

PRESS RELEASE

A series of supervisory audits and continuous supervision in 2023

More than 700 on-site and remote thematic audits of supervised entities

NICOSIA, 13 March 2024 – The Chairman of the Cyprus Securities and Exchange Commission (CySEC), Dr George Theocharides, highlighted during a press conference, the supervisory work of CySEC for 2023 aimed at protecting the investing public and the significant regulatory changes that will be introduced in the sector.

Dr Theocharides stated that within 2023, the Supervision and AML/CFT Departments carried out over 700 on-site and remote thematic inspections of supervised entities. In addition, remote checks are carried out on a systematic basis for compliance with, inter alia, the limits resulting from the prudential supervision framework as well as monitoring of prudential requirements of Cypriot Investment Firms (CIFs) affected by the Russia-Ukraine sanctions.

Additionally, CySEC assessed information received from all supervised institutions on business relationships with persons subject to Council of the European Union Restrictive Measures against Russia and investigated transfer transactions of Russian securities/tokens in Russia 'Forced Transfers' carried out by natural and legal persons in Cyprus.

During 2023, the evaluation of promotional material in over 35 CIFs' promotional announcements was also completed, and in cases where misleading material was identified, CIFs were advised to make changes to the promotional material towards investors.

The Market Surveillance and Investigations Department conducted entries-investigations in 6 CIFs, completed 42 investigations and another 48 investigations were ongoing at the end of 2023. At the same time, the Department sent one case to the Attorney General of the Republic to determine whether there were potential criminal offences by companies or individuals.

The Issuers Department examined, inter alia, the compliance of issuers with their obligation to publish the Annual Financial Report for the financial year 2021 and 2022 and the Interim Financial Report for the first half of 2022 and 2023, and whether such financial information was prepared and published in accordance with the law.

As a result of the supervisory audits, administrative sanctions of approximately €2.2 million were imposed in 2023, of which €1 million was on a single CIF. In the last three years, a total of €6 million in administrative sanctions have been imposed, of which €5.3 million were on CIFs for breaches of the legislation.

In addition, supervised entities were requested in more than 103 cases to take corrective measures based on the applicable legislation and 35 supervised entities were instructed to take specific measures within a certain period of time to fully comply with the provisions of the Law and the Directive on the prevention of money laundering and terrorist financing.

Furthermore, 19 cases of CIFs had their operating licenses revoked or suspended, while another 2 cases concerned the revocation of the operating license of the Undertakings of Collective Investment.

MiCA

The CySEC Chairman stated that one of the most important changes that will come towards the end of 2024 is the implementation of the Markets in Crypto-Assets Regulation, known as MiCA, which concerns crypto-asset service providers. The MiCA includes, inter alia, provisions aimed at ensuring investor protection and market integrity. "All supervisory authorities in the European territory, including the Cyprus Securities and Exchange Commission, are already preparing for the adoption of these changes, informing both regulated entities and other interested parties in the sector in general. It is important that supervised entities prepare for their adoption in a timely manner by acquiring the appropriate systems or further staffing them with the appropriate human resources to enable them to meet the new requirements." Dr Theocharides said.

He also urged investors to be particularly cautious when investing in crypto-assets as they involve a number of risks. "The lack of adequate awareness of the complexity and the high risk involved in

these products combined with the widespread online enthusiasm around them can lead to significant losses for investors", he added.

Sector Growth

Dr Theocharides also stated that despite the ongoing challenges in the financial environment, the capital market in Cyprus is still of significant interest and with the upcoming changes expected in the regulatory framework across Europe, we will see the sector evolve in the coming years, with technology playing the dominant role.

Within 2023, a total of 82 entities received approval, with the number of supervised entities at the end of February 2024 standing at 830.

"Over the past four years, the number of supervised entities has recorded a 12% increase and is an indication that Cyprus continues to gather substantial advantages as an investment destination. Based on the latest available data for February, 78 applications are in the process of being assessed for licensing," he added.

Regarding investor education in 2023, the CySEC actively participated in a number of events, workshops and conferences promoting financial literacy and financial education, and is one of the members of the Ad-Hoc Committee for the formulation of a National Strategy for the promotion of Financial Literacy and Financial Education in Cyprus.

Furthermore, CySEC issued warnings to the investing public and a specialised social media campaign on natural and legal entities posing as CySEC officials or representatives, as well as on websites imitating that of CySEC or other supervisory authorities.

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