Annual Reports of the compliance and internal audit officers, as regards the prevention of money-laundering, including the relevant minutes of the Board of Directors meetings submitted by supervised entities for the year 2020.
- Implement an Action Plan, which will be based on the findings/results of the EU Committee of Experts on Evaluation of Anti-Money Laundering Measures (Moneyval) assessment report on Cyprus, which was published on 12 February 2020.

- Participate in Moneyval's assessment to prepare Cyprus' Follow-up Report, which began in 2020 and will continue through 2021.
- Implement the AML/CFT Colleges Guideline, which was issued by the European supervisory authorities to facilitate cooperation and exchange of information between the competent authorities that supervise credit institutions and financial firms, pursuant to Directive (EU) 2015/849.

### 4.2.3. Department's operations

#### 4.2.3.1 5th European Directive

In order to bring Cypriot legislation in line with the 5th European Directive (EU) 2015/849 on the prevention of the use of the financial system for purposes of money laundering or terrorist financing, CySEC cooperated with the respective supervisory authorities of Cyprus and actively contributed by submitting comments and participating in the meetings of the Ad Hoc Committee of the Advisory Authority for the Prevention of Money Laundering and Terrorist Financing, which was set up especially to examine and prepare a draft law to amend Law 188(I)/2007. These amendments have been transposed into Cypriot law with amending law L. 22(I)/2021.

#### 4.2.3.2 Trusts Register

As part of harmonisation with the 4th and 5th European Directives, CySEC took on the creation, management and supervision of the Trusts Register, as provided in article 31 of the European Directive and article 61B of the Law 188(I)/2007. The main objective of the Register is, inter alia, to improve transparency, as it introduces the obligation to keep information on express trusts and other types of legal arrangements that have structure or functions similar to trusts, on a central Trusts Register.

CySEC assigned this specific project to external advisors. The Trusts Register is under development and is expected to be ready in 2021. All member states' central registers are expected to be interconnected through the European central platform by the end of 2021.

Furthermore, a relevant Directive and/or Directives will be issued in 2021, regulating specific matters that have to do with the characteristics, establishment and functioning of the specific Register, as well as access to the Register and any other related matters.

#### 4.2.3.3 National Risk Assessment (NRA) on money laundering and terrorist financing

The first National Risk Assessment (NRA) on money laundering and terrorist financing, which was conducted with the technical assistance and methodology of the World Bank, with the participation of public agencies and private sector stakeholders, was published on the Ministry of Finance's website on 30 November 2018.

Throughout 2019 and 2020, CySEC implemented measures/actions that were included in the Action Plan drafted to address the weaknesses that were found in the National Risk Assessment Report, while the regulated entities were informed about the above through a number of circulars.

In 2021, a revision of the National Risk Assessment was launched, to pinpoint the money-laundering risks and threats lurking behind Cyprus' financial system and take all necessary measures to minimise them.

#### 4.2.3.4 National Risk Assessment for crypto-assets and Crypto-Asset Service Providers

In order to comply with the international standards of the Financial Action Task Force (FATF), in 2020, the Republic of Cyprus assigned an external consultant to carry out a national risk assessment on Crypto

Assets and Crypto Asset Service Providers, in relation to money-laundering and terrorist financing. CySEC participates in this assessment as a stakeholder, due to the imminent supervision of Crypto Asset Service Providers in 2021, pursuant to the provisions of the draft law to harmonise with the 5th European Directive (EU) 2018/843.

This national risk assessment is expected to be completed in 2021.

#### **4.2.3.5 Evaluation of Cyprus by the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval)**

Cyprus' regulatory and supervisory framework for the prevention of money laundering and terrorist financing is subject to evaluation by the EU Committee of Experts on Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, known as Moneyval, in line with the international standards of the Financial Action Task Force (FATF).

After Moneyval completed its 5th mutual assessment of Cyprus, it published the Moneyval Mutual Evaluation Report - Cyprus ("Report") on 12 February 2020. Moneyval assessed the level of technical compliance and the effectiveness of measures taken by the competent authorities of Cyprus, including CySEC, in terms of their role in suppressing money laundering and terrorist financing.

CySEC issued an announcement on 14 February 2020, noting that the Report's main findings showed the progress the Republic of Cyprus has made by implementing a reinforced AML/CFT framework, and presenting a summary of the main findings that involved CySEC and the sectors it regulates.

An Action Plan was prepared for CySEC, with specific implementation deadlines, which has been incorporated in CySEC's Strategic Plan and is based on the findings and recommendations of Moneyval's evaluation report.

Moreover, Moneyval is expected to adopt Cyprus' Progress Report in September 2021, and it will refer, inter alia, to the progress that has been made in implementing the recommendations of Moneyval's Mutual Evaluation Report of Cyprus. The evaluation of Cyprus' progress already started at end-2020, with CySEC as a participant.

#### **4.2.3.6 Evaluation of Cyprus by the Global Forum (OECD) – Transparency and exchange of information for tax purposes (OECD – Global Forum)**

A delegation of the OECD Global Forum visited Cyprus in November 2019 and held individual meetings with all the competent authorities, including CySEC, as well as with private sector stakeholders, among other. The aim was to assess Cyprus' compliance with standards on transparency and exchange of information for tax purposes. Prior to the delegation's visit, a relevant questionnaire was filled in following the Global Forum (2016) methodology, and CySEC had an active part in the whole assessment.

On 11 December 2020, the OECD Global Forum plenary adopted the peer review report on the Exchange of Information on Request in Cyprus, following a request by tax authorities abroad (second round), which rated Cyprus as Largely Compliant with the international standard of transparency and exchange of information for tax purposes.

The Cyprus report is considered satisfactory, given that it acknowledges the progress that has been achieved as well as the measures that have been taken by the competent authorities, which are being implemented in the transparency and exchange of information for tax purposes sector.

The Report also includes a number of recommendations on how to reinforce the efficacy of the current measures, which the Cypriot competent authorities have said they are prepared to adopt.

#### 4.2.3.7 Review of Cyprus' implementation of the United Nations Convention against Corruption

In 2020, CySEC actively participated in the review of Cyprus' implementation of the United Nations Convention against Corruption, by filling in a questionnaire and sending all requested data and information to the United Nations' representatives/reviewers. It also held meetings with the United Nations' reviewers, who visited Cyprus in February 2020.

#### 4.2.3.8 Assessment of Cyprus by the European Commission regarding implementation of the 4th European Directive, on preventing the use of the European Union financial system for the purposes of money-laundering or terrorist financing

In 2020, Cyprus was assessed by the European Commission over its implementation of the 4th European Directive, on preventing the use of the European Union financial system for the purposes of money-laundering and terrorist financing.

CySEC participated in the assessment by filling in questionnaires, sending requested data and information, and holding meetings with the European Commission's reviewers, who visited Cyprus in March 2020, to provide supplementary information for them to complete their assessment.

#### 4.2.3.9 Monitoring the Compliance of Regulated Entities

In 2020, the Department continued to monitor the Regulated Entities' compliance with their legal obligations, by conducting onsite and desk-based inspections.

##### 4.2.3.9.1 Onsite inspections

In 2020, the AML Department conducted a limited number of onsite inspections to assess the sufficiency and suitability of the regulated entities' anti-money laundering and terrorist financing measures and procedures, because of the COVID-19 pandemic.

In 2020, CySEC completed the onsite inspection process for 29 regulated entities.

##### 4.2.3.9.2 Desk-based supervision

In 2020, the AML Department:

- Examined the Monthly Prevention Statements submitted by the regulated entities and gathered relevant information.
- Examined the Annual Reports of the Compliance Officers and the Internal Audit Reports on the prevention of money laundering and terrorist financing, as well as the relevant Board of Directors minutes, of 434 regulated entities (216 CIFs, 136 ASPs and 82 UCITS Management Companies). In total, 868 Annual Reports were examined. The reports mainly concerned the policy, practices, measures, procedures and control mechanisms that are being applied to prevent money laundering and terrorist financing.

Based on Circular 416 entitled "Business relationship with persons who have acquired Cypriot citizenship under the Cyprus Investment Programme (CIP)", CySEC requested and received information from 431 regulated entities in 2020, on whether they maintained or have maintained business ties over the past five years with clients and/or the ultimate beneficiaries of clients, who either themselves or their spouses and/or offspring, acquired Cypriot citizenship through the naturalisations by exception scheme, under the Cyprus Investment Programme (CIP).

Based on the information CySEC received regarding Circular 416, the AML Department launched a procedure of specific desk-based inspections, which is expected to continue in 2021.

#### 4.2.3.9.3 Supervisory measures

As regards the onsite inspections, settlements were reached for potential breaches of Law 188(I)/2007 and the relevant CySEC Directive and 28 regulated entities were asked to take specific measures within a specific deadline, on their non-compliance with the provisions of the specific Law and relevant Directive.

As for the desk-based inspections, CySEC ordered 65 regulated entities to take measures to deal with weaknesses and/or omissions that were spotted.

#### 4.2.3.9.4 Issuing Circulars

The Department prepared and published a number of circulars on the prevention of money laundering and terrorist financing in 2020. The topics included, among other, business ties with individuals who acquired Cypriot citizenship through naturalisation by exception under the Cyprus Investment Programme; the submission of information based on the ESAs Joint guidelines on cooperation between competent authorities supervising credit and financial institutions (AML / CFT Colleges Guidelines); FATF – COVID-19 money laundering and terrorist financing risks; the European Banking Authority's (EBA) call on financial institutions for input on "de-risking" and its impact on accessing financial services; and the ESA's joint guidelines on cooperation and exchange of information. Additionally, the EBA launched a public consultation on changes to its guidelines on risk-based supervision of credit and financial institutions' compliance with anti-money laundering and countering the financing of terrorism (AML/CFT) obligations.

#### 4.2.3.10 Participation in Committees and cooperation with other Authorities of the Republic and from abroad

CySEC cooperates closely with the other supervisory authorities of Cyprus and the Unit for Combating Money Laundering (MOKAS), to share updates on matters relating to their supervisory duties and competencies, in relation to tackling money laundering and the financing of terrorism.

Moreover, it participates in the Advisory Authority for Combating Money Laundering and the Financing of Terrorism, as well as the Extended Special Technical Committee comprising all of Cyprus' supervisory authorities, which was established to prevent money laundering and the financing of terrorism.

Furthermore, CySEC is a member of the Ministry of Finance's Advisory Body on Financial Sanctions, whose mandate is to examine requests by credit and financial institutions for the release of frozen funds.

It also participates in the European Banking Authority's "Standing Committee on Anti-Money Laundering and Countering Terrorist Financing" (AMLSC), as well as the "Expert Group on Money Laundering and Terrorist Finance" (EGMLTF) and the "Committee on the Prevention of Money Laundering and Terrorist Financing on the Interconnection of Beneficial Ownership (BO) Registers" of the European Commission.

### 4.3 Issuers Department

*“2020 was a difficult year for issuers, who had to manage the problems that arose from the introduction of restrictive measures to deal with the COVID-19 pandemic. As a result, a significant number of shortcomings were observed in the issuers’ compliance with their obligations. The Issuers Department closely monitored their compliance, as well as any other developments relevant to issuers, and adjusted its inspections and procedures accordingly.”*

#### **Koulla Theocharous**

*Head of Issuers Department*

#### 4.3.1 Issuers Department

The Issuers Department is responsible for monitoring the compliance of companies from Cyprus, whose transferrable securities are listed on a regulated market for trading, with their continuous legal obligations, as defined in the current legislation. The Department is also responsible for examining applications for the approval of prospectuses for the public offer of securities or their listing on a regulated market for trading, and the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed on a regulated market. The Department is also responsible for monitoring the implementation of Regulation (EU) 2017/2019 regarding Prospectuses and the Public Offer and Prospectus Law, monitoring the implementation of the Public Takeover Bids Law, as well as monitoring the implementation of the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market). The Department can be contacted via e-mail, at: [issuers@cysec.gov.cy](mailto:issuers@cysec.gov.cy)

#### 4.3.2 Objectives for 2021

In 2021, the Issuers Department will focus on monitoring the compliance of issuers and other liable persons with their ongoing obligations. To this end, emphasis will be given to accelerating the assessment of issuers’ financial statements, to determine their level of compliance with the International Financial Reporting Standards, in view of the revised ESMA Guidelines on enforcement of financial information.

The Department will also focus on keeping issuers informed about certain issues that were spotted when monitoring their compliance with their ongoing obligations, or which arose from the ESMA guidelines/recommendations, and their obligation to prepare their annual report, using the European Single Electronic Format.

Importance will also be afforded to the implementation of the ESMA guidelines on notification requirements under the Regulation on Prospectuses, which are expected to be published in 2021, and also revising the procedures followed by the department when examining prospectuses, to bring them in line with the changes to the institutional framework.

It will also look further into the composition of the issuers’ audit committee, and whether this is in line with the provisions of the relevant law.

#### 4.3.3. Issuers Department Operations

##### 4.3.3.1 Market Supervision and Monitoring

Monitoring the implementation of the Public Offer and Prospectus Law and EU Regulation 2017/1129, on the Prospectus

In 2020, Officers of the Issuers Department continued to regularly monitor announcements by Issuers concerning the issue/offer of securities or the introduction of securities to a regulated market, in order to

determine their compliance with the relevant legislation as regards their obligation to issue a Prospectus or a Supplementary Prospectus or whether they were exempted from the Law.

Furthermore, the Issuers Department continued to regularly monitor the notifications of approved prospectuses from the competent Authorities of other member states, which mainly concern public offers of transferable securities in the Republic of Cyprus, of Issuers whose home member state is not Cyprus. The relevant notifications are posted on CySEC's website. During 2020, CySEC received notifications from the competent authorities of other member states for 5 Prospectuses and 20 Supplementary Prospectuses.

In cases where, during the examination of applications for the approval of Prospectuses or relevant announcements, matters arose that could constitute violations of the Stock Exchange Law and the current legislation governing the securities market, these were referred to the Market Surveillance and Investigations Department to be further investigated.

#### **Monitoring the implementation of the Public Takeover Bids Law of 2007**

Officers of the Issuers Department continued to regularly monitor the announcements/publications in order to ascertain the compliance of the parties involved with the Public Takeover Bids Law.

In 2020, the Issuers Department did not investigate any cases involving possible breaches of the specific law, while one case was referred to the Market Surveillance and Investigations Department for further examination.

#### **Monitoring the implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007**

In the context of monitoring the compliance of the Issuers, whose transferable securities are listed on a regulated market, with their continuous obligations in accordance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the law in regards to their obligation to publish an Annual Financial Report and Interim Financial Report, and the content of the aforementioned reports/announcements. In particular, it examined whether the financial information was prepared in accordance with the relevant provisions of the Law.

#### **In view of the impact from the COVID-19 pandemic, a significant number of issuers did not comply with their abovementioned obligations within the set deadline.**

It is noted that on 29 April 2020, CySEC – based on a Council of Ministers decision and exercising its powers pursuant to article 6 of the Law on Emergency Suspension Measures by Financial Institutions and Supervisory Authorities of 2020 – proceeded to issue its 2020 Directive for the Extraordinary Measure of Suspension of Obligations relating to the Financial Statements of Financial Entities. The Directive laid out the timeframe and implementation method for the emergency measures suspending the obligation of financial institutions, including issuers, to prepare, submit and announce their financial statements. Based on the Directive, the issuers' obligation to announce their annual financial statements as part of their annual financial report, pursuant to article 9 of the Transparency Law, was extended until 30 June 2020, for the financial year 2019.

CySEC continued to also monitor and evaluate notifications that were submitted regarding the significant participation of shareholders or other obliged persons in issuers, to ensure compliance with the above Law.

### **■ Annual Financial Report**

#### **Annual Financial Report for the financial year 2018**

While reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for the financial year 2018, CySEC proceeded to investigate 19 cases concerning a potential violation of article

9(1) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market), due to their failure to publish an Annual Financial Report within the deadline specified by Law, and/or pursuant to article 37(2)(a) of the same Law regarding failure to submit the report to CySEC.

The review of the cases was completed in 2020 and CySEC decided to impose administrative sanctions on 18 Issuers, as follows:

- 11 issuers were handed an administrative fine for breaching articles 9(1) and 37(2)(a) of the specific Law.
- 7 issuers received an administrative fine for breaching article 9(1) of the Law in question.

#### **Annual Financial Report for the financial year 2019**

In 2020, CySEC also started reviewing the issuers' compliance with their obligation to publish an Annual Financial Report for the financial year 2019. This will carry on in 2021.

#### **■ Interim Financial Report**

##### **Interim Financial Report for the first half of the financial year 2019**

While reviewing the compliance of Issuers with regard to their obligation to publish their Interim Financial Report for the first half of the financial year 2019, CySEC proceeded to investigate 16 cases of a possible violation of article 10(1) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market), due to failure to publish an Interim Financial Report within the deadline specified by Law, and article 37(2)(a) of the same Law regarding failure to submit the report to CySEC.

The review of the cases was completed in 2020 and CySEC decided to impose administrative fines on 13 Issuers, as follows:

- Administrative fine on 7 issuers for breaching articles 10(1) and 37(2)(a) of the specific Law.
- Administrative fine on 6 issuers for breaching article 10(1) of the specific Law.

In the context of this same review, CySEC also sent letters to a number of issuers who had presented small shortcomings or omissions in their Interim Financial Report for the first half of the financial year 2019, drawing their attention to the issues that were spotted and the provisions of the relevant law.

##### **Assessment of the content of the Interim Management Reports of Issuers for the first half of the financial year 2019**

In 2020, CySEC proceeded with a review of the issuers' compliance when it came to the content of their Interim Management Reports for the first half of the financial year 2019, which were included in the Issuers' published Interim Financial Reports for the specific period, as required by article 10(3) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market) of 2007. The review also covered the issuers' compliance with the ESMA Guidelines on Alternative Performance Measures.

As part of the review, CySEC sent letters to a number of issuers who were found to have small shortcomings or omissions in the content of their Interim Management Reports for the first half of the financial year 2019, drawing their attention to the issues that were spotted as well as the relevant provisions of the law and/or the abovementioned Guidelines.

##### **Interim Financial Report for the first half of the financial year 2020**

In 2020, CySEC also began a review of the issuers' compliance with their obligation to publish an Interim Financial Report for the first half of the financial year 2020, as well as their compliance as it comes to the content of the Interim Management Reports for the first half of the financial year 2020, which were included in the Interim Financial Reports that were published by the issuers regarding this specific period. The review carried through to 2021.

### ■ Content of financial information

CySEC proceeded to assess the annual and/or interim financial statements of a number of issuers that had securities listed on the regulated market, to determine whether the financial information included therein was drafted within the framework of the Transparency Requirements Law (Securities Transactions on a Regulated Market).

In particular, the assessment aimed to determine the level of compliance of the financial statements in question, with the International Financial Reporting Standards (IFRS), and in some cases whether the Annual Financial Report generally adhered to the other legal requirements.

It is noted that the selection of the sample of financial statements assessed annually by CySEC is based on a combination of risk-based and rotation-based sampling, in line with the ESMA Guidelines on Enforcement of Financial Information which entered into force in December 2014 and which CySEC has adopted. The risk-based option is carried out based on the Risk Based Supervision Framework which CySEC has adopted, and which takes into account the risk of inaccuracies in the financial statements, as well as the implications of an inaccuracy on the stock market. The selection criteria also take into account the common European priorities for the supervision of financial statements, which are determined each year by the European Supervisory Authorities in cooperation with ESMA. More information on how the sample is selected can be found in the Practical Guide "Listed Companies RBS-F Handbook" which is available on the CySEC website.

The selection of the financial statements for assessment in 2020, was made on a sample basis as described above. The annual and/or interim financial statements of six Issuers were selected for assessment, as well as one new Issuer as part of examining the Prospectus for listing its securities on the CSE. In some cases, an overall assessment was made in relation to their compliance with IFRS, while in others, a focused/thematic review was conducted in relation to a specific accounting treatment or for the purposes of the common European priorities for the supervision of the financial statements for the year 2019, as defined by the European Supervisory Authorities in cooperation with ESMA. In cases where the sample concerned the common European priorities, the results of the assessment were also sent to ESMA. CySEC continued examining the selected financial statements in 2021.

### ■ Obligation to notify about a significant participation in an Issuer

In 2020, CySEC began investigating a case regarding a possible breach of article 28(2) of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007, as applicable, because the shareholder failed to notify CySEC about the rate of his participation in the voting rights of an Issuer, as a result of having acquired shares. CySEC also launched an investigation into another case, for a possible breach of article 19 of the same Law, due to the Issuer's failure to disclose information on the acquisition or disposal of voting rights by a shareholder.

CySEC continues to investigate these cases in 2021.

### Monitoring the implementation of the Auditors Law of 2007 by the Audit Committee

CySEC continued to monitor the Issuers' compliance with article 78 of the Auditors Law of 2017 regarding issuers' obligation to establish an audit committee. In 2020, CySEC asked issuers to submit information about their audit committee's composition, so as to check their compliance with the provisions of the specific Law. This review is expected to be ongoing, in view of the frequent changes that are made by issuers to the committees' composition.

### Circulars

A number of circulars and announcements were also issued to Issuers throughout the year, aiming to draw their attention to various issues that were spotted or that they should take into consideration when

complying with their ongoing obligations or when compiling their financial information.

In light of the COVID-19 pandemic, many of the circulars regarded the accounting/financial implications of the pandemic.

A number of documents concerning issuers were also posted on CySEC's website. They included Public Statements and Reports by ESMA, ESMA's Q&A on the Prospectus Regulation, the Transparency Directive and the guidelines for the Alternative Performance Measures.

#### 4.3.3.2 Authorisation and approval

##### Applications for approval of Prospectuses for public offer or introduction of securities in a regulated market

The review of applications to have a Prospectus approved based on the existing institutional framework, includes checking the completeness, comprehensibility and consistency of the information contained in prospectuses, as laid out in Regulation (EU) 2017/1129 and similar regulatory acts.

Three applications for prospectus approval were submitted to CySEC in 2020, for the public offer and/or admission of securities to a regulated market, pursuant to the existing law. CySEC examined these applications and approved two prospectuses. The third carried on being reviewed in 2021.

During the year, CySEC received two applications to approve Supplementary Prospectuses. CySEC examined and approved one of these, which concerned a Prospectus that was approved in 2019. The second application was not examined by CySEC, as the validity of the Prospectus it concerned had expired.

In 2020, CySEC did not receive any requests to transfer its competency for approving Prospectuses to another supervisory authority, based on the existing law.

##### Public Takeover Bid Documents

In 2020, two Public Offer Documents were submitted to CySEC following a notice by the Bidders for a mandatory public offer for the acquisition of 100% of the securities of a corresponding number of issuers with securities listed on the CSE.

CySEC examined these Documents and decided to approve them and allow their publication.

##### Exemptions from the obligation to conduct a Public Takeover Bid

In 2020, seven applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined the applications, as well as two applications that were submitted in 2019, and issued a decision (of approval or rejection) for all nine applications.

CySEC also examined two applications from one acquirer to extend the deadline it was given to comply with the terms set by CySEC, when granting an exception from the obligation to make a public offer to the shareholders of the respective issuer. CySEC approved both applications.

##### Applications to exercise squeeze-out right

In 2020, CySEC received two applications by Offerors to exercise their right to squeeze-out the remaining shares of the offeree companies, which had not been acquired as part of the Public Takeover Bid to the shareholders of the offeree companies. CySEC examined and approved the applications.

##### Delisting/suspension of trading

In 2020, CySEC examined and approved a decision by the CSE Board to delist the securities of three issuers from CSE's regulated markets, given that the conditions for the smooth operation of the issuers' securities

on the stock market had expired and important ongoing obligations were not being kept.

In 2020, CySEC also approved the decision of the CSE Board to continue to suspend trading of the securities of 10 Issuers on the CSE-regulated market. In addition, for five of the aforementioned Issuers, as well as another nine, after taking into consideration that the CSE did not have the authority to suspend trading of their securities for a further period of time, CySEC decided pursuant to the powers it is afforded by article 70(2)(ic) of the Investment Services and Activities and Regulated Markets Law of 2017, to ask the CSE Board to suspend trading of the specific issuers' securities on the regulated CSE market, until they comply with their ongoing obligations, or until a specific date set by CySEC, as it decided that the smooth functioning of the market was not being ensured.

#### **4.3.3.3 Upgrade of the regulatory and supervisory framework**

In 2020, the Department continued to pinpoint matters where the various laws that fall under the Department's competency needed to be amended or approved, and briefed the Legal Department accordingly. Comments were also submitted to the Legal Department on the draft law for the transposition into Cypriot law of the discretions available in the Rules of Procedure of the European Parliament and of the Council concerning the prospectus.

The Department also examined the proposed amendments to the Securities and Cyprus Stock Exchange Law, so that CySEC can submit its comments on the amendment, to the Ministry of Finance.

In addition, the Department examined the European Commission's Proposal to amend the Prospectus Regulation, as part of targeted measures to recover from the COVID-19 pandemic, and submitted analytical comments and suggestions to the Ministry of Finance so they could be submitted to the Presidency of the Council of the European Union.

#### **4.3.3.4 Participation in various groups in Cyprus and abroad**

The Department also participates in various ESMA groups. Specifically, it participates in the Corporate Reporting Standing Committee, the European Enforcers Coordination Sessions (EECS), the Corporate Finance Standing Committee, the Narrative Reporting Working Group and the Takeover Bids Network.

In 2020, the Department's officers also participated as experts on behalf of the Ministry of Finance in working groups of the Council of the European Union, to examine the European Commission's Proposal to amend the Prospectus Regulation, as part of targeted measures to recover from the COVID-19 pandemic.

## 4.4. Market Surveillance and Investigations Department

*“Investor protection and ensuring the smooth operation of the Cypriot capital market are the beacon of the work of the Market Surveillance and Investigations Department.”*

### **Alkis Pierides**

*Head of Market Surveillance and Investigations Department*

#### 4.4.1 Duties / competencies

The Market Surveillance and Investigations Department is responsible, among other, for investigating complaints filed with CySEC, carrying out ex officio investigations, carrying out investigations on behalf of foreign supervisory authorities and issuing warnings to companies that provide investment services in the Republic, without holding a CySEC licence.

More specifically, the Department is responsible for:

- Investigating potential violations of the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005 (L.116 (1)/2005).
- Investigating potential violations of the Stock Exchange Laws and Regulations.
- Investigating issuers listed on an organised market operating in the Republic, such as the Cyprus Stock Exchange.
- Conducting investigations at Investment Firms (IFs).
- Investigating Investors' Complaints.
- Monitoring stock exchange sessions daily, through modern electronic monitoring systems.
- Issuing circulars or announcements to issuers, IFs and the investing public.
- Monitoring the implementation of the provisions of the Corporate Governance Code.

#### 4.4.2 Objectives for 2021

In 2021, the Market Surveillance and Investigations Department intends to focus on cases involving CIFs and complaints it has received concerning companies that provide investment services without a CySEC licence.

#### 4.4.3 Department's operations

##### 4.4.3.1 Investigations and fines

After receiving a complaint, the Market Surveillance and Investigations Department conducted an entry and investigation on one CIF in 2020, for possible breaches of the current law, while it completed 13 investigations on CIFs, Issuers and ASPs in the reference year.

Up until the end of 2020, 25 investigations were underway on various entities for possible breaches of the current law, after the Department received complaints.

In 2020, a number of CIFs, one ASP and one Issuer were fined by CySEC over cases investigated by the Investigations Department.

##### **Commerzbank AGH and Cyprus Popular Bank case**

In 2020, CySEC completed its investigation into the market manipulation case involving Commerzbank AGH

and Cyprus Popular Bank (CPB). The investigation was part of the general investigation CySEC is conducting into the activities and role of CPB prior to the financial crisis and the subsequent bail-in of depositors in 2013.

Specifically, CySEC examined a possible violation of Article 19 of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as applicable, in relation to CPB’s Structured Products ISIN XS0345364227 and XS0345364656 or other persons, for the period 1 January 2008 – 15 March 2013. As a result of the investigation, CySEC ordered Commerzbank AG to pay a fine of €650,000, for its failure to comply with article 19 of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as specified in article 20(1)(a) of the same law. The completion of this investigation marked the end of a round of CySEC probes regarding the banking system, which began in 2012.

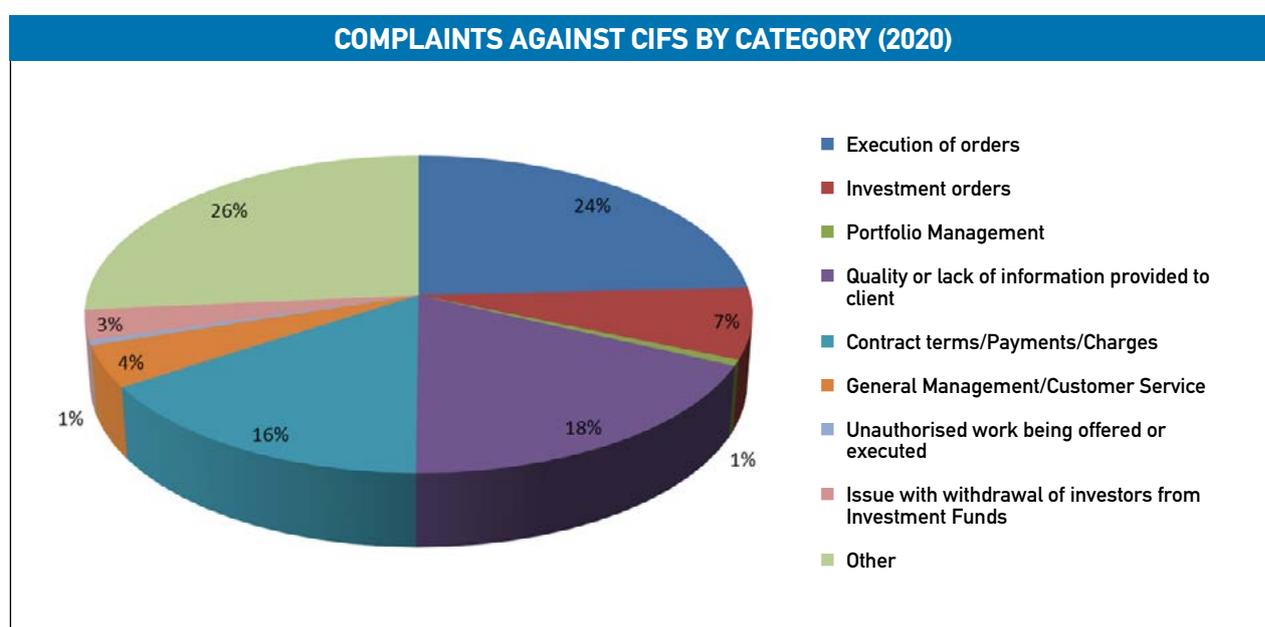
#### 4.4.3.2 Investigating complaints by investors

CySEC receives investors complaints against CIFs, ASPs and Issuers listed on the Cyprus Stock Exchange, as well as other types of complaints, which it investigates. CySEC does not have the authority to compensate investors. All complaints that are submitted to CySEC are taken into consideration when exercising its supervisory role.

##### 4.4.3.2.1 CIF

#### Investor complaints submitted via CIFs

In 2020, a total of 2,628 investor complaints were submitted to CySEC regarding various issues. After examining the complaints and based on specific criteria, the Investigations Department conducted a number of onsite inspections.

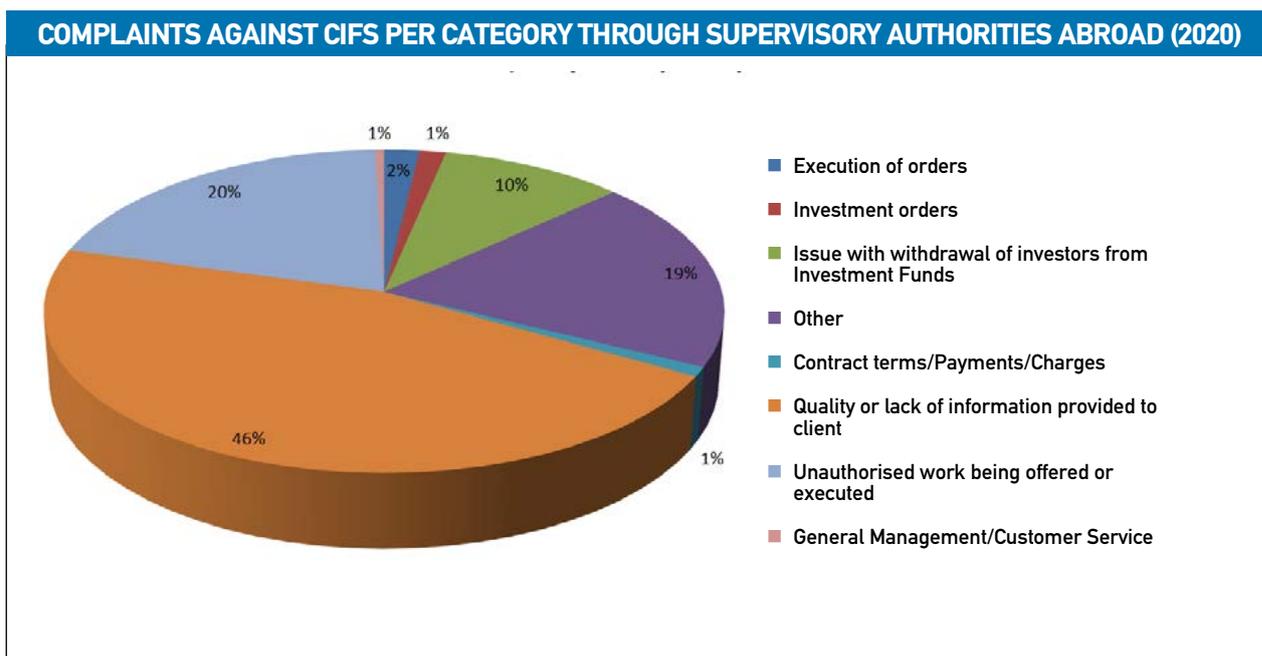


#### Investor complaints submitted by Supervisory Authorities abroad

In 2020, CySEC received 205 complaints against CIFs from supervisory authorities abroad, regarding a number of topics. After investigating the complaints, in the cases where there were potential violations, the Department submitted Memos with specific suggestions to the CySEC Board, among other things.

#### Complaints submitted to CySEC by investors

A total of 455 individual investor complaints were submitted directly to CySEC in 2020.



### Complaints against companies that may have provided investment services illegally

In 2020, a total of 272 complaints were filed by investors against companies that allegedly provided investment services illegally. To investigate these cases, the Market Surveillance and Investigations Department:

- carries out onsite inspections to determine whether a company is physically present in Cyprus,
- inspects the companies' websites to determine whether they appear to be providing investment services without holding a CIF licence,
- and gathers information, by sending letters to individuals who are believed to be in a position to provide useful information to CySEC.

CySEC then issued an announcement on 23 December 2020, informing investors and the broad public that the websites included in the list below were not run by CIFs that hold a licence to provide investment services.

## UNAUTHORISED WEBSITES

1	21stfxoptions.com	47	concept4x.com
2	247btclub.com	48	conventusgroup.com
3	247firstinvest.com	49	crm-forex.com
4	247smartfx.com	50	cryptfxtm.com
5	24bitx.com	51	cryptocapitalfx.com
6	24cryptofxtrade.com	52	cryptotradecentr.com
7	24liveoption.com	53	cryptofxetra247.com
8	24primeoption.com	54	ctrust.co
9	24traderush.com	55	efexa1000.com
10	acetradeoptions.com	56	elite-fxmarket.com
11	amelok.com	57	emarketstrade.com
12	ampglobalfx.com	58	en.investup.cc
13	apextradeoption.com	59	epoxtrade.com
14	app.qbitsmegaprofit.co	60	exmsolution.com
15	atfxtrade.com	61	expatfxtrade.com
16	autotradingbinary.com	62	expertfxtrade.com
17	avafinancials.com	63	expertooption.forex
18	avexcapital.com	64	falconfxoption.com
19	bigliquidity.com	65	fenix-funds.com
20	binancecapitaloptions.com	66	financereserve.com
21	binaryswiss.com	67	finanzexp.de
22	binarytradeoption.com	68	finexics.io
23	binarytradeplus.com	69	fin-target.com
24	Binatex.com	70	fmtrader.com
25	binomo.com	71	ftradition.com
26	bitfxmarket.com	72	fxbulls.com
27	bitgoldenfx.com	73	fxc-c.com
28	bitoptionfx.com	74	fxcryptocoin.com
29	bitoptionstrade247.com	75	fxcryptofair.com
30	bitransax.com	76	fxg.market
31	bloombex-options.com	77	fxgmfx.com
32	bogo-finance.com	78	fxgrowcapital.com
33	boomxchange.com	79	fxoptiontrade247.com
34	brightfinance.co	80	fxpb.us
35	caliburcapital.net	81	fx-premium.com
36	capitallevel.com	82	globaleverestfx.com
37	capitalswissfx.com	83	go24invest.com
38	capitaltech24.com	84	gocapitalfx.com
39	capitaoptions.com	85	goptions.com
40	caratcapital.com	86	growthandlegacyukfx.com
41	cardinalfx.trade	87	gtm.fxaddress.com
42	centralspottradingltd.com	88	hfx.com
43	classicfx24trade.com	89	icfxmarkets.com
44	coinboost247.com	90	ic-marketsfx.eu
45	coinkast.io	91	iforex300.com
46	Coinoptionstrade.com	92	insta-trading.com

## UNAUTHORISED WEBSITES

93	intensefxtrade.com	139	solidinvest.co
94	invest-absolute.com	140	sunbirdfx.com
95	investcapitalmarket.com	141	swisskapital.eu
96	investrader.net	142	themarketsguide.com
97	just2trade.live	143	thetrueoption.com
98	justproforex.com	144	topoption360.com
99	kepercoin.com	145	tqrtrade.com
100	keyoncapital.com	146	trade12.com
101	lab-finance.com	147	tradesopen.com
102	librafg.com	148	u-i-group.com
103	lincensetrade.com	149	unitedoptions.com
104	lite-options.com	150	urbanfxtrade.com
105	marketseu.com	151	vmc-global.com
106	marketsswiss.com	152	worldwidecapitalfx.com
107	markets-x.com	153	www.10markets.com
108	meritkapital.net	154	www.247optionstrade.com/
109	metafinancetrade.com	155	www.247tradeoption.com
110	monecor.eu	156	www.500option.com
111	naga-markets.online	157	www.55profit.com
112	nervicfxtrade.com	158	www.5markets.com
113	newtradefx.com	159	www.aaoption.com
114	nigmafinance.org	160	www.afghanbawar.org.af
115	nlp.optionbit.com	161	www.albatrosgt.com
116	optionexpert.net	162	www.algobanque.com
117	otmfx.com	163	www.alliance-options.com
118	parifxtrade.com	164	www.apollotradexcoexcurrency.com
119	pfcapfx.com	165	www.ArumProCapitalLtd.com
120	pipmaster.org	166	www.b4binary.com
121	prcbrokers.com	167	www.banco-capital.com
122	prc-brokers.com	168	www.beeoptions.com
123	primaryfxmarkets.com	169	www.bforex.com
124	primustrades.com	170	www.bigoption.com
125	procloudoptions.online	171	www.binarig.com
126	rbinary.com	172	www.binary8.com
127	reliable-trade.com	173	www.binarybrokerz.com
128	reliabletradeoptions.com	174	www.binaryfn.com
129	reset-invest.com	175	www.binaryroom365.com
130	richmondsfinance.com	176	www.binary-slot.com
131	rielinvestment.com	177	www.binaryuno.com
132	royalfinance24.com	178	www.bmpoption.com
133	royal-foex.hk	179	www.boson-alfa.com
134	royalfxpro.eu	180	www.briskliquidity.nz
135	safeoptions24.com	181	www.brokerofficial.com
136	sbotrading.com	182	www.brokeroption.com/it/
137	scmconsulting.net	183	www.bsdooption.com
138	smartoptionfx.com	184	www.carlton-church.net

## UNAUTHORISED WEBSITES

185	<a href="http://www.cfd1000.com">www.cfd1000.com</a>	231	<a href="http://www.onetwotrade.com">www.onetwotrade.com</a>
186	<a href="http://www.citrades.com">www.citrades.com</a>	232	<a href="http://www.option500.com">www.option500.com</a>
187	<a href="http://www.CMLiveExperts.com">www.CMLiveExperts.com</a>	233	<a href="http://www.optionbit.com">www.optionbit.com</a>
188	<a href="http://www.cyprusinvestmentllc.com">www.cyprusinvestmentllc.com</a>	234	<a href="http://www.option-bit.com">www.option-bit.com</a>
189	<a href="http://www.daily-trades.com">www.daily-trades.com</a>	235	<a href="http://www.optionstarsglobal.com">www.optionstarsglobal.com</a>
190	<a href="http://www.eclipse-finance.com">www.eclipse-finance.com</a>	236	<a href="http://www.optionsxo.com">www.optionsxo.com</a>
191	<a href="http://www.ecncapital.com">www.ecncapital.com</a>	237	<a href="http://www.oracle-options.com">www.oracle-options.com</a>
192	<a href="http://www.edgedalefinance.com">www.edgedalefinance.com</a>	238	<a href="http://www.pacificoption.com">www.pacificoption.com</a>
193	<a href="http://www.empireoption.com">www.empireoption.com</a>	239	<a href="http://www.plusfinancials.com">www.plusfinancials.com</a>
194	<a href="http://www.eurotradeinvestmentsrgb.com">www.eurotradeinvestmentsrgb.com</a>	240	<a href="http://www.plusoption.com">www.plusoption.com</a>
195	<a href="http://www.everfx.uk">www.everfx.uk</a>	241	<a href="http://www.plustocks.com">www.plustocks.com</a>
196	<a href="http://www.evrolife-association.com">www.evrolife-association.com</a>	242	<a href="http://www.porterfinance.com">www.porterfinance.com</a>
197	<a href="http://www.exbino.com">www.exbino.com</a>	243	<a href="http://www.prcforex.com">www.prcforex.com</a>
198	<a href="http://www.finmarket.trade">www.finmarket.trade</a>	244	<a href="http://www.prestige.fm">www.prestige.fm</a>
199	<a href="http://www.finpari.com">www.finpari.com</a>	245	<a href="http://www.primebrokerz.com">www.primebrokerz.com</a>
200	<a href="http://www.forexcoin.org">www.forexcoin.org</a>	246	<a href="http://www.pwrtrade.com">www.pwrtrade.com</a>
201	<a href="http://www.ftrade.com">www.ftrade.com</a>	247	<a href="http://www.rtgtrading.com">www.rtgtrading.com</a>
202	<a href="http://www.fx-inter.com">www.fx-inter.com</a>	248	<a href="http://www.safeklik.com">www.safeklik.com</a>
203	<a href="http://www.fxonus.com">www.fxonus.com</a>	249	<a href="http://www.safe-option.com">www.safe-option.com</a>
204	<a href="http://www.g4trader.com">www.g4trader.com</a>	250	<a href="http://www.scala.trade">www.scala.trade</a>
205	<a href="http://www.gntfx.com">www.gntfx.com</a>	251	<a href="http://www.SecuredOptions.com">www.SecuredOptions.com</a>
206	<a href="http://www.goldenratioassetmanagement.com">www.goldenratioassetmanagement.com</a>	252	<a href="http://www.stm-fx.com">www.stm-fx.com</a>
207	<a href="http://www.gotooption.com">www.gotooption.com</a>	253	<a href="http://www.swissfxpro.com">www.swissfxpro.com</a>
208	<a href="http://www.gtoptions.com">www.gtoptions.com</a>	254	<a href="http://www.tadawulinvestments.com">www.tadawulinvestments.com</a>
209	<a href="http://www.hedefonline.com">www.hedefonline.com</a>	255	<a href="http://www.thetrueoption.com">www.thetrueoption.com</a>
210	<a href="http://www.highoption.com">www.highoption.com</a>	256	<a href="http://www.titantrade.com">www.titantrade.com</a>
211	<a href="http://www.iforex24.com">www.iforex24.com</a>	257	<a href="http://www.touchtrades.com">www.touchtrades.com</a>
212	<a href="http://www.imperialoptions.com">www.imperialoptions.com</a>	258	<a href="http://www.trade-24.com">www.trade-24.com</a>
213	<a href="http://www.insideoption.com">www.insideoption.com</a>	259	<a href="http://www.tradeberrybank.com">www.tradeberrybank.com</a>
214	<a href="http://www.ivoryoption.com">www.ivoryoption.com</a>	260	<a href="http://www.Tradersking.com">www.Tradersking.com</a>
215	<a href="http://www.jennocrypto.com">www.jennocrypto.com</a>	261	<a href="http://www.tradextra.com">www.tradextra.com</a>
216	<a href="http://www.jetfore.com">www.jetfore.com</a>	262	<a href="http://www.tradingbanks.com">www.tradingbanks.com</a>
217	<a href="http://www.jfdmtech.com">www.jfdmtech.com</a>	263	<a href="http://www.tradorax.com">www.tradorax.com</a>
218	<a href="http://www.ksftrade.com">www.ksftrade.com</a>	264	<a href="http://www.ubinary.com">www.ubinary.com</a>
219	<a href="http://www.lbinary.com">www.lbinary.com</a>	265	<a href="http://www.ubkfx.com">www.ubkfx.com</a>
220	<a href="http://www.lottmarket.com">www.lottmarket.com</a>	266	<a href="http://www.ukoptions.com">www.ukoptions.com</a>
221	<a href="http://www.marketsdl.com">www.marketsdl.com</a>	267	<a href="http://www.utrader.com">www.utrader.com</a>
222	<a href="http://www.marketsrally.com">www.marketsrally.com</a>	268	<a href="http://www.vipoptions.com">www.vipoptions.com</a>
223	<a href="http://www.maxoptions.com">www.maxoptions.com</a>	269	<a href="http://www.vncbrokers.com">www.vncbrokers.com</a>
224	<a href="http://www.meritkapital.com.cn">www.meritkapital.com.cn</a>	270	<a href="http://www.vtgfx.com">www.vtgfx.com</a>
225	<a href="http://www.mrtmarkets.com">www.mrtmarkets.com</a>	271	<a href="http://www.whaleoptions.com">www.whaleoptions.com</a>
226	<a href="http://www.mustoption.com">www.mustoption.com</a>	272	<a href="http://www.wikioption.com">www.wikioption.com</a>
227	<a href="http://www.netotrade.com">www.netotrade.com</a>	273	<a href="http://www.winoptions247.com">www.winoptions247.com</a>
228	<a href="http://www.nextoption.com">www.nextoption.com</a>	274	<a href="http://www.worldbinaryoption.com">www.worldbinaryoption.com</a>
229	<a href="http://www.no1options.com">www.no1options.com</a>	275	<a href="http://www.worldtrustinvest.com">www.worldtrustinvest.com</a>
230	<a href="http://www.noafx.com">www.noafx.com</a>	276	<a href="http://zenithoptions.net">zenithoptions.net</a>

CySEC urges the investing public to refer to its website to find out the authorised (<http://www.cysec.gov.cy/entities/investment-firms/approved-domains>) and unauthorised (<http://www.cysec.gov.cy/el-GR/non-approved-domains/>) websites.

#### **4.4.3.3 Submission of data to the Law Office of the Republic**

Pursuant to article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where a possible infringement may at first sight constitute a criminal offence, CySEC compiles a findings' report or facts report and submits it along with all the data it has at its disposal to the Attorney General of the Republic. In 2020, CySEC referred six (6) such cases to the Attorney General of the Republic, to decide whether any criminal offences were committed by companies or natural persons.

#### **4.4.3.4 Cooperation with other Supervisory Authorities for the Investigation of Cases**

In 2020, following 47 requests by other supervisory authorities to provide assistance, CySEC gathered information that concerned legal and natural entities, as provided in Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), on behalf of foreign supervisory authorities. Of the 47 requests for data collection, seven (7) involved lifting banking secrecy.

## 4.5 Risk Management and Statistics Department

*“Risk Management is an integral part of any organisation’s strategy. It is an ongoing and developing task that helps organisations approach the risks related to older, current and especially future activities methodically and systematically, so as to gain from each activity and achieve the organisation’s overall upgrade. CySEC’s work is supported by the timely identification and correct assessment of the relevant trends and risks that govern the capital market’s operation, and guides CySEC in defining the priorities of its supervisory activities.”*

### **Marinella Georgiadou**

Head of Risk Management and Statistics Department

#### 4.5.1 Duties / competencies

The aim of the Risk Management and Statistics Department (RMSD) is to effectively manage all types of risks for CySEC (domestic and foreign), ensure their uniform control, their specialised management and embed risk management as a key component in all substantive decisions taken by CySEC on every level. Regarding the risks for CySEC-regulated entities, the RMSD has a coordinating role in implementing the Risk Based Supervision Framework (RBS-F), which assesses the risks for each regulated entity. Regarding the risks threatening CySEC’s operation, the RMSD is at the stage of creating an Enterprise Risk Management Framework. Furthermore, the department collects data from the regulated entities, analyses it, and prepares various statistical publications and other analyses, with the aim of assessing the risks as well as assisting CySEC in its supervisory role and achieving its strategic goals. The Department can be contacted via the email. [risk.statistics@cysec.gov.cy](mailto:risk.statistics@cysec.gov.cy)

#### 4.5.2 Objectives for 2021

The Department intends to complete the project of creating a Data Governance Framework in the second quarter of 2021. The Enterprise Risk Management Framework (ERM-F), which started being prepared in 2020, is also expected to be completed in 2021.

The Department also monitors the Risk Based Supervision Framework (RBS-F) on a constant basis to ensure that it is always up to date. In 2021, the RMSD is expected to conduct a study aimed at upgrading the Framework following developments in various sectors, such as prudential supervision, collective investments, innovation and sustainable investments.

Furthermore, the Department is expected to conduct a study for CySEC’s harmonisation with article 25 of Directive 2011/61/EU (Guideline) and the implementation of a consistent methodology for assessing systemic risks arising from the deleveraging of the AIF sector. The Guideline will start being implemented in 2021, while the assessments taking place on a systematic basis.

Additionally, the Department will explore any needs for new/additional data as well as new infrastructure and tools, with the aim of scrutinising the internal and external threats to CySEC, as well as other statistical data on all CySEC-regulated entities, and will proceed to collect and analyse them. At the same time, under its competency to provide investors, regulated entities and other market stakeholders with information, the Department will prepare a series of Statistical Bulletins, on an annual or quarterly basis, with the main market statistical data/indices.

It will also continue to monitor the developments surrounding innovation and technology, and the risks/opportunities that arise.

### 4.5.3 Operations of the Risk Management and Statistics Department

#### 4.5.3.1 Risk Based Supervision Framework, RBS-F

The Risk Based Supervision Framework (RBS-F) monitors and measures the risk of all regulated entities. The RBS-F gives CySEC the ability to determine the way in which it will execute its supervision, based on the risk of each organisation, and focus on those that carry the most significant risks.

The RBS-F is implemented for CIFs, ASPs, Collective Investment Management Companies and Issuers, on an annual and recurring basis. When implementing the framework, the Risk Cycle is followed, as described in the diagram below, which was developed based on international risk management practices.

In 2020, the RMSD completed its assessment of all CySEC-regulated entities, so as to classify the countries under one of the risk categories (High, Medium-High, Medium-Low and Low Risk). Based on the results of the risk assessment, the Supervision, AML and Issuers Departments are preparing annual supervision action plans, in order to deal with the risks.

The RBS-F supervisory framework is recurrently monitored by the RMSD, so that all developments in the regulated entities' environment (financial, legal, business and international developments) are taken into consideration, thus ensuring they manage their risks correctly.

The RMSD took on the role of coordinating and organising the sessions of the RBS-F Executive Committee, which monitors the framework's implementation. In 2020, the Executive Committee held three sessions, discussing various current issues involving regulated entities' risk management.

#### 4.5.3.2 Enterprise Risk Management Framework (ERM-F)

In 2020, a tender was opened for the creation of an Enterprise Risk Management Framework (the ERM-F). The Framework will take into consideration and assess all external and internal risks threatening CySEC and the environment it is active in, so that it can supplement CySEC's strategic planning for risk management, on a systematic basis.

The Framework will be aligned with internationally recognised risk standards and in particular the ISO 31000-2018. It will also incorporate the Risk Management Framework for CySEC's Regulated Entities (RE), and the Risk Based Supervision Framework (RBS-F), while the risk management process being followed will be aligned to ensure cohesion. The Framework is expected to be completed in 2021, allowing CySEC to prepare its first Risk Management Report.

#### 4.5.3.3 Data Governance Framework

As part of its effort to optimise how it exercises its supervisory role, its strategic objectives and ongoing modernisation, CySEC has focused particularly on the importance of data, and to this end, a Tender was opened in 2020 for the Creation of a Data Governance Framework. The project is based on international practices and standards, with CySEC aiming to optimise its Data collection system and upgrade the ability to use and analyse the Data. This is expected to significantly improve CySEC's performance, both in terms of its business operation and its decision-making. The project began in October 2020, and the Planning is already underway, with the aim of completing it in the second quarter of 2021.

The Activities Plan that is expected to be prepared will be implemented gradually with a number of individual projects, which will be carried out over the coming years and progressively upgrade CySEC's data management. A special Project Group has been assigned to coordinate the Project, comprising representatives of the Risk Management and Statistics, and IT and Operations Departments.

The Risk Management and Statistics Department has a particularly defining role in the implementation and future operation of this Framework. More specifically, the Department is expected to establish a special data governance group, with individuals who have specialised knowledge and training. It will function as a central pillar in coordinating and organising proposed policies and procedures, and data quality checks, as well as promoting and monitoring correct and effective data management at CySEC.

#### 4.5.3.4 ESRB Bottom-up Quarterly Survey – preparation of Quarterly Systemic Risk Survey and measures to mitigate the pandemic

As part of its competency to monitor and assess CySEC's external risks, the RMSD is responsible for completing the Quarterly Systemic Risk Survey for the European Systemic Risk Board (ESRB), on a quarterly basis. The Quarterly Systemic Risk Survey is sent every quarter by the Central Bank of Cyprus, on behalf of all Cypriot supervisory authorities, and it concerns the risks facing the financial system and particularly the securities markets and asset management, both in the Cyprus and the EU.

In 2020, the RMSD also filled in ESRB questionnaires on the measures CySEC took to mitigate the impact from the COVID-19 pandemic.

#### 4.5.3.5 Statistical Analysis and Surveys

The RMSD gathers a plethora of data and information from the regulated entities, as part of assessing their risks but also for further statistical analysis, preparation of reports and specialised surveys, as well as statistical bulletins. In 2020, the Department:

- Prepared the FPISA-CIF form, which is directed at CIFs. The first data was gathered in 2019 by CIFs providing cross-border services.
- Prepared various internal quarterly statistical bulletins, to keep CySEC up to date with market trends but also highlight potential risks arising from an analysis of said data.
- Prepared statistical reports in response to requests from other supervisory authorities, about specific companies that provide their services in the specific countries.
- Revised the infrastructure used to process and analyse data, as well as processed existing data bases and special reports, accordingly.
- Prepared and published circulars, Q&As and forms on CySEC's website, regarding the electronic submission of regulated entities' data.
- Gathered data on 2019 from all regulated entities, to assess their risks under the RBS-F.
- Gathered data from CIFs that managed UCIs in 2019, using the AST-CIFMC form.
- Provided validation and a statistical analysis of the data gathered from the regulated entities, using the various data collection forms. It also prepared relevant reports and memos with conclusions.

#### 4.5.3.6 Statistical Bulletins

The Department prepared and posted the following statistical bulletins/editions on CySEC's website:

##### Third Annual Statistical Bulletin

In 2020, the Department published the second Annual Statistical Bulletin, which includes basic statistical data for all CySEC-regulated entities for the years 2016-2019, with special emphasis on 2019. Furthermore,

the Annual Statistical Bulletin for all CySEC-regulated entities will be published once a year and be enriched with new findings and additions. In 2021, the 4th Annual Statistical Bulletin will be prepared and published on CySEC's website, with data about 2020.

#### **Quarterly Statistical Bulletins for the sector of Management Companies and Undertakings of Collective Investments**

The RMSD prepared the quarterly statistical bulletins for the first two quarters of 2020, for Management Companies and Undertakings of Collective Investments. The bulletins are published on CySEC's website and are one of the main tools for updating the market regarding the collective investments sector in Cyprus.

#### **4.5.3.7 Participation in various groups in Cyprus and abroad**

In 2020, the Department participated in the Senior Supervisors' Forum, the aim of which was to facilitate the exchange of experience between the supervisory authorities regarding Risk Based Supervision (RBA), especially when it comes to Investment Firms.

It also participated in the Committee for Economic & Markets Analysis. The CEMA-AIFMD Task Force and the CEMA EMIR Task Force.

Furthermore, in cooperation with other CySEC departments, the RMSD actively participated in the whole evaluation process of Cyprus, in the framework of the 5th Evaluation Round of the Moneyval Committee of the Council of Europe.

The Department also participated in the sub-committee of Financial Applications of the Ministry of Finance, whose mandate is to explore the potential use of DLT technology in the financial sector, as well as the sub-committee that has been established under the national strategy for developing Blockchain technologies.

Through the RMSD, CySEC participated in the project entitled "FinTech: A Financial Technology training platform", which was funded by Horizon 2020. A number of Europe's universities and supervisory authorities participate in the programme. The programme is clearly of an academic nature and the aim is to hold a series of lessons/seminars of a non-profit nature, in the fields of Big Data Analytics, Artificial Intelligence and Blockchain. Over the past year, one Suptech workshop was held for CySEC staff.

## 4.6 IT and Operations Department

*“The pandemic directly affected the design, development and use of IT systems and technologies. Consequently, the Department had an important role to play in the way CySEC functioned, due to the unstable situation and the changes brought about by the state’s measures to tackle the pandemic. The Department focused on ensuring the smooth implementation of remote working arrangements, as well as establishing reliable communication channels for our staff through specialised technologies”.*

### **Yiannis Kallis**

*Head of IT and Operations Department*

#### 4.6.1 Duties/Competencies

The IT and Operations Department is responsible for managing and upgrading the Commission’s IT systems infrastructure, its website and internal network, as well as other matters relating to the adoption of modern technologies. The main goal is to ensure effectiveness, the safety of data management and uninterrupted communication during the execution of CySEC’s duties, as well as to increase productivity and reduce costs. The Department can be contacted at: [information.technology@cysec.gov.cy](mailto:information.technology@cysec.gov.cy)

#### 4.6.2 Objectives for 2021

One of the most important roles of an innovative IT Department is to establish and manage methods that ensure the smooth functioning and safety of an organisation. Hence, the department began drafting a guidebook of procedures in 2021, in relation to the creation, transfer and termination of user accounts in the various information systems.

At the same time, taking into account the risks arising from software updates and programme modifications, the matter has been examined and the goal is to develop a central system that will provide the capacity, to control all other systems, to the extent that this is possible.

In addition, due to the increased volume of digital data and the pressing need for enhanced security of the data that are being transmitted, a specialised system will be installed.

CySEC’s website will be renewed and upgraded within 2021 in order to become responsive and maintain its ease of use across different devices. More specifically, the website’s width and its various elements (such as images, text, graphics etc) will adapt to the display characteristics of each user’s device. At the same time, the new website’s design will take into consideration the needs and priorities of the user, based on the findings of a study that examined the navigation and terms searched by users on the current website.

#### 4.6.3 Department operations

##### 4.6.3.1 Infrastructure Upgrade Projects

##### **Remote working systems and distance communication**

2020 was full of rapid changes and developments, centred around automation, digitalisation and remote communication.

The IT Department, utilising the necessary tools and software, and with data security and protection in mind, implemented a system that facilitates remote working. More specifically, within a short period of time, the IT Department has installed specialised software on the computers of all CySEC employees, enabling them to work remotely. Also, by establishing another specialised software, it made it possible for group meetings to be carried out through teleconference, without the need to be physically present in the office.

### Installation of Microsoft365

Due to the various needs that were identified in 2020, such as the increase in the number of email accounts and the need to increase the storage space for user emails, it was decided to transition to Microsoft365. Microsoft365 is based on Microsoft's specialised security systems and is one of the most renowned worldwide and is continuously evolving in order to provide protection from everyday risks.

With Microsoft365, users have access to the latest and most recently updated versions of all Office applications. At the same time, Microsoft365 is flexible and can adapt to any device, be it a computer, smartphone or tablet. This way, the personnel can enjoy uninterrupted access to their user accounts, thus increasing productivity.

### Expansion of CIF and Collective Investments electronic registry

In 2020, the digital forms for CIFs were upgraded, to provide a clearer picture of their corporate structure. New sections were added, providing the possibility to perform a complete review of the company. More specifically, the shareholder forms and the forms for the Boards of Directors for each shareholder were upgraded, as were the forms for the participation of shareholders in other CIFs.

In February 2020, CySEC extended the digital archive of corporate data to also include Fund Managers, which was incorporated into CySEC's website. Fund Managers now have access to all the information they have submitted electronically to CySEC and to immediately carry out any additions/modifications. This improves information transparency and allows CySEC to continuously monitor company changes.

### Digitisation of Central Trusts Registry

In 2020, the department began developing a digital and integrated Central Trusts Registry, on the basis of the provisions of the European Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, in relation to trusts.

The first working prototypes were developed and there is a continuous communication with the company for the delivery of the next phases of the project. The IT Department supports the relevant departments, making sure to check each completed deliverable. The IT Department will also be responsible for carrying out infrastructure and architectural checks.

#### 4.6.3.2 Data Governance Framework

In order to best exercise its supervisory role and execute its strategic goals and continuous modernisation, CySEC has attributed great significance to the importance of data, and to this end, in 2020, it issued a relevant Competition for the Creation of a Data Governance Framework. This project is based on international practices and standards and CySEC aims to use it to improve its data organisation and the capability to use and analyse them. These improvements are expected to significantly enhance CySEC's productivity, both in terms of internal function, as well as on a decision-making level. The Project started in October 2020, and with planning already underway, it is expected to be completed within the second quarter of 2021.

The Plan of Activities that will be prepared, is expected to be implemented gradually through various individual projects which will be prepared in the upcoming years and will gradually upgrade CySEC's data management. To achieve the best possible coordination, a special Project Group has been set up, composed of representatives from the Risk Management and Statistics department as well as the Informatics and Archive department.

The Informatics and Archive Department plays a leading role in this project. More specifically, the Department will be responsible for the development and functionality of the Data Governance Framework, e.g., for the Framework's architecture and data flows. At the same time, it will be responsible for the effective security and integration of data safety mechanisms.



ΕΠΙΤΡΟΠΗ  
ΚΕΦΑΛΑΙΑΓΟΡΑΣ  
ΚΥΠΡΟΥ

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