

CP(2014 – 03)

Consultation paper of the Cyprus Securities and Exchange Commission regarding new provisions for exposures to directors and shareholders of Cyprus Investment Firms ('CIFs')

In the context of establishing effective arrangements and procedures for consultation with the market participants regarding the proposed changes in the national legislation the Cyprus Securities and Exchange Commission ('the Commission') makes public this Document for consultation.

The Commission before taking its final decisions regarding new provisions for exposures to CIFs directors and shareholders is addressing to you the present Consultation Paper. These provisions will replace the existing provisions in paragraph 8 of the Commission's Directive 144-2007-06 regarding large exposures.

In the Annex attached you can find the proposed provisions.

Therefore, the Commission invites you to submit your comments/suggestions by completing the Annex attached, in word format, until Friday, April 25, 2014, to the electronic address crdsubmission@cysec.gov.cy.

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ANNEX	
Commission's proposed view	CIF's comments
1. A CIF is not allowed to:	
(a) have any exposure to any of its independent non executive directors;	
(b) grant any non independent director any exposure unless the transaction was approved by a resolution of its Board of Directors carried by a majority of two-thirds of its directors that participated in the meeting and the director concerned was not present during the discussion of this subject by the Board and did not vote on the resolution; the exposures granted in such cases are granted on the same commercial terms as would apply to a client for similar exposures in the ordinary course of the CIF business;	
(c) subject to the provisions of subparagraphs (a), (b) and (d) to (f), permit the total value of exposures in respect of all its directors together to exceed at any time ten per cent (10%) of its own funds;	
(d) subject to the provisions of subparagraphs (a) to (c), (e) and (f), permit the total value of any unsecured exposures, which are granted to all its directors together to exceed at any time one per cent (1%) of its own funds;	
(e) subject to the provisions of subparagraphs (a) to (c) and (f), permit the total value of exposures to any director to exceed at any time the amount of €500.000;	
(f) subject to the provisions of subparagraphs (a) to (e), permit the granting of funding at any time to any executive directors that does not comply with the terms and conditions or exceed the limits that apply to all staff of the CIF;	

<p>(g) subject to the provisions of subparagraphs (a) to (f), grant to any shareholder, that is not an institution¹, holding directly or indirectly more than ten percent (10%) of the share capital of the CIF, a large exposure;</p>	
<p>(h) subject to the provisions of subparagraphs (a) to (g), grant to all shareholders of a CIF, that is not an institution¹, holding directly or indirectly more than ten percent (10%) of the share capital of CIF's exposures that in total exceed twenty percent (20%) of the CIF's own funds;</p>	
<p>(i) subject to the provisions of subparagraphs (a) to (h), grant to all shareholders of the CIF, that is not an institution¹, holding directly or indirectly more than ten percent (10%) of the share capital of the CIF, unsecured exposures that in total exceed two percent (2%) of the CIF's own funds;</p>	
<p>2. Every CIF shall, at all times, comply with all the limits laid down in paragraph 1. If, in an exceptional case, exposures exceed any limit, the CIF shall report without delay to the Commission, the excess amount, the reasons that led to the excess and the actions for compliance that are not later than one month from the occurrence of the excess.</p> <p>It is provided that in case where the CIF does not comply within the one month period, the appointment of the director, whose exposure created the excess, is terminated with immediate effect.</p>	
<p>3. Every CIF shall monitor on an ongoing basis the exposures to its directors and if an exposure to a director becomes non-performing, the CIF terminates immediately the appointment of the said director.</p>	

¹ For the limits of exposures to institutions please see article 395 of Regulation EU no 525/2013