

The Investment Services and Activities and Regulated Markets (Amending) Law of 2014 is enacted with its publication in the Official Gazette of the Republic of Cyprus in accordance with Section 52 of the Constitution.

No. 193(I) of 2014

LAW WHICH PROVIDES FOR THE PROVISION OF INVESTMENT SERVICES, THE EXERCISE OF INVESTMENT ACTIVITIES, THE OPERATION OF REGULATED MARKETS AND OTHER RELATED MATTERS OF 2007 TO 2012

Preamble. For the purpose of harmonization with Articles 3(1).1), 3), 7), 9), 14), 15), 19), 20), 33), 34), 36), 37), 39), 40), 41) and 54), 4(1) and (3), 8, 28(1)-(2), 29(1)-(4), 31(1)-(2), 50(1)-(5), 51(1)-(3), 56, 57(1)-(2), 58(1), 61(1)-(2), 62, 63(1)-(2), 65(1)-(2), 67(1).a) and d)-p) and (2), 68(1)-(3), 70, 71(1) and (3), 74(1), 88(1)-(2), 91(1)-(11) and (13), 96, 97(1)-(2), 102(1), 114, 126 and 151(1) of the act of the European Union entitled “Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC», as corrected and last amended by Directive 2014/59/EC of the European Parliament and the Council of 15 May 2014.

OJ No. L176,
27.6.2013, p. 338;
L 208,
2.8.2013, p. 73;
L 173,
12.6.2014, p. 190.

The House of Representatives votes as follows:

Short title. 1. The present Law shall be cited as the Investment Services and Activities and Regulated Markets (Amending) Law of 2014 and shall be read as one with the 144(I) of 2007 Investment Services and Activities and Regulated Markets Laws of 2007 to 2012 as 106(I) of 2009 amended (hereinafter called the “principal law”) and the principal law and this Law 141(I) of 2012 shall be jointly cited as the Investment Services and Activities and Regulated Market 154(I) of 2012. Laws of 2007 to 2014.

Official Gazette

Appendix I(I):

16.11.2007

16.11.2012

30.11.2012.

Amendment of article 2 of the principal law. 2. Paragraph (1) of Article 2 of the principal law shall be amended as follows:

- (a) by replacing the definition of the terms “initial capital”, “auditor”, “control”, “subsidiary undertaking”, “home Member State”, “host

Member State”, “parent undertaking”, “credit institution”, “persons who effectively direct the business” with the following new definitions, accordingly:

“initial capital” means the initial capital comprising of only one or more of the items referred to in Article 26(1)(a) to (e) of Regulation (EU) No. 575/2013;

“auditor” means a person who, for the purpose being appointed auditor of a company, holds the necessary qualifications and license under the provisions of the Companies Law, and the Auditors and Statutory Audits of Annual and Consolidated Accounts Law;

Cap. 113.

9 of 1968

76 of 1977

17 of 1979

105 of 1985

198 of 1986

19 of 1990

41(I) of 1994

15(I) of 1995

21(I) of 1997

82(I) of 1999

149(I) of 1999

2(I) of 2000

135(I) of 2000

151(I) of 2000

76(I) of 2001

70(I) of 2003

167(I) of 2003

92(I) of 2004

24(I) of 2005

129(I) of 2005

130(I) of 2005

98(I) of 2006

124(I) of 2006

70(I) of 2007

71(I) of 2007

131(I) of 2007

186(I) of 2007

87(I) of 2008

41(l) of 2009
49(l) of 2009
99(l) of 2009
42(l) of 2010
60(l) of 2010
88(l) of 2010
53(l) of 2011
117(l) of 2011
145(l) of 2011
157(l) of 2011
198(l) of 2011
64(l) of 2012
98(l) of 2012
190(l) of 2012
203(l) of 2012
6(l) of 2013
90(l) of 2013
74(l) of 2014
75(l) of 2014.
42(l) of 2009
163(l) of 2013.

“control” means control as defined in point (37) of Article 4(1) of Regulation (EU) No 575/2013;

“subsidiary company” or “subsidiary” means subsidiary as defined in point (16) of Article 4(1) of Regulation (EU) No 575/2013;

“home Member State” means home Member State as defined in point (43) of Article 4(1) of Regulation (EU) No 575/2013;

“host Member State” means host Member State as defined in point (44) of Article 4(1) of Regulation (EU) No 575/2013;

“parent undertaking” means parent undertaking as defined in point (15) of Article 4(1) of Regulation (EU) No 575/2013;

“credit institution” means credit institution as defined in point (1) of Article 4(1) of Regulation (EU) No 575/2013;

“persons who effectively direct the business” or “members of the board of directors” means the members of the board of directors of a legal person;

- (b) by replacing the definition of the term “competent authorities” with the following new definition:

“competent authority” means competent authority as defined in point (40) of Article 4(1) of Regulation (EU) No 575/2013;

- (c) by replacing the definition of the term “qualifying holding” with the following new definition:

“qualifying holding” means qualifying holding as defined in point (36) of Article 4(1) of Regulation (EU) No 575/2013;

- (d) by deleting the term and definition of “mixed financial holding company”;

- (e) by adding in the appropriate alphabetical order the following new terms and their definitions:

“senior management” means those natural persons who exercise executive functions within an institution and who are responsible, and accountable to the board of directors, for the day-to-day management of the institution;

“consolidating supervisor” means consolidating supervisor as defined in point (41) of Article 4(1) of Regulation (EU) No 575/2013;

“board of directors” means the body of an institution which is empowered to set the institution's strategy, objectives and overall direction, and which oversees and monitors management decision-making, and includes the persons who effectively direct the business of the institution;

“EIOPA” means the European Insurance and Occupational Pensions Authority established by the act of the European Union entitled

OJ L 331,
15.12.2010,
p. 48.
L 105,
8.4.2014, p.1

“Regulation (EU) No 1094/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC”, as amended from time to time;

“EBA” means the European Banking Authority established under Regulation (EU) No 1093/2010;

“institution” means an institution as defined in point (3) of Article 4(1) of Regulation (EU) No 575/2013;

OJ L 331
15.12.2010,
p. 12
L 225,
30.7.2014,
p. 1.

“Regulation (EU) No 1093/2010” means the act of the European Union entitled “Regulation (EU) No 1093/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC as last amended by Regulation (EU) No 806/2014 of the European Parliament and the Council of 15 July 2014;

OJ L 176,
27.6.2013,
p. 1;
L 208,
2.8.2013,
p. 68;
L 321,
30.11.2013,
p. 6;
L 165,
4.6.2014, p. 31.

“Regulation (EU) No. 575/2013” means the act of the European Union entitled “Regulation (EU) No 575/2013 of the European Parliament and the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012», as amended, and whose transitional period was extended by Commission Implementing Regulation (EU) No 591/2014 of 3 June 2014;

OJ L 201,
27.7.2012,
p. 1;

“Regulation (EU) No 648/2012” means the act of the European Union entitled “Regulation (EU) No 648/2012 of the European Parliament and the Council of 4 July 2012 on OTC derivatives, central

L 173,
12.6.2014,
p. 84.

counterparties and trade repositories», as last amended by Regulation (EU) No 600/2014 of the European Parliament and the Council of 15 May 2014;

“ESCB central banks” means ESCB central banks as defined in point (45) of Article 4(1) of Regulation (EU) No 575/2013;

“mixed financial holding company” means a parent undertaking, other than a regulated entity, which together with its subsidiaries, at least one of which is a regulated entity which has its head office in the Community, and other entities, constitutes a financial conglomerate;

“Directive 2013/36/EU” means the Act of the European Union entitled “Directive 2013/36/EU of the European Parliament and the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC”;

“trading book” means a trading book as defined in point (86) of Article 4(1) of Regulation (EU) No 575/2013;

“financial holding company” means financial holding company as defined in point (20) of Article 4(1) of Regulation (EU) No 575/2013;

- (f) by replacing in the definition of “financial sector” of paragraph (e) with the following paragraph (e):

“(e) mixed financial holding company.”;

- (g) by adding, immediately after subsection (2) thereof, of the following new subsections (3), (4) and (5):

“(3) In the present Law and in any acts with regulatory content issued pursuant of the present Law, any reference to a legislative act of the European Union, such as a Directive, Regulation or Decision, shall mean the said act as corrected, amended or replaced from time to time.

(4) Terms which are used in this Law and are not otherwise defined, shall have the meaning ascribed to them in Regulation (EU) No 575/2013.

(5) Where, in the present Law, reference is made to compliance with the present Law, the directives issued pursuant to the present Law and/or Regulation (EU) No 1287/2006 it is deemed that the said obligation includes the obligation to comply with Regulation (EU) No 575/2013 and Regulation (EU) No 648/2012 as well as all acts of the European Union issued under any of the said Regulations.”.

Amendment of article 8 of the principal law. 3. Article 8 of the principal law is amended with the addition immediately after the phrase “supervised by the Commission” (lines six and seven), of the new phrase “the manner in which it complies with the requirements of articles 12 and 18A”.

Replacement of article 10 of the principal law. 4. Article 10 of the principal law is replaced by the following new article:
 “CIF Initial Capital. 10.-(1) A CIF other than those referred to in subsection (2), shall have initial capital of seven hundred and thirty thousand euro (€730.000).

(2) Subject to subsection (4), a CIF that does not deal in any financial instruments for its own account or underwrite issues of financial instruments on a firm commitment basis, but which holds client money or securities and which offers one or more of the following services, shall have initial capital of one hundred and twenty five thousand euro (€125.000):

- (a) the reception and transmission of investors' orders for financial instruments;
- (b) the execution of investors' orders for financial instruments;
- (c) the management of individual portfolios of investments in financial instruments.

(3) A CIF which executes investors' orders for financial instruments is allowed to hold such instruments for its own account if the following conditions are met:

- (a) such positions arise only as a result of the CIF's failure to match investors' orders precisely;
- (b) the total market value of all such positions is subject to a ceiling of fifteen percent (15 %) of the CIF's initial capital;
- (c) the CIF meets the requirements set out in Articles 92 to 95 and Part Four of Regulation (EU) No 575/2013;
- (d) such positions are incidental and provisional in nature and strictly limited to the time required to carry out the transaction in question.

(4) A CIF referred to in subsection (2) shall have initial capital of fifty thousand euro (€50.000) where it is not authorised to hold client money or securities, to deal for its own account, or to underwrite issues or on a firm commitment basis.

(5) The holding of non-trading-book positions in financial instruments in order to invest own funds shall not be considered as dealing for its own account for the purposes of subsections (2) and (4).

(6) Coverage for CIFs referred to in point (2)(c) of Article 4(1) of Regulation (EU) No 575/2013, shall take one of the following forms:

- (a) initial capital of fifty thousand euro (€50.000);

- (b) professional indemnity insurance covering the whole territory of the Union or some other comparable guarantee against liability arising from professional negligence, representing at least one million euro (€1.000.000) applying to each claim, and in aggregate one million five hundred thousand euro (€1.500.000) per annum for all claims;
- (c) a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in paragraphs (a) or (b).

(7) A CIF referred to in subsection (6), which is also registered under the Insurance Services and other Related Issues Law, shall comply with subsection (1) of article 171 of the said law and shall have coverage in one of the following forms:

35(l) of 2002
 141(l) of 2003
 165(l) of 2003
 69(l) of 2004
 70(l) of 2004
 136(l) of 2004
 152(l) of 2004
 153(l) of 2004
 240(l) of 2004
 17(l) of 2005
 26(l) of 2008
 105(l) of 2009
 50(l) of 2011
 132(l) of 2013.

- (a) initial capital of twenty five thousand euro (€25.000);
- (b) professional indemnity insurance covering the whole territory of the Union or some other comparable guarantee against liability arising from professional negligence, representing at

least five hundred thousand euro (€500.000) applying to each claim, and in aggregate seven hundred and fifty thousand (€750.000) per annum for all claims;

- (c) a combination of initial capital and professional indemnity insurance in a form resulting in a level of coverage equivalent to that referred to in paragraphs (a) or (b).”.

Amendment of article 12 of the principal law.

5. Article 12 of the principal law is amended as follows:

- (a) By replacing the first paragraph of subsection (1) with the following new paragraph:

“Members of the board of directors shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the board of directors shall reflect an adequately broad range of experiences. Members of the board of directors shall fulfill the requirements set out in subsections (4) to (10).”

- (b) by adding, immediately after subsection (3), the following new subsections:

“(4) All members of the board of directors shall commit sufficient time to perform their functions in the CIF.

(5) The number of directorships which may be held by a member of the board of directors at the same time shall take into account individual circumstances and the nature, scale and complexity of the CIF’s activities. Unless representing the Republic, members of the board of directors of a CIF that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- (a) one executive directorship with two non-executive directorships;
- (b) four non-executive directorships.

(6) For the purposes of subsection (3), the following shall count as a single directorship:

- (a) executive or non-executive directorships held within the same group;
- (b) executive or non-executive directorships held within:
 - (i) institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
 - (ii) undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

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(7) Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of subsection (5).

(8) The Commission may allow members of the board of director to hold one additional non-executive directorship. The Commission shall regularly inform the EBA of such authorisations.

(9) The board of directors shall collectively possess adequate knowledge, skills and experience to be able to understand the CIF's activities, including the principal risks.

(10) Each member of the board of directors shall act with

honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.

(11) The CIF shall devote adequate human and financial resources to the induction and training of members of the board of directors.

(12) The CIF and the respective nomination committees, pursuant to article 18A(2), shall ensure that there is a broad set of qualities and competences exists when recruiting members for the board of directors and for that purpose the CIF shall put in place a policy promoting diversity on the board of directors.

(13) The Commission shall collect the information which is disclosed in accordance to Article 453, paragraph 2, point c) of Regulation (EU) No 575/2013 and shall use it to benchmark diversity practices and shall provide the EBA with the said information.

(14) The present article shall not prejudice the provisions relating the representation of employees in the board of directors as provided by the laws of Cyprus.”.

Amendment of article 18 of the principal law.	6. Paragraph (f) of subsection (2) of article 18 of the principal law is amended by replacing the phrase “and effective control mechanisms; including appropriate administrative and accounting procedures and” (lines five to seven), with the phrase “adequate control mechanisms, including sound remuneration policies and practices that are consistent with sound and effective risk management, and adequate”.
Addition of a new article 18A to the principal law.	7. The principal law is amended by the addition, immediately after article 18, of the following new article: “Governance arrangements. 18A.-(1)(a) The board of directors defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of a CIF, including the segregation of duties in

the organisation and the prevention of conflicts of interest.

(b) The governance arrangements referred to in subsection (1), shall comply with the following principles:

- (i) the board of directors must have the overall responsibility for the CIF and approve and oversee the implementation of the CIF's strategic objectives, risk prevention strategy and internal governance,
- (ii) the board of directors must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,
- (iii) the board of directors must oversee the process of disclosure and announcements,
- (iv) the board of directors must be responsible for providing effective supervision of senior management,
- (v) the chairman of the board of directors of the CIF shall not exercise simultaneously the functions of a chief executive officer within the same CIF, unless justified by the CIF and approved by the Commission.

(c) The board of directors shall monitor and periodically assess the effectiveness of the CIF's governance arrangements and shall take appropriate steps to address any deficiencies.

(2)(a) A CIF which is significant in terms of its size, internal organisation and the nature, scope and complexity of its activities, shall establish a nomination committee composed of members of the board of directors who do not perform any executive function in the CIF.

- (b) The nomination committee shall:
 - (a) identify and recommend, for the approval of the board of directors or for approval of the general meeting, candidates to fill vacancies in the board of directors, evaluate the balance of knowledge, skills, diversity and experience of the board of directors and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;
 - (b) decide on a target for the representation of the underrepresented gender in the board of directors and prepare a policy on how to increase the number of the underrepresented gender in the board of directors in order to meet that target. The target, policy and their implementation shall be made public in accordance with Article 435 paragraph 2, point c) of Regulation (EU) No 575/2013;
 - (c) assess periodically, and at least annually, the structure, size, composition and performance of the board of directors and make recommendations to the board of directors with regard to any changes;
 - (d) assess periodically, and at least

annually the knowledge, skills and experience of members of the board of directors individually, and of the board of directors collectively, and report to the board of directors accordingly;

- (e) periodically review the policy of the board of directors for selection and appointment of senior management and make recommendations to the board of directors;
- (f) in performing its duties, take into consideration, to the extent possible and on an ongoing basis, the need to ensure that the board of directors' decision making is not dominated by any one individual or a small group of individuals in a manner that is detrimental to the interests of the CIF as a whole;
- (g) be able to use any forms of resources that it considers to be appropriate, including external advisors, and shall receive appropriate funding to that effect.

(3) Subparagraph (2) shall not apply where, under the laws of Cyprus, the board of directors does not have any competence in the process of selection and appointment of any of its members.”.

Amendment of article 67 of the principal law. 8. Article 67 of the principal law is amended by the deletion of subparagraph (3).

Amendment of article 69 of the principal law. 9. Article 69 of the principal law is amended by the deletion of subparagraph (4).

Amendment of article 10. Article 70 of the principal law is amended as follows:
70 of the principal law.

(a) By replacing subparagraph (1) with the following new subparagraph:

“(1) The Commission shall review the arrangements, strategies, processes and mechanisms implemented by CIFs to comply with the provisions of the this Part and Regulation (EU) No 575/2013 and evaluates:

- (a) risks which the CIF is or might be exposed to,
- (b) risks that a CIF poses to the financial system taking into account the identification and measurement of systemic risk under Article 23 of Regulation (EU) No 1093/2010, or recommendations of the ESRB, where appropriate, and
- (c) risks revealed by stress testing taking into account the nature, scale and complexity of a CIF's activities.

The scope of the aforementioned review and evaluation shall cover all requirements of Regulation (EU) No 575/2013 and any relevant directive issued under article 73 of the present Law.”;

(b) By the addition, immediately after subparagraph (3), of the following new subparagraph:

“(4) The Commission shall require that a CIF takes the necessary measures at an early stage to address the relevant issues in the following circumstances:

- (a) where the CIF does not meet the requirements of the either the present Part, or of articles 10, 12, 18(2)(f) or 18A of the present Law or of Regulation (EU) No. 575/2013;
- (b) where the Commission has evidence that the CIF is likely to

breach the requirements of either the present Part or of articles 10, 12, 18(2)(f) or 18A of the present Law or of Regulation (EU) No 575/2013, within the following twelve (12) months.”.

Addition of a new article 72A in the principal law.

11. The principal law is amended with the addition, immediately after article 72, of a new article:

“Financial holding companies and mixed activity holding companies.

72A.- (1) Financial holding companies and mixed activity holding companies which fall under the supervision of the Commission, shall comply with the present Part, articles 10, 12, 18(2)(f) and 18 (where applicable), and with Regulation (EU) No 575/2013.

(2) Financial holding companies and mixed financial holding companies shall submit to the Commission all requested information for the purpose of monitoring their compliance with the legal provisions of subparagraph (1).”.

Amendment of article 73 of the principal law.

12. Article 73 of the principal law is amended as follows:

(a) By replacing paragraph (f) with the following new paragraph:

“(f) the conditions of consolidated supervision, as provided for in article 71, the powers and responsibilities of the Commission in cases where it is the designated authority for the exercise of consolidated supervision, as well as what is stated in the aforementioned paragraphs when reviewing them on a consolidated basis.”

(b) by the addition, immediately after paragraph (h) of the following new paragraphs (h1) and (h2):

“(h1) the prudential requirements and the obligations of financial holding companies and mixed activity holding companies and the powers and responsibilities of the Commission in the exercise of supervision as defined in article 72A;

(h2) the supervisory measures that the Commission may take or enforce while implementing article 70(4);”.

Replacement of article 74 of the principal law.
13. Article 74 of the principal law is replaced with the following new article:

“Administrative penalties and other administrative measures
74.-(1) Where a CIF breaches the provisions of the present Part and the directives issued pursuant to the present Part, the Commission may, judging at its absolute discretion, the gravity of the violation, impose an administrative penalty or other administrative measure including the following:

- (a) withdrawal or suspension of CIF authorization, as provided for in articles 25 and 26, respectively;
- (b) a public statement which identifies the CIF the natural person responsible and the nature of the breach;
- (c) an order requiring the CIF or natural person responsible to cease the conduct and to desist from a repetition of that conduct in the future;
- (d) without prejudice to subparagraph (2), a temporary ban against a member of the CIF’s board of directors or any other natural person, who is held responsible, from exercising functions the CIF;
- (e) an administrative penalty on the CIF itself, of up to ten percent (10%) of the total annual net turnover including the gross income consisting of interest receivable and similar income, income from shares and other variable or fixed-yield securities, and commissions or fees receivable in accordance with Article 316 of Regulation (EU) No 575/2013 of the undertaking in the preceding business year;

where the CIF is a subsidiary of a parent undertaking, the relevant gross income shall be the gross income resulting from the consolidated account of the ultimate parent undertaking in the preceding business year;

- (f) an administrative penalty on a natural person of up to five million euro (€5.000.000);
- (g) administrative penalties of up to twice the amount of benefit derived from the breach or of the losses prevented due to the breach, where such benefit or losses can be determined.

(2) Without prejudice to the provisions of the present Law, the present article shall apply at least in any of the following circumstances:

- (a) the CIF has obtained an authorisation through false statements or any other irregular means;
- (b) the CIF fails to have in place governance arrangements as required by article 18(2)(e) and by any relevant directive issued pursuant to article 20;
- (c) the CIF fails to report information or provides incomplete or inaccurate information on compliance with the obligation to meet own funds requirements set out in Article 92 of Regulation (EU) No 575/2013 to the Commission in breach of Article 99(1) of that Regulation;
- (d) the CIF fails to report or provides incomplete or inaccurate information to the Commission in relation to the data referred to in Article 101 of Regulation (EU) No 575/2013;

- (e) the CIF fails to report information or provides incomplete or inaccurate information about a large exposure to the Commission in breach of Article 394(1) of Regulation (EU) No 575/2013;
- (f) the CIF fails to report information or provides incomplete or inaccurate information on liquidity to the Commission in breach of Article 415(1) and (2) of Regulation (EU) No 575/2013;
- (g) the CIF fails to report information or provides incomplete or inaccurate information on the leverage ratio to the Commission in breach of Article 430(1) of Regulation (EU) No 575/2013;
- (h) the CIF repeatedly or persistently fails to hold liquid assets in breach of Article 412 of Regulation (EU) No 575/2013;
- (i) the CIF incurs an exposure in excess of the limits set out in Article 395 of Regulation (EU) No 575/2013;
- (j) the CIF is exposed to the credit risk of a securitisation position without satisfying the conditions set out in Article 405 of Regulation (EU) No 575/2013;
- (k) the CIF fails to disclose information or provides incomplete or inaccurate information in breach of Article 431(1), (2) and (3) or Article 451(1) of Regulation (EU) No 575/2013;
- (l) the CIF makes payments to holders of instruments included in the own funds of the institution in breach of Article 141 of Directive 2013/36/EU or in cases where Articles 28, 51

or 63 of Regulation (EU) No 575/2013 prohibit such payments to holders of instruments included in own funds;

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192(I) of 2012
101(I) of 2013.
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- (m) the CIF is found liable for a serious breach of the law for the prevention and suppression of money laundering and terrorist financing and/or of Directive DI144-2007-2008 of 2012 regarding the prevention of money laundering and terrorist financing;
- (n) the CIF allows one or more persons not complying with Article 91 to become or remain a member of its board of directors.

(3) In the case that companies referred to in article 72A are in breach of the present Part and the directives issued pursuant to the present Part or in the case manager or member of its board of directors is in breach or is in responsible for the above breaches, shall be subject to the administrative fines and other administrative measures of subparagraph (1), as applicable.

(4)(a) The Commission shall publish on its official website any administrative penalty or other administrative measure which has imposed by the Commission for breach articles 10, 12 18(2)(f), 18A of the present Law or of Regulation (EU) No 575/2013, including information on the type and nature of the breach and the identity of the natural or legal person on whom the penalty is imposed, without undue delay after that person is informed of those penalties.

(b) In the case where an administrative fine or other administrative measure has been revoked by the Commission or set aside by a competent court under article 146 of the

Constitution, the Commission shall, without undue delay publish the relevant information on its official website.

(5) The Commission shall publish the penalties on an anonymous basis, in a manner in accordance with national law, in any of the following circumstances:

- (a) where the penalty is imposed on a natural person and, following an obligatory prior assessment, publication of personal data is found to be disproportionate;
- (b) where publication would jeopardise the stability of financial markets or an ongoing criminal investigation;
- (c) where publication would cause, insofar as it can be determined, disproportionate damage to the institutions or natural persons involved.

Alternatively, where the circumstances referred to in the present subparagraph are likely to cease within a reasonable period of time, publication may be postponed for such a period of time.

(6) The Commission shall ensure that information published under subparagraphs (4) and (5) remain on its official website at least five years. Personal data shall be retained on the official website of the Commission only for the period necessary, in accordance with the applicable rules for the protection of personal data.

(7) When determining the type of administrative penalties or other administrative measures and the level of administrative penalties, the Commission shall take into account all relevant circumstances, including, where appropriate:

- (a) the gravity and the duration of the breach;

- (b) the degree of responsibility of the natural or legal person responsible for the breach;
- (c) the financial strength of the natural or legal person responsible for the breach, as indicated, for example, by the total turnover of a legal person or the annual income of a natural person;
- (d) the importance of profits gained or losses avoided by the natural or legal person responsible for the breach, insofar as they can be determined;
- (e) the losses for third parties caused by the breach, insofar as they can be determined;
- (f) the level of cooperation of the natural or legal person responsible for the breach with the Commission;
- (g) previous breaches by the natural or legal person responsible for the breach;
- (h) any potential systemic consequences of the breach.”.

Amendment of article 115 of the principal law.

14. Article 115 of the principal law is amended by the addition, at the end of subparagraph (3) of the following new sentence:

“The disclosure shall be carried out simultaneously to the board of directors of the CIF, if there are no compelling reasons to the contrary.”.

Amendment of article 126 of the principal law.

15. Article 126 of the principal law is amended by the renumbering of subparagraph (1) to paragraph (a) of subparagraph (1) and with the addition of the following new paragraph immediately after:

“(b) The Commission shall exercise the powers and duties provided for in Regulation (EC) 575/2013 with regard to CIFs and companies referred to in Article 72A of the present Law.”.

Addition of new articles 131A and 131B in the principal law.

16. The principal law is amended by the addition, immediately after article 131 of the following new articles:

“Collaboration concerning supervision.

131A.-(1) The competent authorities of the Republic shall collaborate closely with the competent authorities of Member States concerned in order to supervise the

activities of institutions operating, in particular through a branch, in one or more Member States other than that in which their head offices are situated. The competent authorities of the Republic shall exchange with those competent authorities all information concerning the management and ownership of such institutions that is likely to facilitate their supervision and the examination of the conditions for their authorisation, and all information likely to facilitate the monitoring of institutions, in particular with regard to liquidity, solvency, deposit guarantee, the limiting of large exposures, other factors that may influence the systemic risk posed by the institution, administrative and accounting procedures and internal control mechanisms.

(2) The competent authorities of the home Member State shall provide the competent authorities of host Member States immediately with any information and findings pertaining to liquidity supervision in accordance with Part Six of Regulation (EU) No 575/2013, and in accordance with the consolidated supervision under article 71 of the present law and as provided for in the directives issued by the Commission under article 73 of the present law, of the activities performed by the institution through its branches, to the extent that such information and findings are relevant to the protection of depositors or investors in the host Member State.

(3) The competent authorities of the Republic, when the Republic is the home Member State, shall inform the competent authorities of all host Member States immediately where liquidity stress occurs or can reasonably be expected to occur. That information shall also include details about the planning and implementation of a recovery plan and about any prudential supervision measures taken in that context.

(4)(a) The competent authorities of the Republic shall communicate and explain, upon request, to the competent authorities of the host Member State how

information and findings provided to them by the latter, have been taken into account.

(b) Where, following communication of information and findings to the competent authorities of the host Member States in accordance to Article 50(4) first subparagraph of Directive 2013/36/EU, the said competent authorities maintain that no appropriate measures have been taken by the competent authorities of the home Member State, the competent authorities of the host Member State may, after informing the competent authorities of the home Member State and EBA, take appropriate measures to prevent further breaches in order to protect the interests of depositors, investors and others to whom services are provided or to protect the stability of the financial system.

(c) Where the competent authorities of the Republic, when the Republic is the home Member State, disagree with the measures to be taken by the competent authorities of the host Member State in accordance to Article 50(5) first subparagraph of Directive 2013/36/EU, they may refer the matter to EBA and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(5) The competent authorities of the Republic may refer to EBA situations where a request for collaboration, in particular to exchange information, has been rejected or has not been acted upon within a reasonable time.

Significant branches. 131B.-(1) The competent authorities of a host Member State may make a request to the consolidating supervisor, where Article 112(1) of Directive 2013/36/EU applies, or to the competent authorities of the home Member State for a branch of an institution other than an investment firm subject to Article 95 of Regulation (EU) No

575/2013 to be considered as significant.

(2) That request of subparagraph (1) shall provide reasons for considering the branch to be significant with particular regard to the following:

- (a) whether the market share of the branch in terms of deposits exceeds two percent (2%) in the host Member State;
- (b) the likely impact of a suspension or closure of the operations of the institution on systemic liquidity and the payment, clearing and settlement systems in the host Member State;
- (c) the size and the importance of the branch in terms of number of clients within the context of the banking or financial system of the host Member State.

(3) The competent authorities of the home and host Member States, and, where Article 112(1) of Directive 2013/36/EU applies, the consolidating supervisor, shall do everything within their power to reach a joint decision on the designation of a branch as being significant.

If no joint decision is reached within two (2) months of receipt of a request under subparagraph (1), the competent authorities of the host Member State shall take their own decision within a further period of two (2) months on whether the branch is significant. In taking their decision, the competent authorities of the host Member State shall take into account any views and reservations of the consolidating supervisor or the competent authorities of the home Member State.

(4) The decisions referred to in subparagraph

(3) shall be set out in a document containing full reasoning, shall be transmitted to the competent authorities concerned and shall be recognised and applied by the competent authorities in the Member States concerned.

(5) The designation of a branch as being significant shall not affect the rights and responsibilities of the competent authorities under Directive 2013/36/EU.

(6) The competent authorities of the home Member State shall communicate to the competent authorities of a host Member State where a significant branch is established the information referred to in Article 117(1)(c) and (d) of Directive 2013/36/EU and carry out the tasks referred to in Article 112(1)(c) of Directive 2013/36/EU in cooperation with the competent authorities of the host Member State.

(7) If a competent authority of a home Member State becomes aware of an emergency situation as referred to in Article 114(1) of Directive 2013/36/EU, it shall alert without delay the authorities referred to in Article 58(4) and Article 59(1) of Directive 2013/36/EU.

(8) The competent authorities of the home Member State shall communicate to the competent authorities of the host Member States where significant branches are established the results of the risk assessments of institutions with such branches, as referred to in Article 97 of Directive 2013/36/EU and, where applicable, Article 113(2) of Directive 2013/36/EU, as well as the decisions under Articles 104 and 105 of Directive 2013/36/EU in so far as those assessments and decisions are relevant to those branches.

(9) The competent authorities of the home Member States shall consult the competent authorities of the host Member States where significant branches are

established about operational steps required by Article 86(11) of Directive 2013/36/EU, where these are relevant for liquidity risks in the host Member State's currency.

Where the competent authorities of the home Member State have not consulted the competent authorities of the host Member State, or where, following such consultation, the competent authorities of the host Member State maintain that operational steps required by Article 86(11) of Directive 2013/36/EU are not appropriate, the competent authorities of the host Member State may refer the matter to EBA and request its assistance in accordance with Article 19 of Regulation (EU) No 1093/2010.

(10) Where Article 116 of Directive 2013/36/EU does not apply, the competent authorities supervising an institution with significant branches in other Member States shall establish and chair a college of supervisors to facilitate the cooperation under subparagraphs (6) to (9) of this article and under Article 50 of Directive 2013/36/EU. The establishment and functioning of the college shall be based on written arrangements to be determined, after consulting the competent authorities concerned, by the competent authority of the home Member State. The competent authority of the home Member State shall decide which competent authorities participate in a meeting or in an activity of the college.

The decision of the competent authority of the home Member State shall take account of the relevance of the supervisory activity to be planned or coordinated for those authorities, in particular the potential impact on the stability of the financial system in the Member States concerned referred to in Article 7 of Directive 2013/36/EU and the obligations referred to in subparagraphs (6) to (9) of this article.

The competent authority of the home Member State

shall keep all members of the college fully informed, in advance, of the organisation of such meetings, the main issues to be discussed and the activities to be considered. The competent authority of the home Member State shall also keep all the members of the college fully informed, in a timely manner, of the actions taken in those meetings or the measures carried out.

(11) When the present article imposes an obligation on a competent authority, it imposes such obligation on a competent authority of the Republic.”.

Amendment of article 132 of the principal law.

17. Article 132 of the principal law is amended as follows:

- (a) By replacing its side-heading with the following new side-heading:
“Exchange of information between competent authorities.”;
- (b) by adding immediately after subparagraph (2) the following new subparagraph:

«(2A) The Commission may exchange information with the below, in the discharge of their supervisory functions:

- (a) authorities entrusted with the public duty of supervising other financial sector entities and the authorities responsible for the supervision of financial markets;
- (b) authorities or bodies charged with responsibility for maintaining the stability of the financial system in Member States through the use of macroprudential rules;
- (c) reorganisation bodies or authorities aiming at protecting the stability of the financial system;
- (d) contractual or institutional protection schemes as referred to in Article 113(7) of Regulation (EU) No 575/2013;

- (e) bodies involved in the liquidation and bankruptcy of institutions and in other similar procedures;
- (f) persons responsible for carrying out statutory audits of the accounts of institutions, insurance undertakings and financial institutions.

The Commission may disclose to bodies which administer deposit-guarantee schemes and investor compensation schemes information necessary for the exercise of their functions.

The information received shall in any event be subject to professional secrecy requirements at least equivalent to those referred to in Article 129.”.

- (c) by replacing subparagraph (4) with the following new subparagraph:

«(4) Nothing in the present article and articles 129 and 136 shall prevent the Commission from transmitting to ESMA, the ESRB, the Central Bank of Cyprus, the central banks of other Member States, the European System of Central Banks and the European Central Bank, when functioning in their capacity as monetary authorities, and where appropriate, to the EIOPA, contractual or institutional protection schemes as referred to in Article 113(7) of Regulation (EU) No 575/2013, other public authorities responsible for overseeing payment and settlement systems, confidential information that are intended for the performance of their tasks. Similarly, such authorities or bodies shall not be prevented from transmitting to the Commission information that might be needed in the performance of its responsibilities under the present Law:

It is provided that, in an emergency situation as referred to in Article 114(1) of Directive 2013/36/EU, the Commission shall communicate, without delay, information:

- (a) to the ESCB central banks where that information is relevant for the exercise of their statutory tasks, including the conduct of monetary policy and related liquidity provision, the oversight of payments, clearing and settlement systems, and the safeguarding of the stability of the financial system; and
- (b) to the ESRB where such information is relevant for the exercise of its statutory tasks; and
- (c) to the EBA, where that information is relevant for the exercise of its tasks.

Addition of new articles 132A and 132B to the principal law.

18. The principal law is amended by the addition, immediately after its article 132, of the following new articles 132A and 132B:

“Exchange of information with oversight bodies.

132A.-(1) Notwithstanding articles 129(1), (2) και (5), 132(3) and 136, the Commission may engage in the exchange of information with bodies which are responsible for overseeing any of the following:

- (a) The bodies involved in the liquidation and bankruptcy of institutions and in other similar procedures;
- (b) contractual or institutional protection schemes as referred to in Article 113(7) of Regulation (EU) No 575/2013;
- (c) persons charged with carrying out statutory audits of the accounts of institutions, insurance undertakings and financial institutions.

(2) In the cases referred to in subparagraph (1), at least

the following conditions must be fulfilled:

- (a) The information is exchanged for the purpose of performing the tasks referred to in subparagraph (1);
- (b) the information received is subject to professional secrecy requirements at least equivalent to those referred to in article 129;
- (c) the information that originates in another Member State, is disclosed only with the express consent of the competent authorities which have disclosed it and, where appropriate, solely for the purposes for which those authorities gave their consent.

“Publication and disclosure of information and processing of personal data.

132B.-(1) Information received under the present Law and information obtained by means of an on-the-spot check or inspection under the present Law, shall not be disclosed without the express consent of the competent authorities which disclosed the information or of the competent authorities of the Member State in which such on-the-spot check or inspection was carried out.

(2)(a) No provision found in a directive issued under article 73 of the present Law shall prevent the Commission from communicating the information received under articles 129(1), (2) or (5), 132(3) or 136, to a clearing or settlement house or other similar body recognized under Cyprus law for the provision of clearing or settlement services for one of a market of the Republic, if they consider that it is necessary to communicate the information in order to ensure the proper functioning of those bodies in relation to defaults or potential defaults by market participants.

The information received shall be subject to professional secrecy requirements at least equivalent to

those referred to in article 129.

(b) The Commission shall not disclose information received under Article 53(2) in the circumstances referred to in paragraph (1) without the express consent of the competent authorities, which have disclosed it.

(3) The processing of personal data for the purposes of the present Law shall be carried out in accordance with the Processing of Personal Data (Protection of Individuals) Law, and where relevant, with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.”.

138(l) of 2001
37(l) of 2003
105(l) of 2012.
OJ: L 8,
12.1.2001, p. 1.

Amendment of article 134 of the principal law.

19. Article 134 of the principal law is amended by the addition, immediately after its subparagraph (4), of the following new subparagraphs:

“(5) Where a branch is established in the Republic, the Commission, as the competent authority of the host Member State, may carry out, on a case-by-case basis, on-the spot checks and inspections of the activities carried out by branches of institutions on their territory and require information from a branch about its activities and for supervisory purposes, where they consider it relevant for reasons of stability of the financial system in the Republic.

Before carrying out such checks and inspections, the Commission shall consult the competent authorities of the home Member State. After such checks and inspections, the Commission shall communicate to the competent authorities of the home Member State the information obtained and findings that are relevant for the risk assessment of the institution or the stability of the financial system in the Republic

(6) The Commission, as the competent authority of the home Member State shall duly take into account that information and those findings that may be transmitted to it in accordance to Article 52(3) of Directive 2013/36/EC, in determining their supervisory examination programme referred to in Article 99 of Directive 2013/36/EC, also having regard to the stability of the financial system in the host Member State.

Addition of a new article 136A to the principal law.

20. The principal law is amended by adding, immediately after its article 136, of the following new article:

«Reporting of breaches.

136A.-(1) The Commission establishes effective and reliable mechanisms for the reporting of potential or actual breaches of the present Law, the directives issues pursuant to the present Law, Regulation (EU) No 575/2013, (EU) No 1287/2006 and (EU) 648/2013, with regard to persons under its supervision.

(2) CIFs shall have in place appropriate procedures for their employees to report breaches internally through a specific, independent and autonomous channel.

(3) The Commission may, by way of directives define, specify or clarify any issues requiring further action pursuant to the provisions of this article.”.

Addition of a new article 157A to the principal law.

21. The principal law is amended by adding, immediately after its article 157, of the following new article:

“Transitional provisions the supervision of a CIF with a branch in a member state.

157A. The provisions of articles 131A and 131B shall not apply until the date on which the liquidity coverage requirement becomes applicable in accordance with a delegated act adopted pursuant to Article 460 of Regulation (EU) No 575/2013. Until the issuance of such delegated act, the relevant requirements of the directive issued by the Commission pursuant to article 73 shall apply.”.