

annual report 2014



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

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ABBREVIATIONS

AIFMs: Alternative Investment Fund Managers

AIFMD: Alternative Investment Fund Managers Directive

AIFs: Alternative Investment Funds

ESMA: European Securities and Markets Authority

EU: European Union

CySEC: Cyprus Securities and Exchange Commission

ASPs: Administrative Service Providers

IFs: Investment Firms

ESRB: European Systemic Risk Board

CIFs: Cyprus Investment Firms

MOKAS: Money Laundering Combat Unit

CRAs: Credit Rating Agencies

MTF: Multilateral Trading Facility

UN/SC: United Nations Security Council

ICPAC: Institute of Certified Public Accountants of Cyprus

ICF: Investors' Compensation Fund

CSE: Cyprus Stock Exchange

CIPA: Cyprus Investment Promotion Agency

EBA: European Banking Authority

EIOPA: European Insurance and Occupational Pensions Authority

IOSCO: International Organization of Securities Commissions

UCITS: Undertakings for Collective Investments in Transferable Securities



In 2014 the Cyprus economy kept moving on the aftermath of the developments that took place in the country on 2013 after the decisions of the Eurogroup and the loan agreement between the Cyprus Republic and the European Institutions. The primary goal of the Cyprus Securities and Exchange Commission (CySEC) remained the recovery of the confidence of the investors and of the public and the reinstatement of the reliability of our financial system internationally.

During the relevant year, the CySEC continued to contribute in the effort made by Cyprus to overcome the economic crisis and return to development. The exercise of effective supervision and the cautious investigation of cases which fall within the scope of its competences have been set as high priorities for the CySEC. Through those pillars the CySEC aims to ensure the protection of investors and the sound development of the capital market, which is an important development bracket of the modern economies.

This Annual Report presents the most important work that the CySEC has done with respect to the above during 2014 and the priorities set for 2015 and the next few years.

Among others, in order to support of the capital market, we investigated, for the second consecutive year, any difficulties and challenges faced by supervised institutions as a result of the facts developed in the banking sector and more generally in the economy of Cyprus, following the developments of March 2013 through a short questionnaire that we sent them. The responses were used by the CySEC with the aim of finding solutions and improvements where this was possible.

In 2014, the CySEC moved dynamically to a documented and impartial investigation of cases falling within its competence. Despite the plethora of other investigations called to carry out, the CySEC, also, investigated a number of very important cases related to the banking sector in order to achieve full transparency and assist the banking system to regain its credibility. From the investigations completed in 2014, violations emerged and the administrative penalties imposed totalled to approximately € 8,2 mn. The investigation of pending cases continues in 2015.

Driven always by the aim of the protection of investors, which can only be achieved through a robust and reliable regulation and effective supervision, the aim of the CySEC is the prompt transposition of the new EU legislation into national law. At the same time, during 2014, the CySEC contributed in several legislative developments, such as the amendment of the Criminal Code by adding provisions that criminalize the organization, operation and promotion of ponzi schemes, the issue of a Directive in relation to the investor accounts and the fundamental upgrade of the legislation on Undertakings for Collective Investments.

To ensure the full compliance of the regulated entities with their legal obligations, within 2014, the CySEC monitored their operations and procedures and conducted a large number of audits, with emphasis, on money laundering and terrorist financing, best execution, marketing publications, compliance and internal audit functions, capital adequacy e.t.c.

Furthermore, in 2014 the CySEC proceeded in the completion of the Risk Based Supervision Framework, which will substantially improve its supervisory practice, as with its use, the risks posed by each regulated entity will be identified and assessed according to its significance and focus the supervision on organizations involving the major risks.

In addition to the above, due to the difficult circumstances that existed in 2014, the CySEC intensified the on site inspections and the monitoring of the compliance of issuers with listed securities in the Cyprus Stock Exchange with their continuing obligations and mainly with their obligation for the publication of the periodic reports. The CySEC proceeded in the investigation of several cases and imposed administrative penalties. In 2014 the CySEC examined several requests submitted from the CSE for approval of its decisions for delisting or suspension of trading of securities of issuers and it, either, imposed deadlines for compliance or approved the suspension of trading or delisting of securities where it considered that the proper functioning of the market was not ensured.

In parallel, after two years of intensive work for the reform of the framework for the certification of persons, the CySEC launched in 2014, the examinations for the certification of persons. The changes that have occurred, taking into account the Continuous Professional Development Scheme for the persons that are registered in the public register, make this framework more efficient and productive and ensure that the persons engaged in the provision of investment advice, portfolio management and conduct transactions on behalf of investors, shall have continuous training and education.

In relation to the issue of the marketing of bonds from the bank branches, the CySEC took initiatives and was actively involved within its broad responsibility of the protection of investors. The CySEC participated in the ad-hoc committee, which, in accordance with the mandate of the President of the Republic, submitted a study with an analysis of the cost of various options for the solution of the problem.

At the international level, the cooperation of the CySEC with the competent Authorities and foreign organisations continued in order to process the increasing number of requests for investigation and collection of information. The CySEC monitored closely the sanctions imposed to the Russian Federation by the European Union and the probable negative impact that could have in the capital market and the economy more widely.

To enhance the education of investors in capital market issues, to act as investor protection shield, the CySEC published informational articles and warning notices and held a seminar for journalists, recognizing the important role they play as a source of information to the public. Meanwhile, the CySEC conducted a nationwide market survey in order to count the level of public awareness on issues related to the CySEC, and the level of public confidence in its work. The findings are positive and very useful and will be used to improve the information channels of the public.

The effort for the modernization of the functioning of the CySEC continued with the implementation of various internal projects, such as the implementation of a new central registry system, the design and adoption of a new website and the establishment of a new organizational structure.

Despite the difficulties that the Cypriot economy faces, the CySEC continued to receive applications from Cyprus and abroad for the authorisation of new companies. This interest proves that Cyprus still has substantial advantages and that it remains an attractive destination for investments. This information should be highlighted. For this purpose, the CySEC in close cooperation with the Cyprus Investment Promotion Agency (CIPA), participated in 2014 in conferences and seminars in Cyprus and abroad, for the promotion of the Cypriot capital market.

There are many challenges and all stakeholders have to be positive, work hard and collectively to fully regain the credibility of Cyprus in order to return to growth as soon as possible.

I would like to thank the staff of the CySEC for their hard work and contribution towards the fulfilment of the CySEC's objectives and express my sincere appreciation for the demanding work carried out.

I would like to thank the staff of the CySEC for their hard work and significant contribution to the achievement of the objectives the CySEC. I also express my sincere thanks to the Vice-Chairman and the other members of the Board of the Commission and the representative of the Central Bank of Cyprus. Finally, I would like to thank my colleagues at IOSCO and the national supervisory authorities of other countries, particularly the supervisory authorities of other EU member-states and the ESMA for the excellent cooperation between us and mutual support, under the supervision of a single financial market.

Demetra Kalogerou

Chairwoman of Cyprus Securities and Exchange Commission



THE COMMISSION

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The Cyprus Securities and Exchange Commission (CySEC) is a public independent supervisory Authority, responsible for the supervision of the investment services market in transferable securities and of the transactions in transferable securities carried out in the Republic of Cyprus or from the Republic of Cyprus. The CySEC was established in accordance with section 5 of the Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a legal entity of public Law. The operation of the CySEC is under the scope of the Law that Regulates the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Matters (L73(I)/2009), as amended.

2.1 VISION, MISSION AND STRATEGIC OBJECTIVES

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

The mission of the CySEC is the exercise of effective supervision that ensures the protection of the investors and the sound development of the capital market.

In order to realise its vision and mission, and to fulfil its legal obligations, the CySEC focuses in the implementation of five Strategic Objectives, which are the following:

1. The continuous reform of the regulatory and supervisory framework of the Cypriot capital market, based on the EU Directives and Regulations and the international practice

The implementation of this strategic objective shall ensure the high degree of investors' protection and the smooth operation of the market and the harmonisation of the legal framework of the Cypriot capital market with the European aquis.

2. To ensure the full compliance of the supervised entities with their obligations in accordance with the relevant regulatory framework

The implementation of this strategic objective shall result in the effective supervision of the supervised entities and shall assist in the enhancement of the market confidence in the Cyprus financial system.

3. The contribution and continuous development of the investors' education system

The implementation of this strategy shall improve the level of knowledge of the investors on investments and their ability to make proper investment decisions.

4. The contribution to the promotion and attraction of new, sound and dynamic financial organisations

The implementation of this strategic objective shall contribute in the improvement of the reputation and credibility of Cyprus as investment centre and shall highlight its prospects to become an international financial centre.

5. The continuous improvement and modernisation of the operations of the CySEC

The implementation of this strategic objective shall lead to an increase in the efficiency, effectiveness and transparency of the operations and procedures of the CySEC and aims in reducing the bureaucracy and the time of execution of operations.

2.2 ROLE AND RESPONSIBILITIES

In accordance with the Cyprus Securities and Exchange Commission Law of 2009, the CySEC is responsible to ensure the smooth operation and systematic development of the capital market and the monitoring of the transactions in transferable securities carried out in the Republic of Cyprus. The scope of its supervision is, also, extended out of the Republic, for transactions performed by IFs under the CySEC's supervision. The CySEC exercises the powers and competencies assigned to it by Law and its task is to conduct research, suggest measures to other competent Authorities and take measures to safeguard the integrity of the performed stock exchange transactions and, in general, the assurance of the efficiency and fair operation of the capital market.

To be able to operate properly, effectively and efficiently in order to ensure, amongst other things, the protection of investors, a capital market needs to have detailed rules regarding its operation and, in general, an appropriate and complete legal framework. This framework governs the operation of the market and all those that operate therein, for example, the issuers of securities (public companies), investment firms (IFs), investment funds, as well as the investors themselves. The supervision of the compliance with those rules and with the legal framework in general, is assigned to the CySEC, which is responsible for the monitoring of the market and taking precautionary and suppressive measures to achieve the legal goals and objectives.

The main competencies and responsibilities of the CySEC are defined in Section 25 of the Law that Regulates the Structure, Competencies, Powers, Organisation of the Securities and Exchange Commission and Other Related Matters (L73(I)/2009) and may be summarised as follows:

- To examine applications and grant authorisations to the entities under its supervision, as well as, to suspend and revoke the relevant authorisations;
- To supervise and monitor the operation of the Cyprus Stock Exchange and of other regulated markets of the Republic and the transactions performed in those markets;
- To supervise and conduct audits to the entities under its supervision in order to ensure their compliance with the legislation that governs their operation;
- To conduct investigations that are necessary for the exercise of the competencies assigned to it by law and on behalf of other foreign Competent Authorities;
- To require and collect necessary or useful information for the exercise of the competencies assigned to it by law and demand in writing the provision of the information from any natural or legal person or entity that it considers to be in a position to provide the required information;
- To impose the administrative and disciplinary penalties provided by the law;
- To demand the cessation of practices contrary to the relevant legislation;
- To apply to a competent court to issue an order to block or charge or freeze assets or to prevent the alienation of assets or a transaction in assets;
- To issue Directives and Decisions of regulatory content;
- To cooperate and exchange information and documents with other public authorities of the Republic, Competent Supervisory Authorities abroad and other organisations.

Further to the above competencies, the CySEC is assigned with the exercise of powers and competencies as these are provided in the following laws:

1. The Public Offer and Prospectus Laws of 2005-2014;
2. The Laws on Insider Dealing and Market Manipulation (Market Abuse) of 2005 - 2013;
3. The Take Over Laws of 2007-2009;
4. The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Laws of 2007-2014;
5. The Law regulating the Companies Providing Administrative Services and Related Matters of 2012.

2.3 MANAGEMENT AND STRUCTURE

2.3.1 The Council

The CySEC is governed by a five members' Council which is comprised by the Chairman/Chairwoman and the Vice-Chairman/Chairwoman, which provide their services on an exclusive and full time basis and three non-executive members. A representative of the Governor of Central Bank of Cyprus participates in the Council meetings and has the right to place items on the agenda, to participate in the discussions and express his/her views, but does not have any voting rights. The members of the Council are appointed by the Council of Ministers after a proposal by the Minister of Finance and their office is for five years with a right of renewal for five additional years.

The Council of the CySEC is comprised by the following persons:

COUNCIL OF CYSEC AS AT 31/12/2014		
Name	Capacity	Date of appointment
Demetra Kalogerou	Chairwoman	15 Sept. 2011
Andreas Andreou	Vice Chairman	28 Sept. 2011
Christos Vakis	Member	28 Sept. 2011
Kypros Ioannides	Member	22 Sept. 2014
George Theocharides	Member	29 Nov. 2013
Elena Gregoriadou	Representative of the Governor of the Central Bank of Cyprus	20 June 2011



Chairwoman

Demetra Kalogerou

Mrs. Kalogerou was appointed Chairwoman of the Securities and Exchange Commission in September 2011. Mrs. Kalogerou is also a member of the Committee of Public Supervision, which has been established to supervise audit firms. Furthermore, from September of 2013 until June of 2014, Mrs. Kalogerou has been a member of the Resolution Authority, with the Minister of Finance and the Governor of Central Bank of Cyprus, which supervised the implementation of the resolution of the second largest financial institution in Cyprus. Mrs. Kalogerou was previously employed at the Cyprus Stock Exchange (CSE) as a Senior Officer and her duties included the supervision of transactions in transferable securities and the various CSE markets, the monitoring of compliance of listed public companies with their continuous obligations, the research and development of new products, as well as the promotion of financial markets. Because of the above duties, during her fifteen years of employment with the CSE Mrs. Kalogerou developed an in-depth knowledge on all aspects of the securities market and acquired an extensive experience in matters relating to the smooth and orderly development of securities markets and investor protection. Mrs. Kalogerou holds a BSc in Economics and Business Administration, an MSc in Economics of Public Policy and an MPhil in Finance from the United Kingdom.



Vice-Chairman
Andreas Andreou

Mr. Andreas Andreou was appointed in the office of Vice-Chairman of the Securities and Exchange Commission in September 2011, whereas in July 2015 his office was renewed for another five years. He has extensive work experience, both, in the legal and the broader financial sector. Prior to his appointment in the CySEC, he exercised the legal profession for years until his appointment as the head of the legal department and Secretary of the Board of a large investment firm. Furthermore, he served as Director in a Management Company, as well as in other companies of the same group. Every year, Mr. Andreou participates, inter alia, in IOSCO and ESRB meetings as a representative of the CySEC. Mr. Andreou holds a Law degree and an MSc in European and International Commercial Law of the University of Leicester in England. He has been a founding member of the Cyprus Association of Directors and is a member from the Cyprus Bar Association since 1996, whereas in 1995, he became a Barrister, member of Lincoln's Inn in London. He participated in numerous local and international conventions about the economy, and he was a speaker in many of them.



Member
Christos Vakis

Mr. Christos Vakis was appointed Member of the Board of the Cyprus Securities and Exchange Commission in September 2011. Since 1999, he is the director of his own company Cymiva Management Consultants Ltd, a Company Consultants firm. He has served as Director in a number of public companies as well as in other Cypriot and foreign companies. He worked for Touche Ross & Co. in London and later became a Chartered Accountant. He then worked in Cyprus for the audit firm KPMG – Metaxas, Loizides, Syrimis & Co, from where he left as a Partner. From 1995 until 1998 he was the Managing Director of a private group of companies with international operations. Mr. Christos Vakis studied Economics at the University of Manchester.



Member
George Theocharides

Dr. Theocharides was appointed Member of the Board of the Cyprus Securities and Exchange Commission in November 2013. Dr. Theocharides is an Associate Professor of Finance at Cyprus International Institute of Management (CIIM). He is also the Programme Director of the MSc in Financial Services. Before joining CIIM he was an Assistant professor of Finance at Sungkyunkwan University of Korea. Prior to that, he served as an International Faculty Fellow at the Massachusetts Institute of Technology's Sloan School of Management. Dr. Theocharides holds a B.Eng. (Hons) degree in Electrical Engineering and electronics from the University of Manchester (U.M.I.S.T.), an MBA from the University of San Diego in California, as well as a Ph.D in Finance from the University of Arizona. Dr. Theocharides research and teaching interests are in the field of analysis and risk management in the bond markets, derivatives, investments and international finance.



Member
Kypros Ioannides

Mr. Ioannides is a lawyer, member of the Cyprus Bar Association. He is a law graduate of the University of Cambridge with BA and MA degrees. He is also a barrister, member of the Middle Temple. He is a lecturer and examiner of corporate law of the Legal Council and a member of the corporate and tax planning committees of the Cyprus Bar Association. He has been a member of the Steering Committee of Corporate Law of the Ministry of Energy, Commerce, Industry and Tourism and chairman of the Corporate Law Working Group of the European Council during the Cyprus Presidency in 2012. He exercises the legal profession as a partner in the law firm Hadjianastasiou, Ioannides LLC.



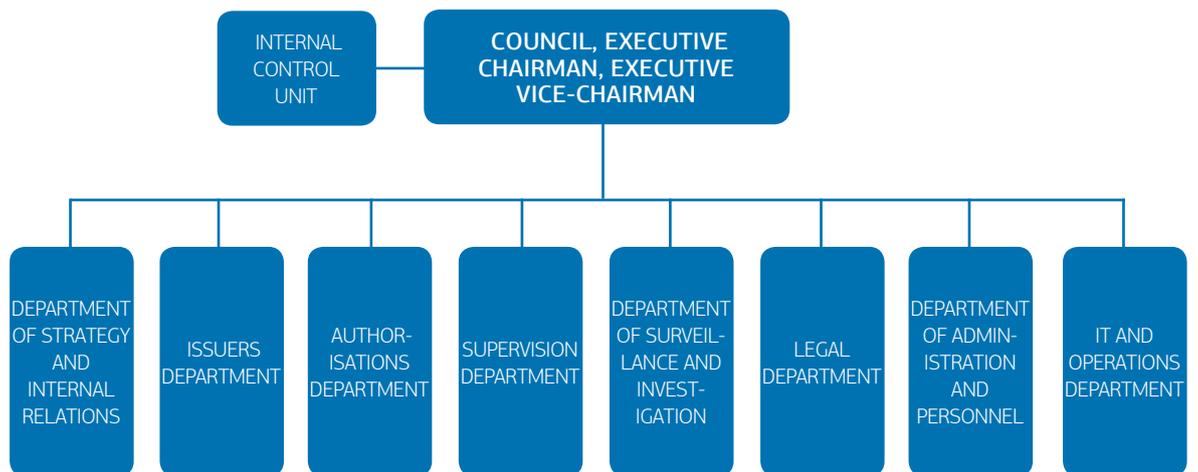
Representative of the Governor of the Central Bank of Cyprus
Elena Gregoriadou

Mrs. Elena Gregoriadou is employed in the Central Bank of Cyprus since 1983 and was appointed Representative of the Governor of the Central Bank of Cyprus to the meetings of the Board of the Cyprus Securities and Exchange Commission in June 2011. She worked at the Bank Supervision Department and was involved for several years in the licensing of offshore banks, financial firms and international collective investment schemes. She is currently the Head of the Bank Supervision and Regulation Department of the Central Bank of Cyprus. Mrs. Elena Gregoriadou holds a BSc and an MSc in Economics from the London School of Economics.

2.3.2 Organisational Chart

As a result of a study of the CySEC needs and its strategic planning, a new organizational chart was prepared which has been notified to the Ministry of Finance. The new organizational structure includes the creation of new departments, according to the requirements of the CySEC's operations so as they have developed or planned to be developed. The chart includes a significant increase in staff of the CySEC due to the increase of work, especially for the departments of supervision and licensing. The chart also attempts to create an organizational structure with the introduction of intermediate positions, which is deemed necessary due to the increase in staff, but also to comply with the necessary structure of a modern supervisory Authority. The new organizational structure will be effected in 2015.

In 2014, the eight departments of the CySEC were the Department of Strategy and International Relations, the Issuers' Department, the Authorisations' Department, the Department of Investigations and Market Surveillance, the Legal Department the Administration and Personnel Department and the IT and Operations Department. Furthermore, an Internal Control Unit has been established to assist in the effective and efficient operation of the CySEC. The organisational chart of the CySEC as at the end of 2014 was:



2.3.3 Departments

Internal Control Unit

The mission of the Internal Control Unit is to provide independent, objective assurances and consultative services which aim to add value and improve the functions of the CySEC and assist the CySEC to achieve its objectives with the adoption of a systematic and disciplined approach in order to evaluate and improve the effectiveness of the risk management and control procedures and governance.

Department of Strategy and International Relations

The Department of Strategy and International Relations is responsible for the strategic planning of the CySEC, the internal and external communication and promotion of its work, the international relations, the education of the public on capital market issues and on investment services in transferable securities and the support of the Chairwoman and the Vice-Chairman on the above issues.

Issuers' Department

The Issuers' Department is mainly responsible for the monitoring of the compliance of companies whose shares are listed in a regulated market with their continuous obligations, as these are defined in applicable law, the examination of applications for prospectus approval for a public offer of transferable securities and their listing in a regulated market in accordance with the Public Offer and Prospectus Law, monitoring of the implementation of the Public Offer and Prospectus Law, the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed in a regulated market, as well as monitoring the implementation of the Public Takeover Bids Law of 2007.

Authorisations Department

The Authorisations Department is responsible for the examination of applications for granting authorisation to entities that fall under the supervision of the CySEC. Furthermore, the Department examines various applications such as applications for the extension of the authorisation of the relevant entities, for changes in their shareholding structure and for changes in the persons that manage their activities, notifications for the cross border provision of services either through the free provision of services or by the establishment of a branch, notifications of UCITS Management Companies or AIFMs for the marketing of UCITS or AIFs (Alternative Investment Funds) in other EU Member States e.t.c.

Supervision Department

The duties of the Supervision Department include the supervision and monitoring of the CySEC regulated entities to ensure their compliance with their legal obligations and with the Money Laundering Law and the supervision of the branches established in the Republic by EU regulated entities. It also monitors the fulfilment of the obligations of these entities in the course of the provision of investment services and it supervises the fulfilment of the obligations of foreign harmonised and non-harmonised UCITS in the course of marketing their units in Cyprus, the cross border provision of services in Cyprus by EU UCITS management companies, the compliance of foreign harmonised and non-harmonised UCITS and their distributors with their continuous obligations that arise in the course of the cross border provision of services and the education of the regulated entities on the issues mentioned above.

Department of investigations and market surveillance

The Department of Investigations and Market Surveillance is responsible, among others, to investigate the complaints submitted to the CySEC, to conduct investigations at its own initiative, to conduct investigations on behalf of a foreign supervisory Authority and to issue of warnings regarding companies that provide investment services in the Republic without being authorised by the CySEC.

Legal Department

The duties of the Legal Department include, mainly, the monitoring of the Legal Framework of the capital market, the drafting of laws, the preparation and submission of suggestions regarding amendments of the relevant laws, which aim to their improvement and modernisation, the maintenance of a register of the cases of the CySEC pending at court. Furthermore, it monitors and coordinates the cooperation with the external legal advisors of the CySEC and provides secretarial support to the Council of the CySEC (keeping the minutes, filing of cases, maintaining a register with the composition of the Council, preparing the announcements of the Council's decisions e.t.c.). It also provides legal support to the CySEC (internal legal opinions to the Staff and review of documents), replies to queries submitted to the CySEC and monitors the harmonization of the legal framework with EU.

Administration and Personnel Department

The duties of the Administration and Personnel Department include issues relating to the preparation of the budget, monitoring and control of the expenses of the organisation, the preparation of invitations for tenders and the delegation of public contracts, the monitoring of Staff Rules, issues related to staff training, the conduct of studies regarding staff needs and the filling in of vacancies and other responsibilities such as the maintenance of the accounting records of the Provident and Welfare Funds of the CySEC's staff. Furthermore, the Department deals with other current issues such as the administration of the equipment the maintenance of the building. In addition to the above, it also provides secretarial support to the CIFs' Investors' Compensation Fund and updates the Public Register of Certified Persons together with the organisation of the examinations for the certification of persons employed in CIFs, Credit Institutions, Management Companies and Investment Companies of Variable Capital.

IT and Operations Department

The IT and Operations Department is responsible for the management and upgrading of the technological infrastructure of the organisation, of the website and the internal network and other issues regarding the adoption of modern technologies and communication by the CySEC, in order to ensure the effectiveness and security in data management and the communication performed in the course of the exercise of its activities, as well as, the increase in productivity and reduction in cost.

2.3.4 Staff

At the end of 2014, the CySEC employed on a permanent basis 6 Senior Officers (2013 – 6), 33 Officers (2013 – 34) and 12 Assistant Clerical Officers (2013 – 12). During 2014, an Officer and the Office Assistant left the CySEC. The analysis of the CySEC staff by Department is presented on the following table:

Department / Unit	Senior Officers	Officers	Assistant Clerical Officers	Office Assistants	Total
Strategy and International Relations	1	2	0	0	3
Issuers	1	5	1	0	7
Authorisations	1	3	1	0	5
Supervision	1	10	2	0	13
Investigations and Market Surveillance	1	5	2	0	8
Legal	1	4	0	0	5
Administration and Personnel	0	2	2	0	5
Information Technology and Operations	0	1	2	0	2
Internal Audit	0	1	0	0	1
Chairman Support/ Reception/Filing	0	0	2	0	4
Total	6	33	12	0	51

As at the end of 2014, one Officer of the Legal Department was seconded to the Permanent Representation of Cyprus in EU, in Brussels, while another Officer of the Legal Department was seconded to the Ministry of Finance.

In the context of the requirement to reinforce the CySEC staff, as at the end of 2014, a number of Officers of the CSE have been seconded to the CySEC under the special Memorandum of Cooperation that was signed by the CySEC and the CSE in 2012. The CSE officers were distributed in the various Departments as follows:

Department/Unit/Operations	Officers	Assistant Clerical Officers	Total
Authorisations	3	1	4
Supervision	-	1	1
Market Surveillance and Investigations	1	2	3
Administration and Personnel	1	-	1
IT and Operations	2	1	3
Total	7	5	12

In 2013, the CySEC participated in the scheme launched by the Human Resource Development Authority for the employment of unemployed graduates in businesses and organisations, to obtain work experience. In total, 3 graduates (2013 – 6) have been occupied in various departments of the CySEC under this scheme and acquired significant experiences by assisting in the achievement of the CySEC's work.

2.4 BRIEF HISTORIC OVERVIEW

1996 – 2000

The CySEC was initially established in 1996 by virtue of section 8 of the Securities and the Cyprus Stock Exchange Law as an “Administrative Collective Supervisory Body”. It had five members and was comprised by the Government Commissionaire, the representative of the Central Bank of Cyprus and other 3 members. All of its members were non-executive.

It should be noted that until 2000 only two Laws governing the securities market were in place, the Securities and the Cyprus Stock Exchange Laws and Regulations (including the Public Takeover Bids and Company Mergers Regulations), and the Possession, Use and Disclosure of Privileged Confidential Information Law. By the end of 1999, the staffing was insufficient, as the CySEC employed only four employees (three Officers and one Secretary).

2001 – July 2009

The CySEC was established on 20th April 2001 pursuant to the provisions of the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Law, with a clearly defined structure, responsibilities, powers and organisation. As a result, the old Commission was abolished and its competences were transferred to the new CySEC.

The CySEC is a public corporate body and has the responsibility of supervising the capital market, ensuring its smooth operation and steady development as well as monitoring the transactions in transferable securities carried out in the Republic. Today, the CySEC is an independent public supervisory Authority and is one of the four Authorities that supervise the financial sector of Cyprus with the Central Bank of Cyprus, the Audit Service of Cooperative Institutions and the Supervisory Authority of Professional Pension Funds. In accordance with the new Law, the CySEC is governed by a five members Council, where the Chairman and Vice-Chairman provide their services on a full time basis.

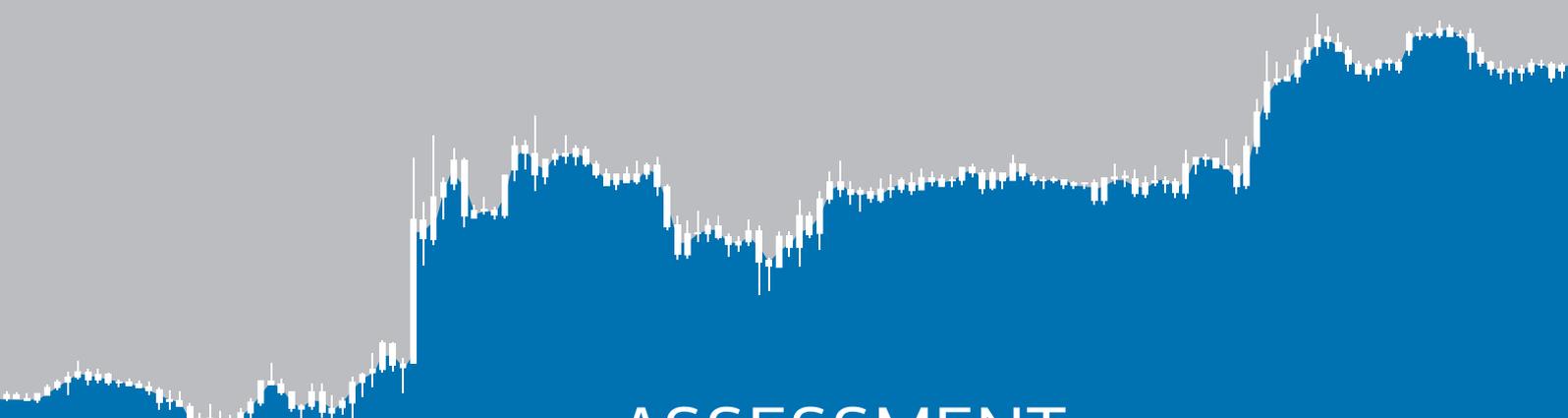
July 2009 – Today

On 10 July 2009, the new Cyprus Securities and Exchange Commission Law of 2009 (Law. 73(I)/2009) came into force abolishing the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 to 2007. On the 23rd of May 2014, the Cyprus Securities and Exchange Commission (Amending) Law of 2014 (Law. 65(I)/2014) which shall be read with the Cyprus Securities and Exchange Commission Laws of 2009 and 2012, as amended, and shall be referred as ‘The Cyprus Securities and Exchange Commission Laws of 2009 to 2014’, was published.

The CySEC has, now, the necessary tools both dissuasive and repressive to ensure the regulatory compliance of the supervised entities. In the case of an established violation, the CySEC has now the power to impose sanctions. The legislator, having recognised the severity of some types of violations, has provided for the power to impose very stringent administrative and criminal sanctions. Furthermore, in accordance with the new Law, the CySEC has now the following significant new powers:

- To proceed with immediate confiscation of books and documents in case their holders refuse to avail them to the CySEC;
- To request the cessation of a practice that is contrary to the legislation under its supervision;
- To apply to the competent court of law for the issue of an order to block, encumber, freeze or prevent the alienation or the transaction involving certain assets;
- To collect information and conduct inspections and investigations on behalf of other supervisory authorities abroad.

3



ASSESSMENT

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3.1 REGULATED ENTITIES

The CySEC is responsible for the supervision of the operations and the compliance of groups of organisations with the relevant legislation that governs their operation and which are listed on the table below (Table 1). Since July 2014, with the enactment of the Alternative Investment Funds Law, AIFs have come under the supervision of the CySEC. The relevant Law replaced the International Collective Investment Schemes Laws, which regulated the establishment and supervision of the International Collective Investment Schemes that were under the supervision of the Central Bank of Cyprus. Therefore, according to the transitional provisions of the relevant Law, the existing International Collective Investment Schemes had to submit to the CySEC an application to change into AIFs by November of 2014.

Table 1: Entities Regulated by the Cyprus Securities and Exchange Commission

ENTITIES
Cyprus Investment Firms (CIFs)
Cypriot Branches of Investment Firms (IFs) established in other EU Member States
CIFs' Tied Agents
Undertakings for Collective Investments in Transferable Securities (UCITS)
Alternative Investment Funds (AIFs)
Alternative Investment Fund Managers (AIFMs)
UCITS Management Companies
Persons engaged in the marketing of UCITS and AIFs
UCITS and AIFs Depositories
Cypriot branches of UCITS Management Companies established in other EU Member States
Administrative Service providers ¹
Regulated Markets
Central Counterparties for the Clearing and Settlement of OTC Derivatives
Repositories of OTC derivatives transactions

¹ In addition to the exempted persons, which in accordance with the Law Regulating Companies Providing Administrative Services and Related Matters Law of 2012, include (a) a lawyer and/or a company of lawyers within the meaning of the Advocates' Law, a general partnership or a limited partnership whose general partners are lawyers or a limited liability company of lawyers and a subsidiary company which belongs, either directly or indirectly to any of the above, which is regulated by the Board of the Cyprus Bar Association in its capacity as a supervisory Authority pursuant to the Prevention and Suppression of Money Laundering and Terrorist Financing Law, (b) members of the Institute of Certified Public Accountants of Cyprus (ICPAC), a general partnership or a limited partnership or a limited liability company whose majority of general partners or of its shareholders and directors are members of the ICPAC, a subsidiary company, which belongs, either directly or indirectly to anyone of the above, which is regulated by the Board of ICPAC in its capacity as a supervisory Authority pursuant to the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

By the end of 2014, the CySEC regulated:

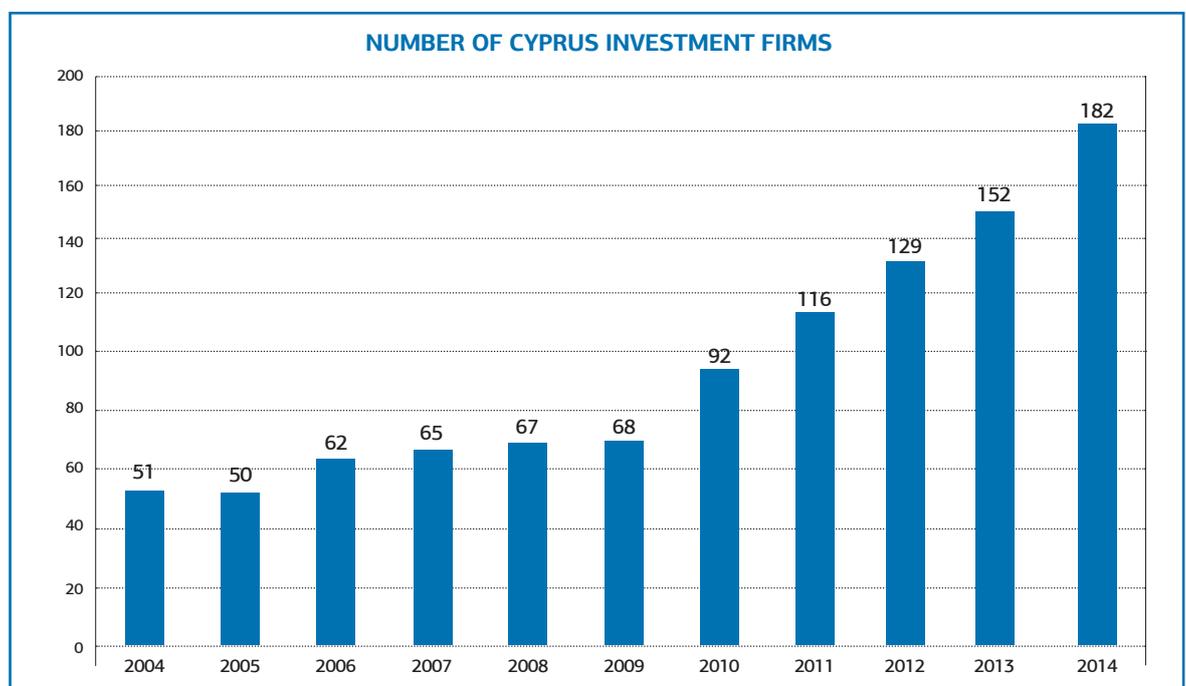
- 182 CIFs;
- 1 Regulated Market (CSE) and 1 Multilateral Trading Facility;
- 5 AIFMs;
- 2 UCITS Management Companies;
- 113 Administrative Service Providers;
- 3 UCITS, two single schemes and one umbrella scheme with 14 investment compartments;
- 3 AIFs with Limited Number of Persons;
- 103 Issuers of listed securities on CSE and 13 issuers of securities listed in other regulated markets abroad.

At the same time, by the end of 2014, the CySEC had to examine, about, 170 new applications for authorisation which included:

- 96 applications for authorisation of Administrative Service Providers;
- 41 new applications for new CIFs;
- 1 application for authorisation of a new UCITS;
- 7 applications for AIFM authorisation;
- 24 applications of existing International Collective Investment Schemes to change into AIFs with Limited Number of Persons (LNPAIFs);
- 1 application for establishment and operation of AIF.

The interest for operating in the financial services sector in Cyprus and abroad remains high, as it appears from the continuous submission of applications for authorisation of new CIFs which are submitted to the CySEC. As a result, the number of authorised CIFs in Cyprus during the last ten years is constantly increasing (Diagram 1).

Diagram 1: Number of authorised CIFs per year



The number of foreign harmonised UCITS in 2014 in relation to 2013 decreased from 18 to 7 UCITS (single schemes), whereas the number of foreign harmonised UCITS with multiple investment compartments (umbrella schemes) increased in 2014 from 27 to 32. During 2014, 4 foreign harmonised UCITS (umbrella schemes) have

been registered with the CySEC, while the marketing of 11 foreign UCITS in the Republic has been terminated due to their merger with other UCITS or due to the lack of demand for their units in the Republic (Table 2).

Table 2: Foreign harmonised UCITS:

Number of foreign harmonised UCITS:	2014	2013
Single schemes	7	18
Umbrella schemes	32	27
Total	39	45

The home member states of the foreign UCITS are mainly Greece, Luxembourg and Ireland (Table 3)

Table 3: Home Member State of foreign UCITS

Home member state of foreign UCITS	2014	2013
Number of harmonised UCITS		
Greece	6	16
Luxembourg	25	24
Ireland	7	4
France	1	1
Total	39	45

The total number of sub-funds under the umbrella schemes of 2014 was 474 (2013 – 513) (Table 4).

Table 4: UCITS sub-funds

Total number of sub-funds under the umbrella schemes	2014	2013
Harmonised UCITS	474	513
Non-harmonised UCITS	0	0
Total	474	513

The number of registered agents with the CySEC has not changed in 2014. It remained to 12.

The number of UCITS Management Companies established in EU Member States, which provide cross border services in the Republic remained the same in 2014, as it is stated on Table 5.

Table 5: Home Member States of UCITS Management Companies

Home Member States of UCITS Management Companies	2014	2013
France	5	5
Luxembourg	3	3
Lichtenstein	1	1
Greece	4	4
Total	13	13

In 2014 the CySEC supervised two UCITS Management Companies authorised in accordance with section 121(1)(a) of the Open Ended Undertakings in Collective Investments Law of 2012.

Furthermore, the CySEC supervises the only authorised regulated market established in the Republic of Cyprus, the Cyprus Stock Exchange. In addition to that, the CySEC supervises CSE as manager of a Multilateral

Trading Facility (MTF). The number of Cypriot companies whose securities were traded in the CSE, and were subject to the supervision of CySEC, became, by the end of 2014 to 103. The relevant issuers had 162 issued securities by the end of 2014.

3.2 MARKET TRENDS

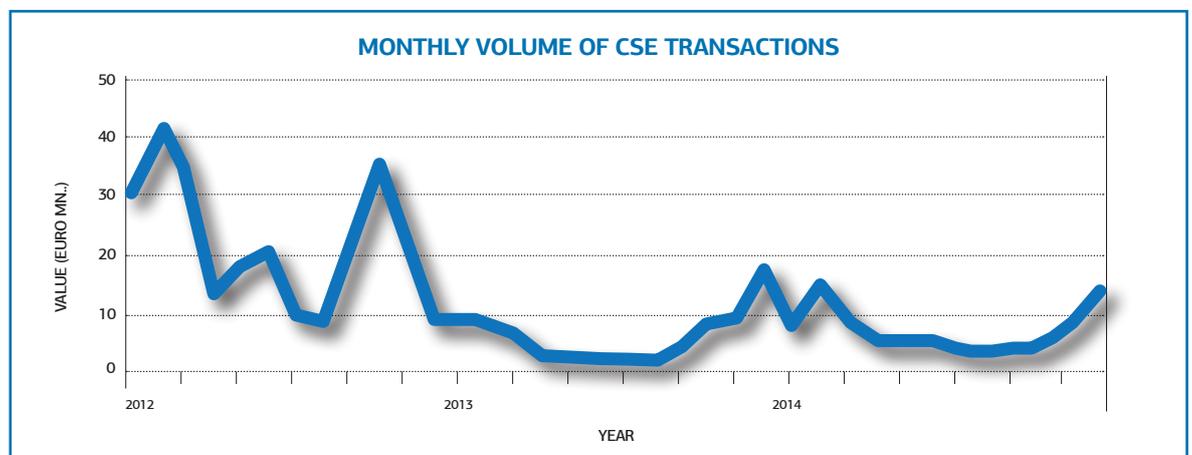
At the first semester of 2014 the GDP of the Cypriot economy recorded a decrease of 3%. In the corresponding period of 2013 the decrease amounted to 5.7%, thus slowing the recession which is confirmed by slight improvements in most individual confidence indicators. This also shows that developments in the real economy, although negative, were better than expected, as the forecast of the final declaration of the fifth evaluation of the economic adjustment of Cyprus by the Troika in July 2014 for the year, made reference to a downturn of around 4.2%. This indicated that the Cypriot economy is more resilient than expected.

A very positive development was the successful completion of the pan-european exercise of the evaluation of the banks conducted in 2014 by the European Banking Authority and the European Central Bank, where four major banks in Cyprus were evaluated. The purpose of the exercise was to assess the overall capacity of the EU banking sector to absorb any further major economic and financial shocks. The exercise is an important step towards the strengthening of the banking sector stability in the EU and euro area. According to the Central Bank, the positive results for the Cypriot banks, together with the progress in implementing the plans for decisive structural reforms in the large banks, repositions the banking system on solid grounds and enables the banking sector to focus on its basic role and to contribute in the economic recovery of Cyprus.

The Cyprus continues to receive assistance from the European Financial Stability Mechanism / European Stability Mechanism, based on the loan agreement signed on March 26, 2013, between the international creditors, which comprise the European Commission, European Central Bank and the International Monetary Fund and the Cypriot Government. The financial assistance amounting to €10 bn. is part of a program which includes the recapitalization of the banking sector, consolidation of the state budget and a number of important structural reforms, which are proceeding at a steady pace.

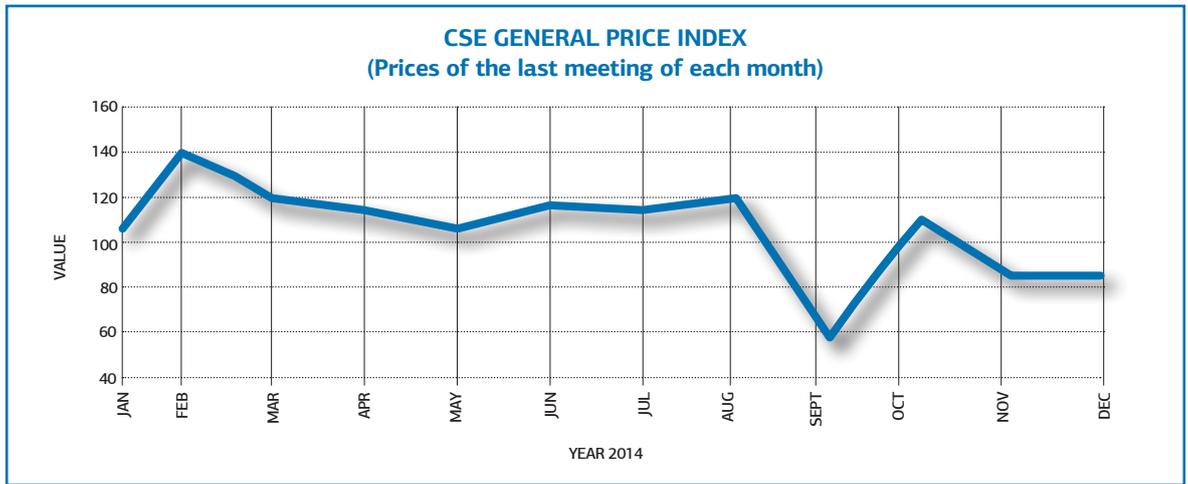
The stock market in Cyprus has been heavily influenced by the negative effects of the economic crisis of the recent years, as evidenced primarily by the sharp decline in the volume of transactions in the CSE. Specifically, the total trading volume of the CSE in 2014 amounted to € 75 mil., that although representing an annual increase of 19% compared to the annual turnover of 2013 amounted to € 63 m., is still particularly low compared with the data of previous years, which stood at € 261 mil. and € 388 mil. in 2012 and 2011 respectively. The following chart shows the total monthly trading volumes on the CSE over the last three years (Diagram 2).

Diagram 2: Total monthly trading volumes on CSE over the last three years



Furthermore, in 2014, the General Price Index of the CSE recorded a declining trend and closed in 85,70 units with a negative sign 17,05 in relation to 103,31 units of the previous year, after moving on a downward trend during the year (Diagram 3).

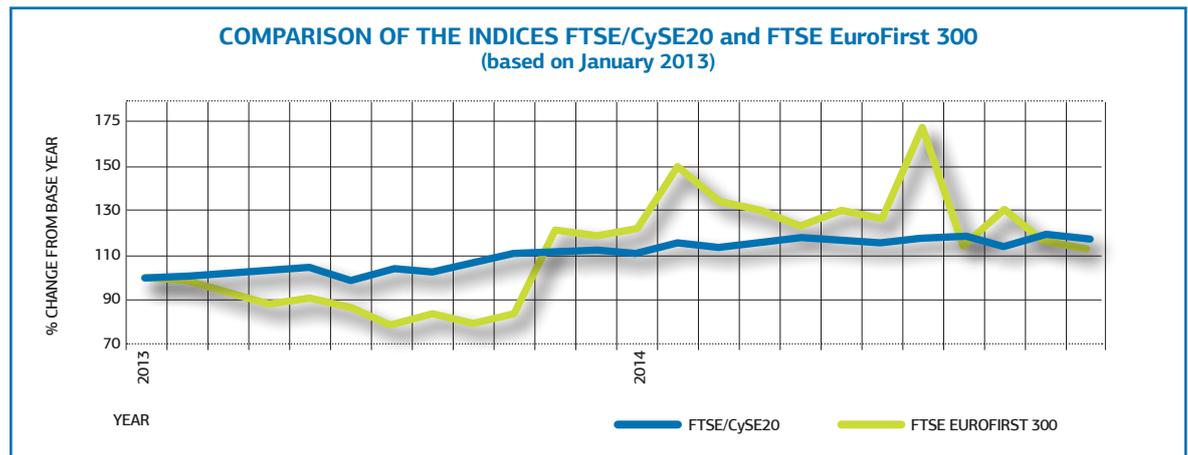
Diagram 3: General Price Index of the CSE in 2014



At the end of the year, the total market capitalization in shares (excluding the Investment Companies' Market) reached €3,33 bn, an increase of 30.55% compared to 2013 which amounted to €1.52 bn. Moreover, the total market capitalization, including the Investment Companies' Market, reached € 8,4 billion compared to € 7,3 billion at the end of last year, an increase of 13.90%.

The index FTSE / CySE20, which consists of a representative sample of 20 shares of the Cyprus stock market, presented a very slight decrease of 4% between the months of December 2013 and December 2014. The slight change, and the minimum fluctuation, was due to the small volumes of transactions during the year and contrasts with the variability presented during the year of the pan-European index FTSE EuroFirst 300, which reflects the performance of the 300 largest capitalization companies in Europe. The following chart (Diagram 4) shows the percentage changes of these two indices in the last two years, using January 2013 as the basis.

Diagram 4: Comparison of the performance of the Indices FTSE/Cy20 and FTSE EuroFirst 300

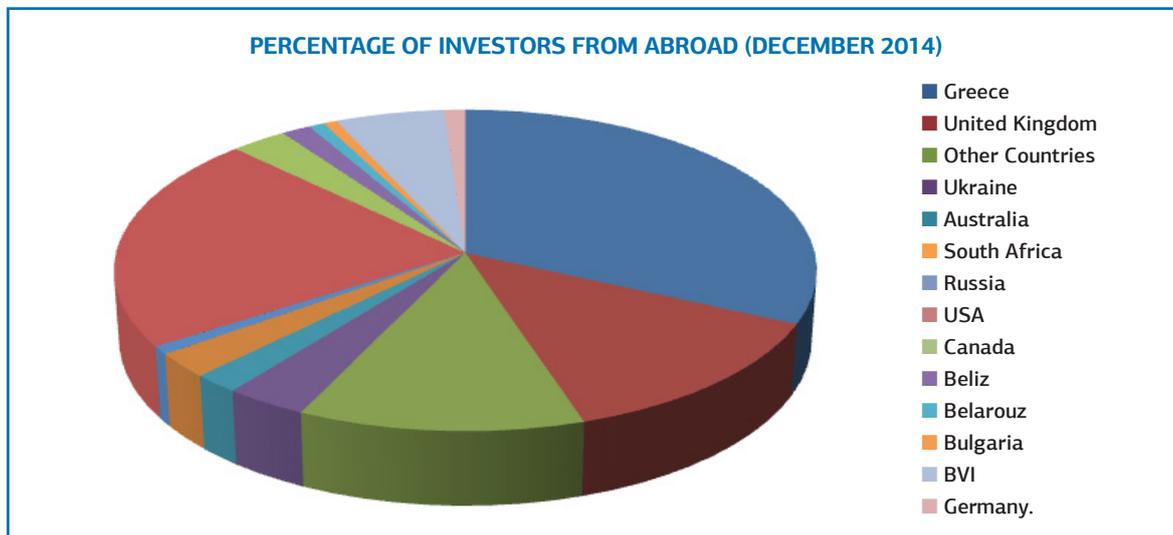


The number of transactions performed in the year under review in the stock market amounted to 39,545 compared with 35,983 transactions made in 2013, ie having made also a small increase of 9.9%.

The small increases observed in the indices of the CSE, although marginal, show a tendency of stabilization of the market resulting from the gradual recovery of investors' confidence to the future course of the market and the economy in general.

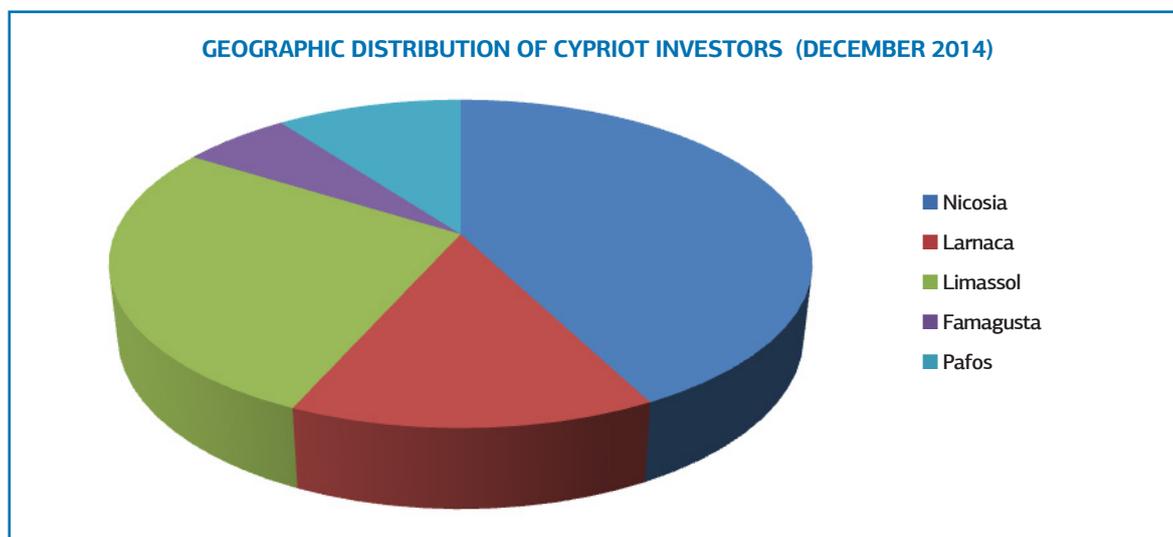
The participation of investors from abroad to market capitalization at the end of December 2014 amounted to 36.29% of the stock value. This percentage has increased by 9.6% in relation to the corresponding figure as at the end of December 2013, which amounted to 26.7%. These investors come from various countries, such as Greece, the UK, Germany, Ukraine, Russia, Australia, USA and South Africa (Chart 5).

Chart 5: Percentage of investors from abroad (December 2014)



Regarding the investors from Cyprus, the vast majority, up to 42.50%, reside in Nicosia (Chart 6).

Chart 6: Geographic distribution of Cypriot investors (December 2014)



3.3 IMPORTANT CHANGES AND PROJECTS

Regulatory Framework

To comply with its duty to protect investors and ensure the compliance of participants with the legislation governing the Cyprus capital market, in 2014, the CySEC has implemented various projects and proceeded in upgrades of several areas. In parallel, efforts were made by the CySEC to contribute, within its remit, to minimize the negative impact on the Cyprus economy by the decisions of the Eurogroup in 2013. Examples of the major changes and projects implemented by the CySEC, in the year under review, are listed below.

An important step to improve the regulatory framework of the Cyprus capital market is the adoption of relevant legislation concerning Undertakings for Collective Investments, other than UCITS, but classified as AIFs, which entered into force in July 2014. This legislation has transferred responsibility for the supervision of these entities from the Central Bank to the CySEC. The CySEC has prepared a series of directives to implement the legislation and has conducted seminars / presentations in order to guide and inform market participants about the new procedures for authorization of these organizations, the requirements and their obligations.

The AIF Law, along with the Alternative Investment Fund Managers Law and UCITS Law, creates a comprehensive legislative framework for collective investments in Cyprus, which is expected to contribute substantially to the development of the sector, by creating new job opportunities, offering an alternative source of financing, and enhancing the quality and variety of investment options and activities currently available in Cyprus. During 2014, the CySEC has issued directives on registration fees and annual contributions of AIFs and AIFMs.

As a result of the enactment of the Administrative Service Providers Law (ASPs), the companies that provide administrative services, are now subject to supervision and must obtain authorization to continue to provide these services. Therefore, a large volume of applications for authorisation was gathered. In order to facilitate the examination of these applications and at the same time to meet the request of the companies to have the option to request accelerated examination of their applications, in January 2014, the CySEC launched an acceleration scheme.

The actions mentioned above, are also included in the implementation by the CySEC of the program of actions agreed with the international lenders of the Republic of Cyprus (Troika) on the issues of combating money laundering and terrorist financing for ASPs.

Furthermore, the harmonisation with the fourth Directive on Capital Requirements (Capital Requirements Directive IV), in conjunction with the Capital Requirements Regulation (CRR), enhances the regulatory framework. The CySEC has issued circulars for the implementation of the relevant Directive, which explain the manner with which the applications for new CIF authorisations must be submitted taking into account the above mentioned Directive and the new requirements for the Boards of Directors of the Investment Firms in relation to corporate governance. Furthermore, the CySEC has issued Practical Guides in order to assist the regulated entities on the face of the imminent changes resulting from the adoption of the Bank Recovery and Resolution Directive (BRRD), the European Directive and Regulation on Markets in Financial Instruments (MiFID/MiFIR) and the Market Abuse Regulation (MAR).

In addition to the above, in order to improve the Cypriot legislation on investor protection, the CySEC cooperated with other supervisory Authorities of the financial sector, under the coordination of the Ministry of Finance, for the amendment of the Criminal Code to include provisions that criminalize the organization, operation and promotion of investors pyramid type schemes, which was completed in 2015. Another action that significantly enhances the legislative framework is the regulation of investment loans, ie granting credit with margin to investors by the CIFs to perform stock exchange transactions (known as «margin accounts»). In 2014, the CySEC issued a Directive on investor accounts, according to which, CIFs may grant such credits under certain conditions. This protects the company that granted the credit and the investor himself.

Compliance of regulated entities

To ensure the full compliance of regulated entities with their obligations under the relevant regulatory framework, in 2014, the CySEC, monitored their compliance, either by carrying on site visits or by desk based examinations of the documents submitted to the CySEC. Specifically, the audits conducted were related with the compliance of:

- CIFs and ASPs with their obligations in relation to the combat of money laundering and terrorist financing;
- CIFs with their commitments on best execution, including an assessment of their platforms;
- CIFs with their obligations for marketing communications, compliance and internal audit function;
- CIFs with their obligations on capital adequacy.

Furthermore, in 2014, the CySEC completed the Risk Based Supervision Framework, which will initially be applied in the Departments of Licensing and Supervision, while it is expected to be applied in the Issuers' and Investigations and Market Surveillance Departments, later in 2015. This framework will substantially improve the exercise of supervision, as with its use, the risks posed by each supervised entity shall be identified and assessed on the basis of their importance and the supervision shall focus on the entities that entail the most important risks.

During 2014, the audits and monitoring of the compliance of Issuers listed on the CSE have been intensified. Several problems in their compliance have been identified, especially with their obligation to disclose the periodic reports of companies and therefore, the CySEC proceeded in the investigation of several cases and imposed administrative sanctions. The CySEC also examined several requests for approval of CSE decisions to write off the securities of a number of issuers and as appropriate, it decided either to extend the suspension of trading or to write off securities of issuers, aiming to ensure the proper functioning of the market and the protection of small shareholders. The shares of the Bank of Cyprus, which remained suspended until the listing of the remaining issued and unlisted shares in December 2014 when the suspension ended, were among those securities. The CySEC had worked intensively in ensuring compliance with the Public Offer and Prospectus Law for the reintegration of Bank of Cyprus in the CSE and the increase of the share capital of Hellenic Bank.

Furthermore, a number of circulars and announcements have been issued to Issuers of listed securities, pointing them various issues identified or that should take into account at the preparation of their financial reporting. Also, a number of presentations were made to the regulated entities, market participants and other interested parties in relation to the Administrative Service Providers Law, as well as the new framework and the first examinations for the certification of persons. In addition to the above, the close cooperation of the CySEC with other competent supervisory Authorities and organisations abroad has been intensified in order to handle the growing volume of requests for investigation and collection of information. In 2014, the CySEC had received 233 requests and sent 74 requests.

In order to upgrade the educational system of investors in Cyprus, the CySEC, in 2014, published informative articles and warning announcements for the protection of investors. Recognizing the important role of the Media in the continuous effort to update and educate the investors, the CySEC organized a seminar for journalists, aiming to provide clarifications on specific issues to journalists and to investors.

In December 2014, the CySEC has carried out a nationwide market research in order to count the level of public awareness on issues related to its supervisory role and responsibilities and the level of public confidence in its work. In order to enhance the investors' education, the CySEC, has decided to launch short informative videos, the first of which is expected to be completed in the near-future.

In relation to the promotion of bonds, the CySEC undertook initiatives and was actively involved, within its overall role for the protection of investors. In 2014, a lot of time was spent by the staff to provide information to the police in the examination of criminal offenses in matters of the economy. The CySEC participates, through its Chairwoman in the ad-hoc committee which was established by order of the President of the Republic to assess and make specific recommendations on the proposals submitted by the Association of the Former Shareholders of Bank of Cyprus.

Implementation of the Action Plan for the Prevention of Money Laundering and Terrorist Financing

In the context of the Action Plan for the Prevention of Money Laundering and Terrorist Financing and in accordance with the Memorandum of Understanding signed by the Cyprus Republic and its international lenders, the CySEC had, inter alia:

- (a) Reviewed its organisational structure and planned the increase of its personnel that would exclusively deal with the prevention of money laundering and terrorist financing issues. Furthermore, the CySEC decided to outsource the conduct of on site inspections, on the basis of its audit programs and its guidance;
- (b) Designed and developed after assigning an external consultant, a comprehensive supervisory framework based on risk assessment of regulated entities (Risk Based Supervision Framework - RBSF), which includes the development of supervisory tools for remote and on-site supervision;
- (c) Conducted on site inspections to ASPs to assess their compliance with their continuous obligations for the prevention of money laundering and terrorist financing;

- (d) Issued a number of circulars to inform and guide the regulated entities on issues, concerning inter alia, serious tax offenses, the findings of the CySEC after on site inspections and the content of the annual report of the compliance officers for the issues of preventing money laundering and terrorist financing;
- (e) Proceed with the training of its staff on the new supervisory framework based on risk assessment of regulated entities (RBSF) and on preventing money laundering and terrorism financing.

Simplifications and modernisation of the CySEC

In order to improve and modernize, through substantial simplifications and automation in its work, the CySEC has implemented various projects. An indicative example is the implementation of the new System of Central Registry and Document Management. This system allows the automated storage of documents in electronic form, contributing to the faster browsing of files or information and to the existence of greater security of documents during their electronic movement. Meanwhile, in 2014 the new website of the CySEC was designed (www.cysec.gov.cy), which came into operation in early 2015, in order to better inform and better serve all market players. The design and creation of the Portal of the CySEC was substantially progressed during the year, so that in the future to be used by the regulated entities, in conjunction with the Electronic System / Digital Signatures for the faster submission of documents of their concern. It is expected to be a handy tool that will contribute significantly to the simplification and automation of the CySEC's work.

To deal with the increasing volume of work, the CySEC participated in 2014 in the Human Resource Development Authority program for unemployed graduates by employing on a temporary status 11 persons. Under the cooperation agreement that exists between the CySEC and the CSE, a number of CSE Officers continue to offer specialized services to the CySEC. Another important step in modernizing the operation of the CySEC is the establishment of a new organizational structure, which aims to improve the efficiency and effectiveness of the execution of its work. During the consultation process in relation to the Law on Governmental Organisations and Enterprises of 2014, the CySEC has submitted its views to the Minister of Finance on the necessity for the functional and financial independence of the CySEC, in line with European directives, European regulations and international standards governing the establishment and operation of supervisory Authorities.

Other developments

Within 2014, being the competent authority since 2012, the CySEC has conducted the first examinations for the certification of persons that may be employed in CIFs, Management Companies and Variable Capital Investment Companies and Credit Institutions, on the provision of Investment Services. This followed the publication of the examination syllabus and the Examination Manual (workbook) for the better preparation of the candidates. In parallel, a presentation of the new framework and of the examinations was organised, which was open for the public through live streaming and the recorded presentation was posted on the CySEC's website for easy access by anyone interested. During 2014, approximately 250 persons attended the examinations for certification. In relation to their continuous professional development, the CySEC organised in 2014, 13 seminars which were attended by, approximately, 300 persons. More details about the new framework are set out in section 5.2.6 of this Report, under the title: "Certified persons' register continuous professional development and examinations".

In relation to the collective investment schemes, in 2014, the first applications for listing on the Market of Non-Traded Collective Investment Schemes have been submitted to the CSE by UCITS in the common fund form, authorised by the CySEC and registered in Cyprus. The applications related to two UCITS Single Schemes and one Umbrella Scheme with 14 Investment Compartments (Sub-Funds). The relevant legislation allows the listing on a regulated market of shares of UCITS in the form of a Variable Capital Investment Company and units of UCITS in the form of common funds that operate as Exchange Traded Funds (ETFs). Furthermore, the units of common funds, that don't operate as ETFs, may also be listed but not traded. This is considered as an important development in relation to the promotion of the collective investment schemes framework, which is expected to bring multiple benefits for the Cypriot economy and the strengthening of Cyprus as a service center.

Another development that marked 2014, has been the intense advertising campaign for the promotion of virtual currencies, which was conducted after private initiatives. The issue was spotted by the local Media. As a result, on February 2014, the CySEC published a warning by the European Banking Authority in relation to the risks entailed in the acquisition, possession or marketing of virtual currencies.

Another development that marked 2014 was the intense advertising campaign undertaken by private initiatives to promote virtual currencies. The issue was also highlighted by the local Media. As a result, in February 2014, the CySEC has published the notice of the European Banking Authority on the risks arising from the purchase, possession or trading in virtual currencies, such as the Bitcoin. Furthermore, in March, the CySEC considered that it was necessary to issue an additional warning to the public in which it stated the risks of purchasing, holding or trading in virtual currencies. With this publication the CySEC provided a more objective information as to the manner these currencies work, underscoring the fact that they are not contractual cash or a financial instrument, but an unregulated product that is neither issued by a Central Bank nor guaranteed by it or under the supervision of a competent Authority.

The great interest in virtual currencies was not limited to Cyprus but has taken international dimensions in recent years. This urged the European Banking Authority to provide a definition of the virtual currency, in 2014 and to publish a warning about the risks associated with the purchase, possession or trade in virtual currencies. Due to the fact that, at present, there are no special arrangements for the protection of persons who deal in virtual currencies neither in national nor at EU level, it is important that the public is kept informed about the risks associated with them, including possible loss of money. In 2012, the European Banking Authority had published a report on the characteristics, the function and the risks associated with virtual currencies, to inform the public which the CySEC included in its warnings.

3.4 DEVELOPMENTS IN THE EUROPEAN AND INTERNATIONAL ENVIRONMENT

The CySEC follows the developments in the European and international legal environment and actively participates in the formulation of laws, particularly at European level, through participation in various committees and subcommittees, where it provides information, expertise and experience. Additionally, through communications on its Web site, open presentations to interested parties or targeted seminars to groups of supervised institutions, It informs the various market participants about any forthcoming legislative changes which are at an advanced stage, especially when these may affect the domestic market.

During the year, ESMA proceeded in legislative arrangements deemed necessary in the context of the reform of the legal framework following the financial crisis. These arrangements are expected to be completed in 2015 and emphasis will be given in their application. The proper supervision of stock markets through consistency and uniformity in supervisory practices, although difficult to achieve, is essential. Therefore, driven by the requirement to increase the protection of investors, in the year under review, ESMA cooperated closely with the national supervisory Authorities to enhance supervisory convergence between them in the implementation of European laws.

European Directive and Regulation for the Markets in Financial Instruments (MiFID II/MiFIR)

The Markets in Financial Instruments Directive – MiFID is one of the cornerstones of the legislative framework regarding the financial market in EU and its review is considered as a response of the EU in the financial crisis. The review of the Directive, (known as MiFID II) includes a new, ambitious set of rules which are expected to enhance the security and transparency of the markets within EU and increase the degree of harmonization by ensuring equivalent conditions for all market participants. MiFID II Directive is supplemented by a new Regulation (Markets in Financial Instruments Regulation – MiFIR) which enhances the relevant demands of MiFID for the protection of investors.

It is vital for the protection of investors throughout the EU that investment firms act in accordance with the interests of their clients. The revision of MiFID extended the requirement for companies to act in the best interests of their clients. The legislative package MiFID II and MiFIR will enhance the, already, existing arrangements for the protection of consumers of financial products and add new regulations to close the gaps in the current framework for the protection of investors. Among other things, the new legislation will improve

the governance and organizational requirements for companies, strengthen the rules of professional conduct governing the relations between the client and the investment firms and introduce new powers for supervisory authorities at national and Community level.

ESMA is entrusted with the important role of the enhancement of the framework as set out in MiFID II and MIFIR. During 2014, ESMA has submitted to the European Commission 24 pieces of technical advice, which cover the entire range of MIFID. The co-legislators have reached a political agreement in early 2014, the MiFID II package entered into force in July and shall be implemented by the EU Member States in January 2017.

European Market Abuse Regulation (MAR)

In September 2014, the Regulation 596/2014 on the Abuse (or Manipulation) of the Market (Market Abuse Regulation, MAR) was published, which is directly related to the European Directive 2014/57 / EU on the Abuse (or Manipulation) of the Market (Market Abuse Directive, MAD).

The Market Abuse Directive provides a framework for tackling insider dealing and market manipulation practices. The Directive aims to increase the investors' confidence and integrity of the market by forbidding to persons that have access to confidential information the trading in relevant financial instruments ("use of confidential information"), and forbidding market manipulation through practices such as dissemination of misleading information or rumors and the conduct of transactions that leads to distortion of prices ("market manipulation"). The Market Abuse Regulation updates and reinforces the existing framework in order to ensure the integrity of the market and the protection of investors derived from the Directive, and ensures that the legal framework is in line with the market developments and strengthens the Competent Authorities in the investigation of alleged violations and the punishment of the violators. Furthermore, it ensures that Member States shall have a harmonized legislation on criminal offenses for market manipulation and insider trading.

The legislative package MAR / MAD will enter into force on the 3rd of July 2016. The EU Member States should amend or repeal their national laws and regulations in order to ensure that the MAR Regulations are ready to enter into force and modify or strengthen their national legislation in the context of harmonization with MAD. In September 2014, the CySEC has issued an announcement to inform all stakeholders on these developments and to explain further the main upcoming changes that will be introduced by MAR.

European Regulation and Directive on Capital Adequacy (CRR/CRD IV)

The Directive 2013/36/EU and the Regulation 575/2013 on Capital Requirements (Capital Requirements Regulation/ Capital Requirements Directive IV) set stricter provisions on the prudential supervision of the credit institutions and investment firms in relation with the existing provisions. The legislative proposal regarding the establishment of a Directive and a Regulation which replaces the European Capital Adequacy Directives (2006/48 and 2006/49) for the reinforcement of the regulation of the banking sector, was submitted by the European Commission in 2011 and it is an important step towards the establishment of a better and sounder financial system. The Directive and the Regulation entered into force on the 1st of January 2014. The Regulation is directly applicable to all member states, whereas the Directive must be harmonised in national law and shall enter into force on the 1st of January 2019.

European Regulation with regard to regulatory technical standards for publication of supplements to the Prospectus

On April 15, 2014, the Commission Delegated Regulation (EU) No 382/2014 of 7 March 2014, supplementing Directive 2003/71/ EC of the European Parliament and of the Council with regard to regulatory technical standards for the publication of supplements to the Prospectus was published. This Regulation establishes regulatory technical standards specifying the situations where publication of supplements to the Prospectus is required. Examples of such cases, where the supplement is necessary for the information and protection of investors, include the publication of profit forecasts and profit estimates already included in the Prospectus, the change of control of the Issuer, new takeover bid from third parties and others.

Legislation with regard to Financial Derivative Instruments

The legislation on financial derivative instruments has also progressed at the European level during 2014 and the next step is to implement the legislation on EMIR. In 2015, 15 EU central counterparties (CCPs) have been approved by ESMA under the new requirements of EMIR, including 10 CCPs clearing OTC derivatives. ESMA will continue to work for the consistent application of EMIR and promote common supervisory approaches and practices using various convergence tools.

New ESMA intervention powers

According to the MiFIR regulation, ESMA and national competent authorities will have the power to impose temporary restrictions on products and services, where these fulfil a number of conditions and criteria. ESMA shall coordinate the use of these powers by the national competent Authorities, which will apply from 3 January 2017. ESMA has started the preparatory work for the effective implementation of these powers with the contribution of all relevant standing committees. These powers will be new to most national competent Authorities and ESMA. As these are determined by Regulation, the national competent Authorities must be prepared to apply them, irrespective whether the relevant amendments have been made in national law. From 2015 until 2017, ESMA will have the responsibility to collect data, to analyze and evaluate the processes required to implement the aforementioned powers in order to identify possible cases where they should be exercised and then to assess whether the use of the powers was justified, which will assist in the forthcoming practical application of MiFIR.

Product intervention powers

Under MiFID II, ESMA is empowered to temporarily prohibit or restrict the sale or distribution of certain financial instruments, or the conduct of certain activities or practices. The MiFIR Regulation gives similar powers to the national competent Authorities. This is a major enhancement of the 'toolbox' of ESMA and the national Authorities, since many innovations in the financial sector result from the efforts of companies to take advantage of regulatory loopholes and regulatory arbitrage. The supervisory mandate for the monitoring of the innovation in new products, services and practices and the action on this issue is vital to limit this effect, prevent or reduce the damage to investors, as well as other harmful effects in the financial system and to ensure that market participants can have confidence in financial innovation. During 2014, after extensive public consultation, ESMA submitted to the European Commission its Technical Advice regarding the legal requirements that must be fulfilled in order to justify the exercise of the intervention powers by ESMA and national competent Authorities, which is under study.

3.5 MOST IMPORTANT GOALS FOR NEXT YEAR

The important goals set by the CySEC for implementation in 2015, relate primarily to the strengthening of market surveillance, the completion of the investigations related to the banking sector and promoting legislation that will encourage the development and progress on the market, in accordance with the legislative developments at European level.

In 2015, we aim to reinforce the Supervision Department with human resources in order to strengthen further the supervision of the market through the conduct of a greater number of audits in all areas of supervision. The full implementation of the supervisory framework based on the risk management of the supervised entities, will, also, contribute substantially to better and more effective supervision, and will focus on entities that entail the most significant risks. At the same time, efforts will be made to provide more guidance to supervised entities, based on the weaknesses identified in the CySEC's audits, in order to improve their compliance.

The capital adequacy of the regulated CIFs will continue to be closely monitored. In early 2015, the CySEC proceed in gathering and evaluating data from all regulated CIFs in order to determine any potential impact on their capital adequacy and / or in their operations resulting from the decision of the Bank of Switzerland to lift its support to the exchange rate of the Franc against the Euro, causing intense adjustment in exchange

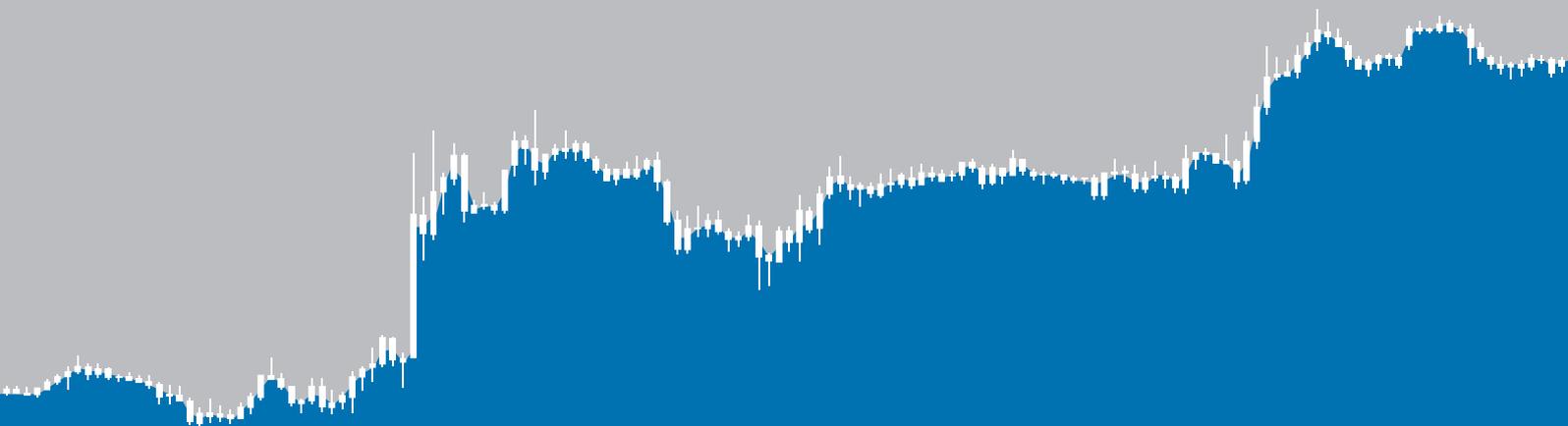
rates. Intensified audits will be conducted in 2015, to Issuers, because, due to the problems that occurred in the previous year, the monitoring of their compliance with their continuing obligations and the examination of the proper preparation of their financial statements in accordance with the International Financial Reporting Standards, is very important to ensure the transparency and proper disclosure of information to investors.

Furthermore, in 2015 and the coming years, a number of legislative reforms, which are now being formed at a European level, are expected to complete and be integrated into National Law. Specifically, our efforts will be intensified in order to harmonize the Directive on the Markets in Financial Instruments (MiFID II) and UCITS V, in the national legal framework. Specific examples are:

- The proposal for a Regulation regarding the European Long Term Investment Funds, known as ELTIFs (translation stage);
- The proposal for a Regulation on Money Market Funds (MMF);
- The proposal for a Regulation on Benchmarks;
- The Regulation establishing uniform rules and procedures for the resolution of credit institutions and certain investment firms in a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF);
- The proposal for a Regulation on the Reporting and Transparency of Securities Financing Transactions (SFT);
- The Central Securities Depositories Regulation (CSDR).

In 2015, it is, also, expected that new Directives regarding the Alternative Investment Funds (AIFs) shall circulate for consultation.

The Internal Control Unit will be fully operational in 2015, after the adoption of the Operation Rules and the Procedures Manual, which was done earlier this year. Other objectives of the CySEC for 2015 include the operation of the online portal, the continuation and completion of the preparation of the internal procedures manual of each department of the CySEC, which will ensure a uniform treatment of the various issues and better monitoring of the staff compliance, by the management and by the Auditor General of the Republic.



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4

OPERATIONS OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION

The main operations of the CySEC, among others, include the following:

- The monitoring of the compliance of issuers with listed securities on CSE or on another regulated markets whose home member-state is the Republic of Cyprus, with their continuous obligations in general and specifically with those that relate with disclosure of financial information (e.g. the publication of annual and semi-annual financial reports, indicative results e.t.c), the timely and complete publication of substantial information, issues that arise from the Securities and Stock Exchange Laws, corporate governance issues e.t.c.;
- The approval of prospectuses for public offer of transferable securities or admission to trading on a regulated market and the monitoring of the application of the Public Offer and Prospectus Law;
- The supervision of public takeover bids and the monitoring of the application of the Takeover Bids Law of 2007;
- The examination of applications for authorisation of CIFs or lfs of third countries for the establishment of a branch in the Republic and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of regulated markets and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of CRAs and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The exercise of the competencies of the CySEC derived by the law for the prevention and suppression of money laundering;
- The exercise of the competencies of the CySEC derived by the Law for the Prevention and Suppression of Money Laundering;
- The examination of applications for the authorisation of UCITS, UCITS Management Companies and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of notifications for the cross border provision of services and the establishment of a branch by UCITS management companies established in other EU member-states in the Republic;
- The examination of notifications and applications for the marketing of foreign UCITS through Representatives in the Republic and the supervision and application of the Open Ended Undertakings in Collective Investments in Transferable Securities (UCITS) and Related Issues Law;
- The conduct of investigations in relation to cases concerning, inter alia, CIFs or companies that have securities listed in CSE/regulated market ;
- The monitoring of the stock market and the transactions;
- The supervision and application of the Insider Dealing and Market Abuse Law;
- Issues regarding the review or and reform of the legislation that governs the capital market and the conduct of research for the preparation and submission of draft laws;
- The conduct of research, preparation and issue of Directives pursuant to the applicable Law of the CySEC and the capital market in general;
- Administrative issues that relate to the functioning of the CySEC;
- The conduct of studies in relation to issues that concern the CySEC and the capital market in general;
- The update and education of the investors on capital market issues;
- The participation in committees and technical committees at national and European level that relate with the CySEC's competencies.

4.1 AUTHORISATION AND APPROVAL

4.1.1 Applications

The applications submitted to the CySEC in 2014, for examination, are summarised on the following table (Table 6):

Table 6: Applications submitted to the CySEC in 2014

Applications	2014	2013
CIF authorization	41	25
CIF extension of authorization	22	17
Free provision of cross border services by CIFs	71	45
Establishment of a CIF branch	5	5
Tied Agent Registration	6	3
Termination of CIF authorization	7	8
CRA registration	0	0
Authorisation to Companies Providing Administrative Services	42	19
Authorisation of Cypriot UCITS	-	-

4.1.1.1 Applications for CIF authorisation

Forty one (41) new applications were submitted to the CySEC for CIF authorisation (2013-25 new applications). Further to the above applications, during 2014, the examination of 5 applications for CIF authorisation that had been submitted in the previous years was still in process. The CySEC granted 42 CIF authorisations (2013 – 31 authorisations). Furthermore, 2 companies withdrew their CIF application on their own initiative. Regarding the rest of the applications, their examination began in 2014, but the decision regarding their authorisation or not will be taken in 2015.

4.1.1.2 Applications to extend the CIF authorisation

The CySEC examined 22 applications for extension of CIF authorisation for the provision of additional investment or/and ancillary services or/and financial instruments (2013 – 17 applications).

4.1.1.3 Applications/notifications for the free provision of cross border services and the establishment of a branch by CIFs and IFs

The CySEC examined 71 CIF applications for the free provision of cross border services to other EU Member States or/and third countries (2013 – 45 applications) and 5 CIF applications for the establishment of a branch in other EU Member States (2013 – 5 applications). Furthermore, the CySEC received a significant number of notifications from IFs authorised in other Member States for the free provision of cross border services in the Republic. Finally, the CySEC examined 2 notifications for the establishment of a branch in the Republic by IFs established in other EU Member States (2013 – 0).

4.1.1.4 Applications for the registration of CIF Tied Agents

The CySEC examined 2 applications for the registration of Tied Agents established in the Republic, to the public registry, for acting on behalf of CIFs (2013 – 1). Furthermore, the CySEC cooperated with the relevant competent authorities of the respective member states for the assessment of 4 applications for the registration of Tied Agents established in the relevant member states but acting on behalf of CIFs (2013 – 2).

4.1.1.5 Applications for other amendments of CIFs

The CySEC examined a large number of applications in relation to changes in the organisational chart, the organisational structure, the internal operations manual, the activities and the way of their operation of CIFs. Where the above changes have been assessed as non-compliant with the relevant legislation their implementation was forbidden.

4.1.1.6 Applications for termination of CIF authorisation

7 CIF authorisations have been terminated (2013 – 8) due to voluntary renouncement (4 CIFs), due to non activation (1 CIF), and due to non compliance with their continuous legal obligations (2 CIFs).

4.1.1.7 Applications for registration of CRAs

No applications have been submitted for registration of a CRA, as in 2013, due to the fact that this competency has been assigned to ESMA in accordance with the European Regulation (EU) No. 513/2011 of the 11th May 2011. During 2014, no CRA authorisation was granted (2013 – 0).

4.1.1.8 Applications for authorisation of Companies Providing Administrative Services

The CySEC examined 94 applications for authorisation of Companies Providing Administrative Services.

4.1.1.9 Applications for authorisation of UCITS

An application for authorisation of an umbrella scheme with three investment compartments was submitted to the CySEC.

4.1.1.10 Applications in relation to substantial changes in CIF information

A big number of applications for approval of substantial changes in CIFs has been submitted and examined. – suggest to delete. It is the same as 4.1.1.5

4.1.2 Prospectuses and other applications in relation to Public Takeover Bids

4.1.2.1 Applications for the approval of Prospectuses for public offer or admission to listing of securities on a regulated market

The CySEC is the competent authority for the approval of Prospectuses for public offer or listing of securities on a regulated market in all the cases where Cyprus is the issuer's member state of establishment. The power is derived by the Public Offer and Prospectus Law of 2005 – L.144 (I)/2005, as applicable, which harmonises the European Directive 2003/71/EC in relation to Prospectuses. In accordance with this Law, the CySEC approves the Prospectus if its content is in compliance with the provisions of the Law and the regulatory acts issued pursuant to it.

The examination of the applications for the Prospectus approval in accordance with the applicable legal framework includes the assessment of the completeness of the Prospectus and, specifically, whether the Prospectus contains all the necessary information in accordance with the Public Offer and Prospectus Law and the Regulation 809/2004 of the European Commission in relation with the content of the Prospectus, as amended, which shall be in coherent and comprehensible.

In 2014, three applications for Prospectus approval have been submitted to the CySEC (2013 – 2) for public offer or/and listing of securities on a regulated market within the context of the Public Offer and Prospectus Law. The CySEC examined the relevant applications and approved the Prospectuses for two of them (2013 – 2 approvals). The examination of one application was not completed as it was withdrawn by the issuer due to existing market conditions.

In 2014, one application was submitted to the CySEC for the approval of a Supplement to the Prospectus in accordance with the relevant Law, while during 2013 none was submitted. The CySEC examined the relevant application and approved the Supplement to the Prospectus (2013 – 0 approvals).

Two of the above mentioned approved Prospectuses and the respective Supplement were notified, at the issuer's request, to the competent Authorities of two host EU member-states, where the public offer of the relevant securities would be implemented or/and their listing in a regulated market (2013 – 1 Prospectus).

4.1.2.2 Transfer of the competency of Prospectus approval

In 2014, there were no requests for the transfer of the competency of Prospectus approval. In 2013 the applications of two issuers, whose home member state in accordance with the Public Offer and Prospectus Law is the Republic of Cyprus, applied to the CySEC to transfer the approval of their Prospectuses to the Competent Authorities of other Member States. The CySEC examined the applications and decided, in accordance with Section 26(8) of the Public Offer and Prospectus Law to transfer the approval of the 2 relevant Prospectuses to the competent Authorities of the other Member States, as requested by the issuers, provided that each Competent Authority that received the request would accept the transfer.

4.1.2.3 Public Takeover Bid documents

In accordance with the Public Takeover Bids Law for the acquisition of securities of companies and other related issues (the Takeover Bid Law of 2007), the CySEC is the competent authority for the supervision of the Public Takeover Bid, in case the company under acquisition has its registered office in the Republic and its securities are listed and traded on a regulated market in the Republic. Furthermore, the CySEC is the competent Authority of Public Takeover Bids for securities which are not listed and traded in a regulated market in the member-state where the company has its registered office, where certain provisions defined in the Law apply. The relevant Law harmonises the European Directive 2004/25/EC in relation with the public takeover bids and the scope of its application derives from the relevant directive.

The Public Takeover Bid documents are assessed as to their compliance with the general principles governing every public offer and the conditions as defined in the Public Take Over Bids Law of 2007, and the assessment of the completeness of the provided information within the context of the relevant Law and the Directive DI41-2007-03 of the CySEC in relation to the content of the Public Takeover Bid Document.

In 2014, one Public Offer Document was submitted to the CySEC (2013 – 2 Documents) after an announcement by the Acquirer, for mandatory public take over bid for the acquisition of 100% of the securities of the issuer with securities listed on the CSE.

The CySEC examined the relevant Document and decided to allow its publication (2013 – 3 approvals).

In 2014, no Revised Public Takeover Bid Documents were submitted to the CySEC. In 2013, one Revised Public Takeover Bid Document was submitted, in relation to one of the approved Public Takeover Bid Documents, after a relevant announcement by the Acquirer, which was examined and approved by the CySEC.

In 2014, the CySEC, also assisted the Competent Authority of another Member State in one public takeover bid concerning a Cypriot company whose securities were listed and traded on a regulated market of the relevant member state in relation to issues concerning the legislation of Cyprus and fall within the competencies of the CySEC (2013 – assistance was offered to 2 Competent Authorities of other Member States in relation to 3 Takeover Bids).

4.1.2.4 Prospectus equivalent documents

In 2014 and 2013 no Prospectus Equivalent Documents were submitted to the CySEC for granting an exemption as provided by the Public Takeover Bids and Prospectus Law.

4.1.2.5 Exemptions from the obligation to conduct a public Takeover Bid

In 2014, 8 (2013 – 12) applications have been submitted to the CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. The CySEC examined the relevant applications and issued a relevant decision (of approval or rejection) for all of them.

The CySEC, also, examined the applications of three acquirers (2013 – 1) for the extension of the deadline granted to comply with the conditions set by the CySEC on granting the exemption from the obligation to conduct a Public Takeover Bid to the shareholders of the respective number of issuers. The CySEC approved two of the three applications, whereas it decided to reject the third one. Due to the CySEC's decision for rejection, the mandatory takeover bid obligation was effected and the acquirer had to conduct a public takeover bid for the acquisition of the 100% of the capital of the issuer. The relevant takeover bid took place in 2015.

4.1.2.6 Applications to exercise the squeeze out right

In 2014 no applications were submitted to the CySEC to exercise the squeeze out right. In 2013 three applications were submitted to the CySEC by the Offerors to exercise the squeeze out right in relation to the shares of the acquired companies which had not been obtained in the course of the Public Takeover Bids from their shareholders, that were approved by the CySEC.

4.1.3 Decisions in relation to the smooth operation of the Stock Market

4.1.3.1 Delisting / suspension of trading

In 2014, the CySEC examined 14 applications of the CSE Council for the delisting of the securities of the respective number of issuers from the CSE regulated markets. All cases about delisting those securities were due to the fact that the conditions of the smooth operation of the stock market in relation to those securities no longer applied. The CySEC approved, in 2 cases (2013 – 6 cases) the decisions of the CSE Council in relation with the delisting from CSE of the securities of the respective number of issuers. In relation to the remaining applications, the CySEC required the CSE Council to send letters to the relevant companies asking them, if possible, to determine the date of the publication of the periodic information that was pending in order to be evaluated in the context of the CSE Council applications.

In 2014, the CySEC, also examined an application of the CSE Council for the delisting of the securities of an issuer from the non-regulated market. The CySEC approved the relevant CSE Council decision (2013-0) due to the fact that the conditions of the smooth operation of the stock market in relation to those securities no longer applied.

It is noted that in 2013, in the case of an issuer, the CySEC decided, pursuant to the powers vested in it by section 127(2) of the Investment Services and Activities and Regulated Markets Law of 2007 to 2012, to request the CSE Council to delist the securities of the relevant issuer, due to the fact that the conditions for the smooth operation of the stock market in relation to the securities of the specific issuer no longer applied.

In 2014, the CySEC also approved in the cases of 7 issuers (2013 – 20 issuers), the decision of the CSE Council to prolong the suspension of trading of the securities of the relevant issuers. Furthermore, in relation with 5 of the above mentioned issuers, the CySEC, after taking into consideration the fact that the CSE had no authority to prolong the suspension of the trading of the securities of the relevant issuers, decided, pursuant to the authority vested in it by section 127(2) of the Investment Services and Activities and Regulated Markets Law of 2007 to 2012, to request the CSE Council to suspend the trading of the securities of the relevant companies until their compliance with their continuous obligations or the specific date determined by the CySEC.

4.2 SUPERVISION AND MARKET SURVEILLANCE

4.2.1 Monitoring of CIFs compliance

The CySEC monitored the compliance of the CIFs with their regulatory obligations, either by conducting on site inspections at their offices, or by examining the documents submitted to the CySEC by Law.

4.2.1.1 Conduct of on site inspections

In 2014, the CySEC conducted, in total, 13 on site inspections:

- 2 on site inspections in CIFs and 2 on site inspections in ASPs to examine their compliance with their continuous obligations in relation to the prevention of money laundering and terrorist financing;
- 5 on site inspections to examine the efficiency of the supervisory function (Board of Directors and senior management) and the compliance function;
- 6 on site inspections to CIFs to examine their trading platforms in Forex.

In 2013, the CySEC had conducted 24 on site inspections to examine various supervisory issues.

4.2.1.2 Desk based audits

In 2014, the CySEC conducted:

- 4 audits in relation to documents concerning the information that CIFs disclosed to investors (advertisements);
- Review of the financial statements of all CIFs;
- Review of the form submitted by CIFs in relation to their own funds and the operational risk;
- Review of the report regarding the appropriateness of the arrangements made by the CIFs in relation to the clients' assets;
- Review of the report regarding the fair presentation of the CIF publications in relation to their capital adequacy;
- Desk audits in a large sample of monthly, quarterly and semi annual reports submitted in relation to the capital adequacy of the CIFs and of their large exposures;
- Desk audits in a large sample of CIFs' monthly prudential reports of significant cash transactions in cash;
- Desk audits in a large sample of annual reports submitted by CIFs in relation to Internal Audit, Risk Management and Compliance;
- Desk audits in the notifications submitted by CIFs in relation to their shareholders with substantive holding and their tied agents.

4.2.1.3 Sanctions

In cases where the CySEC established the non-compliance of supervised entities with their continuous obligations decided, after weighing the importance of the violations, the following:

- Set a deadline for compliance to a number of CIFs;
- Impose administrative penalties to 5 CIFs (2013 – 4);
- Revoke the authorisation of 1 CIF;
- Suspend the authorisation of 1 CIF;
- Reprimand and set a deadline for compliance to a number of ASPs.

4.2.2 Monitoring the compliance of Issuers of Listed Securities on a Regulated Market

4.2.2.1 Monitoring the implementation of the Public Offer and Prospectus Law

During 2014, Officers of the Issuers department continued monitoring, on a continuous basis, of the announcements of issuers in relation to the issue/public offer of transferable securities or the listing of transferable securities on a regulated market to ensure their compliance with the Public Offer and Prospectus Law in respect of their obligation to issue a Prospectus or a Supplement or whether they were exempted from the Law.

Furthermore, the Issuers' Department monitors, on a continuous basis, the notifications of approved prospectuses from the competent Authorities of other member states, which concern, mainly, public offers of transferable securities in the Republic, of issuers established in other Member States. The relevant notifications are posted on the CySEC's website. During 2014, five Prospectuses (2013 – 5) have been notified to the CySEC by the competent Authorities of other Member States and 9 Supplements to the notified Prospectuses (2013 - 13).

In the cases, where, at the course of the examination of applications for approval of Prospectuses or of the relevant announcements, matters emerged, which might constitute violations of the Stock Market legislation and of the relevant legislation of the capital market, those have been referred to the Department of Investigations and Market Surveillance for further investigation.

4.2.2.2 Monitoring the implementation of the Public Takeover Bids Law of 2007

Officers of the Issuers Department continued monitoring, on a continuous basis, of the announcements/publications in order to ensure the compliance of the parties involved with the Public Takeover Bids Law.

During 2014, the Issuers' Department did not proceed to any investigations of cases related to alleged violations of the Public Takeover Bids law (L.41(I)/2007 as amended) (2013: 2 cases).

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

The CySEC is the competent Authority for the supervision and ensuring the proper implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, as applicable, which sets the Transparency Requirements for the disclosure of information of an issuer whose transferable securities are admitted to trading on a regulated market. The relevant Law harmonises the Directive 2004/109/EC of the European Parliament and of the Council for the harmonisation of the transparency requirements. The relevant Law governs the issuers whose home member state is the Republic and their transferable securities are admitted to trading on a regulated market in the Republic or in another Member State. The purpose of the relevant Law is to establish the conditions for the publication of periodic and ongoing information of issuers whose transferable securities are admitted to trading on a regulated market.

Within the monitoring of 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 of 2007, the CySEC examined their compliance with the provisions of the law and specifically, with their obligation for publication of their Indicative Result for the full financial year, the Annual Financial Report, the Half-yearly Financial Report, the Interim Management Statement and the content of the above mentioned reports/announcements and, specifically, whether the financial information has been prepared in accordance with the relevant provisions of the Law.

■ Indicative results for the full financial year

In reviewing the compliance of issuers with their obligation to disclose the indicative results for 2013, the CySEC proceeded in the investigation of 26 cases concerning an alleged violation of section 13 (1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, because of non-disclosure of the indicative results within the period specified by the Law and/or section 37(2)(a) of that Law because of the failure to submit the indicative results to the CySEC. The examination of cases was completed in 2014 and the CySEC decided to impose administrative fines in 25 of the 26 cases as follows:

- An administrative fine to 20 issuers for violation of sections 13(1) and 37(2)(a) of the relevant Law;
- An administrative fine to 5 issuers for violation of section 13(1) of the relevant Law.

Furthermore, in one case, the CySEC decided to reprimand the issuer for violation of section 37(2)(a) of that Law.

As part of that audit, the CySEC, also sent letters to a number of Issuers who had minor omissions to the disclosure of the indicative results for 2013, or deficiencies in its content, drawing their attention to the provisions of the legislation concerning the Indicative Results, their publication and contents.

■ Annual Financial Report

Annual Financial Report for the fiscal year 2012

In reviewing the compliance of issuers with their obligation to publish their Annual Financial Report for 2012, the CySEC proceeded in the investigation of 25 cases for alleged violation of section 9(1) of the the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, due to the non-publication of the Annual Financial Report within the deadline specified in the Law, or/ and of section 37(2)(a) of the same Law regarding the non-submission of the Annual Financial Report to the CySEC. It also proceeded in the investigation of 3 cases of alleged violation o section 9(4)(c) of the same Law, due to the fact that the annual accounts of the parent company had not been included in the Annual Financial Report for the year 2014. The examination of the cases was completed in 2014, and the CySEC decided to impose administrative fines or/and reprimands as follows:

- An administrative fine to 17 issuers for violation of section 9(1) of the relevant Law and reprimand for violation of section 37(2)(a) of the same Law;
- An administrative fine to 1 issuer for violation of section 37(2)(a) of the relevant Law and reprimand for violation of section 9(1) of the same Law;
- An administrative fine to 2 issuers for violation of section 9(4)(c) of the relevant Law;
- Reprimand 7 issuers for violation of section 9(1) of the relevant Law;
- Reprimand 1 issuer for violation of section 9(4)(c) of the relevant Law.

Annual Financial Report for the Financial Year 2013

In the year 2014, the CySEC began checking the compliance of issuers with their obligation to publish their Annual Financial Report for the financial year 2013. As part of that audit, the CySEC decided to proceed with the investigation of 26 cases concerning a possible violation of section 9 (1) of the Transparency Requirements (Traded Securities in Regulated Markets) Law, due to the non-publication of the Annual Financial Report within the period specified by the Law and / or section 37(2)(a) of the same Law regarding the non-submission of the Annual Financial Report to the CySEC and to the investigation of 3 cases for alleged violation of section 9(4)(c) of the same Law, since in the Annual Financial Report for 2013, the relevant issuers did not disclose the annual accounts of the parent company. This audit continued in 2015.

■ Interim Financial Report

Interim Financial Report for the first semester of the financial year 2013

In reviewing the compliance of issuers with their obligation to publicize their Interim Financial Report for the first half of the financial year 2013, the CySEC proceeded in the investigation of 19 cases for alleged violations of section 10 (1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the non-publication of the Interim Financial Statements within the deadline specified by the Law and / or section 37 (2) (a) of the same Law in relation to the non-submission of the interim Report to the CySEC.

Furthermore, it proceeded in the investigation of one case regarding an alleged violation of section 10(3)(b) of the same Law, due to the fact that the Interim Management Report of the issuer was not disclosed in the Interim Financial Report. It also investigated 2 cases involving the alleged violation of section 10(3)(c) of the same Law because the declarations of the members of the Board of Directors and of the other responsible persons were not disclosed in the Interim Financial Report. The examination of the cases was completed in

2014 and the CySEC decided to impose administrative fines and/or reprimand as follows:

- An administrative fine to 14 issuers for violation of section 10(1) of the relevant Law and reprimand for violation of section 37(2)(a) of the same Law;
- An administrative fine to 2 issuers for violation of section 37(2)(a) of the relevant Law and reprimand for the violation of section 10(1) of the same Law;
- An administrative fine to 1 issuer for violation of section 10(3)(b) of the relevant Law;
- An administrative fine to 2 issuers for violation of section 10(3)(c) of the relevant Law;
- Reprimand 2 issuers for violation of section 10(1) of the relevant Law;
- Reprimand 1 issuer for violation of section 37(2)(a) of the relevant Law.

As part of that audit, the CySEC also sent letters to a large number of issuers for insignificant omissions in relation to the publication of the Interim Financial Report for the first half of the financial year 2013, drawing their attention to the provisions of the legislation concerning the Financial Report and its disclosure.

Interim Financial Report for the first semester of 2014

During 2014, the CySEC commenced the audit in relation to the compliance of the issuers with their obligation for the publication of the Interim Financial Report for the first semester of the financial year 2014. Within the relevant audit, the CySEC decided to investigate 26 cases for alleged violation of section 10(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the non publication of the Annual Financial Report within the deadline set by the Law and/or of section 37(2) (a) of the same Law in regarding the non-submission of the Interim Financial Report to the CySEC, as well as the investigation of 2 cases for alleged violation of sections 10(3)(b) and 10(4) of the same Law. The relevant investigation continued in 2015.

■ Content of the Financial Information

In relation to the assessment of the content of the financial information in accordance with the requirements of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, the CySEC proceeded in the assessment of the Financial Statements for the years 2012, 2013 or/and the interim financial report for the period ended on the 30th June 2014, of a number of companies whose securities are listed on CSE.

The selection of the Financial Statements assessed was performed on a sample basis and the purpose of the evaluation was the assessment of the compliance of the relevant Financial Statements with the International Financial Reporting Standards. In some cases a limited thematic review of the Financial Statements was conducted in relation with a specific accounting treatment.

Where it was considered necessary, the results of the evaluations have been notified to the relevant companies in order to provide the relevant explanations or/and be taken into consideration in the course of the preparation of their following financial statements.

4.2.3 Market surveillance

The market surveillance is conducted by the CySEC on a continuous basis, for the prevention, detection and investigation of abusive or illegal practices in the securities markets. Furthermore, the surveillance and supervision of the market assists in the identification of possible deficiencies in the systems and procedures of controls that the supervised entities are obliged to maintain in order to ensure the protection of their clients/investors.

The market surveillance helps to ensure the smooth operation of the markets so that the market participants feel safe and secure for their integrity and reliability. Therefore, the smooth and integral operation of the markets encourages the investments and strengthens the economic development.

The market surveillance by the CySEC, is conducted through the monitoring on real time and on a continuous basis of the regulated markets with the use of a specially adapted electronic system and applications provided from the provider of the platforms. Furthermore, in the context of the market surveillance, historic data from the databases of the transaction orders, transactions and shareholders' information which are maintained internally are analysed and examined.

Furthermore, inter alia, the CySEC conducts on site inspections to ensure that a company maintains a local presence in Cyprus and audits through the websites of companies to determine whether a company seems to provide investment services through its website without having the necessary authorisation by the CySEC.

In parallel, the Department of the CySEC, responsible for the market surveillance, carries out on a daily and continuous basis a review of news and announcements at the Media, including websites, in Cyprus and abroad, which may concern the entities regulated by the CySEC and the Cypriot investment services market.

4.2.4 Improvement of the compliance of the Regulated Entities

In order to improve the compliance of the regulated entities with the applicable legislation, the CySEC carries out seminars for the regulated persons and open lectures for all interested parties. The aim of these seminars and lectures is to present new legislations or changes in the legal framework and explain the basic legal provisions and the obligations of the supervised entities which derive from those changes.

In addition to the 13 seminars conducted in 2014 for the Continuous Professional Development of the Certified Persons, in January of 2015, 3 seminars have been conducted in Nicosia and Limassol addressed to CIFs about the fourth European Directive on Capital Requirements (Capital Requirements Directive IV).

In June, the CySEC organised a presentation of the Administrative Service Providers and Related Issues Law of 2012-2013, emphasizing the imminent changes, the continuous obligations of the regulated entities and any problems that may arise in its implementation. In the presentation, which was open to all interested parties, the main provisions of the Law and its imminent changes have been explained and additional issues in relation to the exchange of information on tax issues have been presented. The presentation was followed by, about 160 participants, which submitted various questions and suggestions for the better application of the Law. The presentations have been uploaded on the CySEC's website to be accessible by any one interested.

4.2.5 Risk Based Supervision Framework

The CySEC, following the example of other competent Authorities abroad, decided to proceed in the establishment of a supervisory framework with which it shall supervise the entities under its supervision on the basis of their risks. The Risk Based Supervision Framework, 'RBS-F', shall enable the CySEC to define the way it shall exercise its supervision based on the risks faced by each supervised entity, on the basis of its importance, in order to focus its supervision on the entities that entail the highest risk.

The risk management is the process by which the organisations approach methodically and systematically the risks related with their activities. The effective risk management assumes the existence of a framework which facilitates and supports all the risk management processes. The majority of the competent Authorities in the most important financial centers of the world, identifying the requirement for coordinated supervision, based on the assessment of the risks they are facing in relation to their strategic objectives, have developed and implemented risk based supervision frameworks.

The benefits from the implementation of the RBS-F, shall be important for the supervised entities and the CySEC itself. The RBS-F aims to assist the CySEC with the following:

- (i) To make better decisions based on risk management;
- (ii) To impose immediate and comparable/uniform supervisory measures, where necessary;
- (iii) To the conduct of supervisory tasks in accordance with their priority;
- (iv) To strengthen the ability of the CySEC to take effective supervisory measures;

- (v) To enhance the capacity, efficiency and transparency in supervision, with the focus on the high risk entities;
- (vi) To the more efficient allocation of the CySEC resources;
- (vii) To adopt a consistent and constant method for the risk evaluation of all regulated entities;
- (viii) To adopt a supervisory framework comparable with the systems applied by other competent Authorities abroad, within EU and the rest of the world;
- (ix) To the better understanding of the operations and risks of regulated entities;
- (x) To the encouragement of regular and open communication between the regulated entities and the CySEC;
- (xi) To the development of the culture of the supervised entities to comply with the new supervisory framework and their encouragement regarding the adaptation of their own internal risk management systems.

The operations for the establishment of this Project begun at the end of 2012 and are expected to finish by the end of 2015. After a public tender announced in 2013, the CySEC assigned to a private company, the creation of the methodologies and the tools of the framework according to the specifications given to it, in cooperation with the CySEC. The implementation of the RBSF proceeds according to the program that included five phases:

- Phase A - Evaluation of the existing operations and supervision of the CySEC;
- Phase B - Design and development of the framework;
- Phase C - Implementation of the RBS-F;
- Phase D - Roll-out;
- Phase E - Continuous support.

To this day, phases A, B and C have been completed in almost all departments where the RBSF will apply. Furthermore, for the last two Departments where the RBSF will apply, workshops have been established to assess their existing mode of operations in order to complete the implementation of RBSF in those Departments by the end of 2015. Specifically, to this day, the following have been concluded:

- Evaluation of the existing mode of operations of the Departments, of the regulated entities and the way of supervision;
- Design and development of the framework;
- Transfer of this framework to a special software, which was developed for this purpose;
- Design of the governance of the framework (roles and responsibilities);
- Development of the new procedures and of the necessary technological support infrastructure and other programs;
- Training of the staff to the new procedures and software;
- Collection and processing of data, information by the regulated entities;
- Evaluation and assessment of the risks of the regulated entities on the basis of the information gathered;
- Preparation of the audit programs based on the new supervisory approach;
- Preparation of the reports about the findings and actions that have to be taken.

In general, by the end of 2015, it is expected to complete Phase D for all the Departments where the RBSF will apply. Therefore, the CySEC shall have a complete Risk Based Supervision Framework for all regulated entities and the supervisory tools (such as the software, the audit programs, and the procedures manual e.t.c) that will use.

4.2.6 Certified Persons' Register, Continuous Professional Development and Examinations

In 2014, the first examinations for the certification of the persons employed in CIFs and Credit Institutions and are engaged to the provision of investment services, in Management Companies and Variable Capital Investment Companies, took place. The relevant competence, which aimed to the upgrading and simplification of the procedure of the certification of persons, was assigned to the CySEC in November of 2012.

At the beginning of 2012, the examination material of the basic and advanced examination was published and posted on the CySEC's website. Furthermore, the examinations Workbook was published, both in Greek and in English, for the better preparation of the candidates, while all interested parties could submit their questions at the electronic address: certifications@cysec.gov.cy, which was created for this purpose. On May, the CySEC organised a presentation of the new framework, which was open to all interested parties in order to solve any questions and provide information. Furthermore, a simultaneous online viewing (live streaming) was available for those who couldn't attend the presentation, while the videotaped presentation was posted on the CySEC's website for easier access by anyone interested.

The first examinations took place in September of 2014. The examinations, which take place throughout the year, are conducted on a weacly basis in electronic form. Because of the increased interest in 2014, the examination sessions were available in more days in order to serve more persons. During 2014, 250 persons took the examinations. These persons were registered in the Public Register and had to take the examinations to maintain their registration and persons that were registered in the Public Register at the Basic Level and took the Advanced Level examination.

Furthermore, the Public Registered that was established after a relevant decision of the CySEC in 2013 and which shall include the names of the certified persons that have succeeded in the CySEC examinations and have been certified and may be employed in the above mentioned entities, included at the end of 2014, more than 1.100 persons. As at September 2014, the Registry included 955 persons. The records are maintained by the CySEC and are updated in regular time periods, where the registered persons prove that they have complied with their Continuous Professional Development obligations. According to the legislation, the certified persons have the legal obligation to update their registration in the Public Register which is posted on the CySEC website for easier access by anyone, in an effort to enhance market transparency.

In the context of the mandatory Continuous Professional Development of the persons that may be employed in the above mentioned organisations of the investment services sector, the CySEC has increased the number of seminars performed to regulated entities. The aim of the CPD concept is to ensure the better compliance of the regulated entities and the professionals of the sector with their legal obligations. During 2014, 13 seminars have been organised in which participated, about, 300 persons. Until June 2015, 275 persons participated in seminars organised by the CySEC. The thematology of the relevant seminars include, (a) A comparative analysis of the authorisation process and the obligations of depositaries in accordance with the UCITS and AIFMs legal framework; (b) Analysis of the obligations of the UCITS Management Companies; (c) Analysis of the obligations of UCITS Management Companies and comparison with the AIFM obligations and (d) Analysis of the obligations specified in the Transparency Law.

According to the new framework, the persons registered in the Public Registry, in order to maintain their registration, must submit to the CySEC information about their continuous professional education. Through this requirement, inter alia, the level of the knowledge of the certified persons in relation to the latest developments and changes in the legal framework that governs the securities market is improved. Furthermore, the risk of non compliance of the regulated entities with their legal obligations is reduced and the specialised professional knowledge of the certified persons in specific areas of the investment services sector is improved, giving, in this way, the possibility to deal with any weaknesses or deficiencies identified by the competent Authority from time to time, while the persons that are not employed are benefited as they are updated on the developments in the legal framework. Finally, in this way, the quality of the offered services is improved and a compliance culture is cultivated in every regulated entity and in the market in general, which will have a great contribution in the development and prosperity of the investment services sector in Cyprus.

4.3 CONDUCT OF INVESTIGATIONS

4.3.1 Investigation of Alleged Violations

In 2014, the Investigations and Market Surveillance Department proceeded in the investigation of cases in relation with alleged violations of the relevant legislation.

In spite of the plethora of other investigations, the Department of Investigations and Market Surveillance investigated a big number of cases that related with the banking system, which aimed in the achievement of complete transparency, so that the banking system regain its credibility.

The investigations in relation with the banking sector, mainly, focused in the following issues:

- The alleged non-timely publication of confidential information about investments in Greek government bonds;
- The alleged reduction in goodwill resulting from the acquisition of a bank, the alleged reduction in goodwill resulting from the merge of banks;
- The alleged unequal treatment of the shareholders of a bank and the misleading announcement to investors; and
- The possible insufficiency of the provisions in the financial statements of banks.

The investigation of certain cases, which was not completed within the year, is continuing in 2015. The relevant cases concern, possible misleading statements, evaluation of the information disclosed in the financial statements of the previous years, and practices which may constitute market manipulation.

The cases investigated in 2014, for which the CySEC Council reached a decision are the following:

A. It completed the investigation in relation with the investment in Greek government bonds by the two big banks, «Cyprus Popular Bank Public Co Ltd» and «Bank of Cyprus Public Ltd», with the submission of the findings in the Council of the CySEC, which found that there were infringements and imposed administrative penalties.

The investigation has, inter alia, focused on:

- The information that the companies Cyprus Popular Bank Public Co Ltd and Bank of Cyprus Public Company Ltd disclosed to investors and the general public, through the publication of their Financial statements and the publication of Prospectuses in 2010 and 2011, until the first PSI, in relation with the amount of their investment in Greek government bonds and the risks of the relevant investment, in a period where the Greek government bonds were constantly downgraded;
- Whether the companies Cyprus Popular Bank Public Co Ltd and Bank of Cyprus Public Company Ltd applied the Principles of the Corporate Governance Code of the CSE, which, according to the disclosures in their Financial Statements and Prospectuses, were adopted in 2010 and 2011.

After the examination of the information in front of it, the CySEC established that the companies Cyprus Popular Bank Public Co Ltd and Bank of Cyprus Public Company Ltd violated the:

- (i) Insider Dealing and Market Manipulation (Market Abuse) Law, (the 'L.116(I)/2005');
- (ii) Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law ('the L.190(I)/2007');
- (iii) The Public Offer and Prospectus Law ('the L.114(I)/2005').

and imposed the administrative penalties mentioned above. In the determination of the level of the administrative penalty, the CySEC considered various factors.

The administrative penalties imposed by the CySEC in accordance with its decision dated 28 April 2014, are listed below in more detail:

1. The case of Cyprus Popular Bank Public Co Ltd

- 1.1. The administrative penalties imposed on the Company, which resulted from the disclosure of financial information in the Financial Statements/Results, amounted, in total, to €440.000 and concern violations of the following sections: Section 19 of the L.116 (I)/2005 – manipulation by disseminating misleading information; Section 40 (1) of the L.190(I)/2007 – disclosure of misleading information and Section 9(6)(a) of the L.190(I)/2007 – preparation of annual financial report.
- 1.2. The administrative penalties imposed on the 15 Directors of Cyprus Popular Bank Public Co Ltd and the Chief Financial Officer of the Group, which signed the Financial Statements, amounted, in total, to €1.445.000 for violations of the following sections: Section 40(1) of the L.190(I)/2007 (statement in the interim financial report of 30.6.2010) and Section 40(1) of the L.190(I)/2007 (statement in the annual financial report of 31.12.2010).

- 1.3. The administrative penalties imposed on Cyprus Popular Bank Public Co Ltd, due to the information provided through the Prospectuses, amounted, in total, to €520.000 for violations of the following sections: Section 8(1) of the L.114(I)/2005 – non disclosure of information required by the Regulation 809/2004, Section 20(4) of the L.114(I)/2005 – signing of the Prospectus by a Company and Section 19 of the L.116(I)/2005 – market manipulation through the dissemination of misleading indications.
- 1.4. The administrative penalties imposed on the Provident Fund of the Employees of Cyprus Popular Bank Public Co Ltd, due to the disclosure of information in the Prospectus, amounted, in total, to €50.000 for violations of the following sections: Section 8(1) of the L.114(I)/2005 – non disclosure of information required by the Regulation 809/2004, Section 20(4) of the L.114(I)/2005 – signing of the Prospectus and Section 19 of the L.116(I)/2005 – market manipulation through the dissemination of misleading indications.
- 1.5. The administrative penalties imposed on 5 Members of the Board of Directors of the company, which signed the Prospectuses, amounted, in total, to €1.500.000 for violations of the following sections: Section 20(4) of the L.114(I)/2005 (signing the Prospectus dated 28.5.2010), Section 20(4) of the L.114(I)/2005 (signing the Prospectus dated 1.9.2010), Section 20(4) of the L.114(I)/2005 (signing the Prospectus dated 21.12.2010) and Section 20(4) of the L.114(I)/2005 (signing the Prospectus dated ΕΔ 19.5.2011).
- 1.6. The administrative penalties imposed on Members of the Management Committee of the Provident Fund of the employees of a company, which signed the Prospectus dated 1.9.2010, amounted, in total, to €20.000 for violations of Section 20(4) of the L.114(I)/2005 (signing the Prospectus dated 1.9.2010).
- 1.7. The administrative sanctions imposed on the Cyprus Popular Bank Public Co Ltd for non disclosure of confidential information at 28.4.2010, amounted to €90.000 for violation of Section 11(1)(a) of the L.116(I)/2005 – non disclosure of confidential information.

2. The case of Bank of Cyprus Public Company Ltd

- 2.1. The administrative penalties imposed on Bank of Cyprus Public Company Ltd, due to the disclosure of financial information through Financial Reports / Results, amounted, in total, to €470.000 for violations of the following sections: Section 19 of the L.116(I)/2005 – market manipulation through misleading indications, Section 40 (1) of the L.190(I)/2007 – disclosure of misleading information and Section 9(6)(a) of the L.190(I)/2007 – preparation of the annual financial report.
- 2.2. The administrative penalties imposed on the Members of the Board of Directors of Bank of Cyprus Public Company Ltd, and the Financial Controller of the Group, which signed the Financial Reports, amounted in total to €1.480.000 for violations of the following sections: Section 40(1) of the L.190(I)/2007 (declaration in the interim financial report as at 30.6.2010) and Section 40(1) of the L.190(I)/2007 (declaration in the annual financial report as at 31.12.2010).
- 2.3. The administrative sanctions imposed on the company for the disclosure of information in the Prospectuses, amounted, in total to €380.000 for violations of the following sections: Section 8(1) of the L.114(I)/2005 – non disclosure of information required by Regulation 809/2004, section 20(4) of the L.114(I)/2005 – signature of the Prospectus by a Company and Section 19 of the L.116(I)/2005 – market manipulation through the dissemination of misleading indications.
- 2.4. The administrative penalties imposed on the Members of the Board of Directors of a company, which signed the Prospectuses, amounted, in total, to €1.090.000 for violations of the following sections: Section 20(4) of the L.114(I)/2005 (signing the prospectus dated 20.8.2010) and Section 20(4) of the L.114(I)/2005 (signing the prospectus dated 5.4.2011).
- 2.5. The administrative sanctions imposed on Bank of Cyprus Public Company Ltd for market manipulation during the period 13.1.2010 until 30.8.2011, amounted, in total, to €100.000 for violation of Section 19 of the L.116(I)/2005, as specified in section 4(d)(iv) of the Directive 3/2005.

B. The CySEC completed the investigation for violation of section 130 of the Securities and Stock Exchange Law of 1993, as applicable, by the company Constantinou Bros Hotels Plc and decided to impose administrative penalties of €80.000 to the company, due to the fact that, during the acquisition of the 94,9% of the companies Constantinou Bros Properties Plc (ORCA), the company did not ensure the equal treatment of its shareholders, but acted on the best interests of its main shareholder, Mr. Andreas Constantinou.

C. The CySEC completed the investigation for violation of section 4(1) of the Investment Services and Activities and Regulated Markets Law of 2007, as applicable, by the company DC Digital Processing 2 Ltd and decided to impose administrative penalties of €5.000 to the company, due to the fact that, as at 30.11.2012, presented to provide investment services in binary options through the website www.optionbit.com/en/contact-us.aspx, on a professional basis in the Republic without being authorised in accordance with the Law.

D. Completed the investigation for violation of:

a. section 19, as specified in section 20(1)(c) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2005, as applicable (L.116(I)/2005) and decided to impose administrative penalties of €50.000 to the company Orphanides Public Company Ltd, as it published a Prospectus on the 11.10.2011, which included misleading indications in relation to the securities of the company.

b. section 20(4) of the Public Offer and Prospectus Law of 2005 (L.114(I)/2005), where the CySEC decided to impose administrative penalties of €50.000 to the company Orfanides Public company Ltd and of €100.000 to Mr. Christos Orfanides, the Chairman of the Board of Directors of the Company, as the person that signed the Prospectus of the company, due to the fact that the information included therein was not accurate, complete and updated, because in the Prospectus no reference was made that the amount of €9.150.000, which was part of the capital received from the issue of the Covered Bonds and was intended, according to the purpose of the issue, for the repayment of existing financial obligations, the financing of the plan for the expansion of the company and the reinforcement of the working capital of the company, had already been used by the company for the purchase of Convertible Enhanced Capital Securities.

E. The Investigations' Department completed the investigation for:

a. violation of section 130 of the Securities and Stock Exchange Law of 1003, as applicable (L.14(I)/1993), where the CySEC decided to impose administrative penalties of €40.000 to the company Hellenic Bank Public Company Ltd, due to the fact that it did not ensure the equal treatment of its shareholders in relation to the acquisition of property, because the relevant transaction served the interests of the Church of Cyprus and not of all its shareholders, due to the fact did not actually needed the relevant real estate.

b. violation of section 41 of the Securities and Exchange Commission Law of 2009, as applicable, (L.73(I)/2009), where the CySEC decided to impose administrative penalties of €60.000 to Hellenic Bank Public Company Ltd, due to the fact that the information provided through its announcement dated 23.3.2012 for the acquisition of the property and for the purpose of the acquisition, was misleading as to a substantial element, because the company did not actually needed the piece of land acquired.

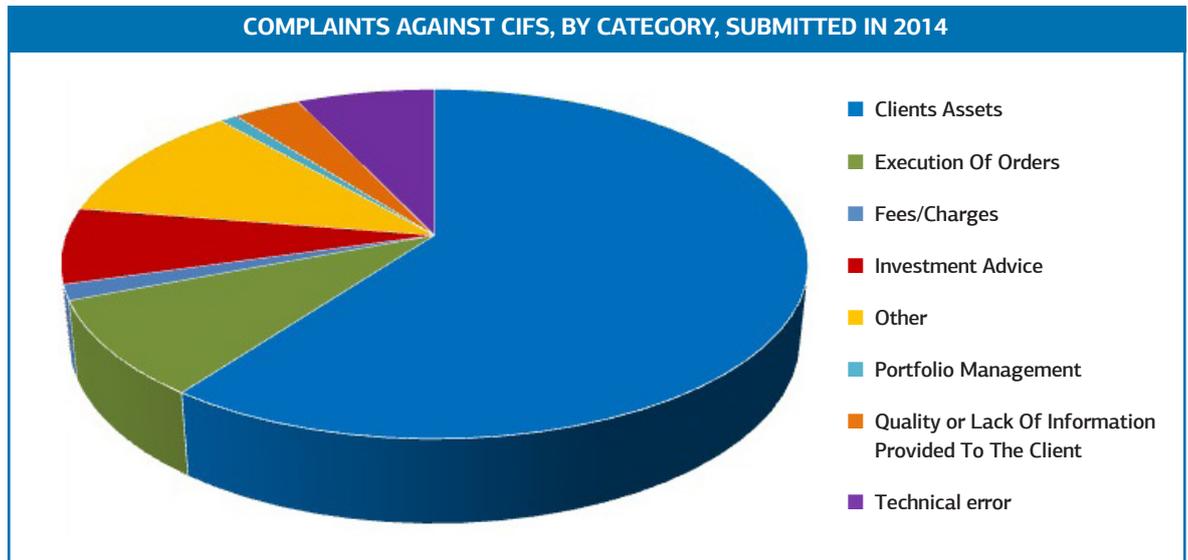
4.3.2 Investigation of Investors' Complaints

Investors may file a complaint with the CySEC in case they believe that they have suffered a loss due to specific actions or omissions of a financial organisation regulated by the CySEC. The CySEC accepts complaints by investors against CIFs and issuers listed on CSE as well as complaints of any other nature and proceeds to their investigation.

Complaints against CIFs

In 2014, the CySEC received 557 complaints by investors (2013 – 288) against CIFs about various issues (Diagram 7). In 381 cases the investigation continued after the end of the relevant year. For 90 cases that were investigated, no violation resulted, either because the case did not require any further investigation, or the complainant did not provide sufficient information to allow further investigation, or because the complainant received satisfactory explanations by the CIF and withdrew its complaint.

Diagram 7: Complaints against CIFS, by category, submitted in 2014



Complaints against companies for possible unauthorised provision of services

During 2014, the CySEC received 185 complaints by investors (2013 – 102) against companies that, according to allegations, illegally provided investment services. For some of those complaints the investigation was completed, whereas for others, the investigation continued after the end of the relevant year.

In the investigation of those cases, the Department of Market Surveillance and Investigations, conducts on site inspections to determine whether a company is physically located in Cyprus. It monitors the websites of those companies to establish whether they appear to provide investment services without having obtained a CIF authorisation and proceeds in the collection of information through letters sent to persons that may provide useful information to the CySEC.

In cases where it is established that a company provides, or appears to provide investment services in the Republic without having obtained a CIF authorisation, the CySEC issues a public warning. During 2014, 17 warnings had been issued in relation to companies that had not obtained a CIF authorisation by the CySEC and were neither banks nor cooperative credit institutions established in the Republic, nor a relevant notification for the provision of cross border services had been received by an EU competent Authority in relation to those companies (Table 7).

Table 7: Warnings issued by the Securities and Exchange Commission in 2014

Warnings	Date of issue
iOption Global Group 2012 Ltd (http://www.ioption.com)	7/1/2014
Live Binary Ltd (http://www.lbinary.com)	10/1/2014
FX TRIDENT 365 LTD (http://www.tridentfx.com)	20/1/2014
LARNACA FINANS LTD (http://www.gkfx.com/LARNACA)	10/3/2014
http://fxttcm.co.uk	13/3/2014
SiliconValley Markets Ltd (http://test.stone-markets.com)	13/3/2014
'Frontiers Group Investment Ltd' (http://frontierforex.com/)	21/3/2014
Mercuria Technologies Ltd (http://www.optionsmarter.com)	21/3/2014
http://www.callandput.com	8/5/2014
http://www.5markets.com	17/6/2014
Comlife Investments (Cyprus) Ltd (http://comlifeinvestments.com/)	17/6/2014
BDB Services Ltd' (https://www.australia.bancdebinary.com and https://www.bbinary.com)	24/6/2014
https://www.eurobondfx.com	9/7/2014
Forextradition Ltd	17/7/2014
Chelestra Ltd (www.lbinary.com)	13/8/2014
T.B.S.F. Best Strategy Finance Ltd (www.regaloptions.com)	13/8/2014
S.C. Binary Floor Online Ltd (www.binaryfloor.com)	12/9/2014

Complaints against issuers

In 2014, the CySEC received 9 complaints by investors against Issuers with listed securities in the CSE. In relation to 5 cases investigated, no violation emerged, while the investigation of 4 cases continued after the end of the relevant year.

4.3.3 Lifting of Banking Secrecy

In 2014, the CySEC proceeded in lifting the banking secrecy in 19 cases for the purpose of its investigations.

4.3.4 Submission of information to the Law Office of the Republic

Pursuant to section 35(1)(a) of the Securities and Exchange Commission Law of 2009, (L.73(I)/2009), in cases where the alleged violation may, on the face of it, constitute a criminal offence, the CySEC prepares a report or statement of facts and submits it with all the evidence in its possession to the General Attorney of the Republic. In 2014, the CySEC, sent 3 cases to the General Attorney of the Republic to decide whether any alleged criminal offences emerge by companies or natural persons.

4.3.5 Cooperation with other Supervisory Authorities for the conduct of Investigations

In 2014, the CySEC received 233 requests for assistance from foreign supervisory Authorities (2013-180). As a result of these requests, the CySEC proceeded in the collection of information and lifting of the banking secrecy in relation to legal and natural persons, on behalf of the foreign Authorities, in accordance with section 32(4) of the Securities and Exchange Commission Law of 2009 (L.73(I)/2009)

4.4 IMPROVEMENTS IN THE LEGAL FRAMEWORK

4.4.1 Laws

The Alternative Investment Funds Law of 2014 (L.131(I)/2014)

In the context of the modernisation of the legislation that regulates the international collective investment schemes, a draft Law has been prepared and forwarded to the Parliament and was voted as the Alternative Investment Funds Law of 2014 (L.131(I)/2014).

The Law has replaced the International Collective Investment Schemes Law of 1999 (L.47(I)/1999) and the supervision of the Alternative Investment Funds was transferred from the Central Bank of Cyprus to the CySEC. The Law is related with the Alternative Investment Fund Managers Law of 2013 (L.56(I)/2013).

The Laws 131(I)/2014 and 56(I)/2013 and the Open Ended Undertakings for Collective Investments Law of 2012 constitute a complete legal framework for collective investments, creating a competitive environment for the development of the collective investment schemes market in Cyprus, which offers alternative possibilities for the promotion of investment products under a prudential supervision regime, ensuring a climate of confidence and adequate protection of investors.

For the application of the Law mentioned above, the following Directives have been issued:

- (a) Directive regarding fees and annual contributions of AIFs and their managers (DI131/56-2014-01)
- (b) Directive regarding the conditions for the authorisation of AIFs (DI131-2014-01)
- (c) Directive regarding the operating conditions of AIFs with limited number of persons and the authorisation process of AIFs with limited number of persons (DI131-2014-02)

Furthermore, amendments to the Law have been prepared and forwarded in order to:

- Allow AIFs with limited number of persons (AIFLNP), that invest in transferable securities to appoint any company as external manager, which has the sole purpose the provision of the collective portfolio service to the specific AIFLNP;
- To extend the deadline for the submission of the relevant information or/and applications to the CySEC.

The relevant amendments have been adopted with the voting of the Law L.11(I)/2015 in February 2015.

The Alternative Investment Fund Managers Law of 2013 (L.56(I)/2013)

In the context of the harmonisation of the Cypriot legal framework with Articles 3 and 4 of the European Directive 2013/14/EU, which provides, among other things, the amendment of the Directive 2011/61/EU of the Alternative Investment Fund Managers in relation to the over reliance to the credit ratings, a Law has been prepared and forwarded to the Parliament which was published in February 2015.

The European Directive 2013/14/EU, pursues, among other things, the enforcement of stricter rules to AIFMs and their submission to stricter monitoring by the CySEC, in order to avoid the over reliance to the credit ratings when they assess the risk of the investments made by the relevant undertakings. The harmonisation deadline for the Member States was until December of 2014.

Furthermore, the new draft Law includes amendments for the better harmonisation with the Directive 2011/61/EU and the exercise of discretions granted by the relevant Directive. The relevant amendments have been adopted with the voting of the Law L.8(I)/2015 in February 2015.

For the application of the above mentioned Law, the following Directives have been issued by the CySEC:

- Directive (DI56-2013-03) for the procedure in relation to the suspension of the authorisation of an AIFM;
- Directive (DI56-2013-04) in relation to the notifications made in case of acquisition of control in non-listed company or issuers by an AIF under the AIFM's management;

- Directive (DI56-2013-05) in relation to the transfer of registered office of an AIFM to and from the Republic;
- Directive (DI131/56-2014-01) in relation to the fees and annual contributions of AIFs and their managers.

The Open Ended Undertakings in Collective Investment Schemes Law of 2012 (L.78(I)/2012)

The CySEC has prepared a draft Law, which is submitted to the Legal Service of the Republic for legal vetting for the amendment of the Open Ended Undertakings of Collective Investment Schemes Law of 2012 (L.78(I)/2012) which mainly aims to:

- (a) harmonise article 2 of the Directive 2013/14/EU for the enforcement of stricter rules so that the UCITS avoid to rely exclusively or mechanistically to credit ratings or use them as the only parameter when the assess the risk of the investments made by the UCITS;
- (b) allow to entities which satisfy capital adequacy requirements and are subject to prudential supervision to be appointed as depositaries in the Republic;
- (c) allow, under conditions, the listing of shares of a Variable Capital Investment Company in a stock market that operates in a third country;
- (d) the improvement of the provisions of the Law in relation to the marketing, redemption and suspension of redemption of units;
- (e) extend the listing on a stock market to units of exchange traded UCITS (ETFs);
- (f) simplify the procedure for the publication of the merger date, the procedure of split of UCITS and the revocation of UCITS authorisation;
- (g) the deletion of the obligation for submission of quarterly financial statements to the CySEC;
- (h) allow UCITS to calculate their NAV on a periodic basis and at least every fifteen days.

The Law that regulates the Companies Providing Administrative Services and Other Related Issues of 2012

The Law that regulates the Companies Providing Administrative Services and Other Related Issues (Amending) Law of 2014, (L.117(I)/2014 was published on the 23rd of July 2014. In the relevant Law:

- a) The occupational retirement benefit funds, which are supervised by the Registrar of Occupational Retirement Benefit Funds are exempted from the application of the Law;
- b) The service of the protector of trusts has been deleted from the administrative services that require authorisation;
- c) The management of bank accounts is exempted from authorisation under certain conditions;
- d) The Cypriot companies that offer administrative services exclusively to their parent or their subsidiary companies or to other companies of their parent companies, provided that the secretary is always, either a licensed person or a natural person Cyprus resident;
- e) The provision of trustee services to a trust is exempted under certain conditions;
- f) The holding of share capital on behalf of third parties and the safekeeping of financial instruments by a foreign legal person, in addition to entities authorised in Cyprus is allowed under conditions;
- g) The provision in relation to the information that has to be recorded in the records of the competent authorities in relation to licensed persons is replaced so that the relevant condition of the Memorandum of Understanding in relation to financial transparency is applied effectively.

The amending Law was drafted on the basis of the comments of the participants in the administrative services sector which were submitted to the CySEC and after negotiations with Troica.

The Securities and Exchange Commission Law of 2009

The Securities and Exchange Commission (Amending) Law of 2014, (L.65(I)/2014) was published on the 23rd of May 2014. In the relevant Law:

- a) The definition of 'applicable law' was amended to include, among others, the definition of new European Directives and Regulations;
- b) The possibility of the designation of the Commission as the competent Authority by the issue of a relevant Notification of the Ministry of Finance (articles 2 and 56A) was introduced;
- c) A new provision was introduced in relation to the obligation persons under the supervision of the Commission to act in a manner that satisfies the necessary conditions of good repute for the protection of investors and the ability of the Commission to conduct investigations and audits to ensure their compliance with this obligation;
- d) The power of the Commission to impose administrative penalties for violations of the applicable law (a) to a legal person or and (b) to a director, manager or officer or any other person, in case it is established that the violation was due to its own fault, willful omission or negligence, is extended;
- e) A new limitation was introduced, according to which, the Commission shall not impose an administrative sanction to any person in accordance with this section, in case the Commission or another Competent Authority has already imposed an administrative penalty in relation to the same violation and the same facts that constitute the violation.

A new bill has been forwarded to the General Attorney, which includes new amendments to the Securities and Exchange Commission Law of 2009 in relation to administrative issues for the smooth conduct of the meetings of the Council of the Securities and Exchange Commission.

The Public Takeover Bids Law of 2007

In the context of the harmonisation of article 119 of the Directive 2014/59/EU in relation to the establishment of a framework for the recovery and resolution of credit institutions and investment firms and the amendment of the Directive 2004/25/EC, an amendment of the Public Takeover Bids Law of 2007 has been prepared and forwarded. The aim of the amendment is to exempt the persons that intend to acquire a percentage equal to or more than 30% of the voting rights in the relevant company, from the obligation to proceed to a public takeover bid, where the acquisition of the relevant securities takes place as a means for the application of resolution tools, powers and mechanisms in accordance with Title IV of the Directive 2014/59/EU.

The deadline for the application of the Directive was until December of 2014. The relevant draft Law was published on the 6.2.2015 as the Amending Law L.N.7(I)/2015.

The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007

In 2014, the CySEC proposed the amendment of the Law in relation to the disclosure of acquisition or disposal of significant participation in an issuer with listed securities on a regulated market for the better harmonisation with the Directive 2004/109/EC. The draft Law which has been prepared and forwarded, was voted as The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) (Amending No.2) Law of 2014 (L.164(I)/2014).

The Investment Services and Activities and Regulated Markets Law of 2007

For the purpose of the harmonisation with the provisions of the Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, a draft Law was prepared and forwarded which was voted as the Investment Services and Activities and Regulated Markets (Amending) Law of 2014 (L.193(I)/2014)

The relevant Law enhances the quality and quantity of the capital adequacy of the Investment Firms and provisions are specified for their prudential supervision by the CySEC. Furthermore, it regulates in detail the quality of the persons that manage the business of Investment Firms, introduces arrangements for the corporate governance of Investment Firms and the remuneration policies.

Furthermore, in the context of harmonisation with the Directive 2013/36/EU and the Regulation No. 575/2013, the CySEC issued the following Directives:

- Directive (DI144-2014-14) on the prudential supervision of the Investment Firms;
- Directive (DI144-2014-15) on the discretions granted by Regulation (EU) No. 575/2013.

European Directive on the Prospectus and the Transparency Requirements

For the purpose of better harmonisation of the Cypriot legal framework with the Directive 2010/73/EU on the prospectus and the transparency requirements, the following draft Laws have been prepared and voted:

- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) (Amending) Law of 2014 (L.163(I)/2014); and
- The Public Offer and Prospectus (Amending) Law of 2014 (L.166(I)/2014).

European Directive on the recovery and resolution of credit institutions and investment firms

On May 12, 2014 the Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms was published on the Official Gazette of the European Union. The CySEC assesses the relevant Directive to prepare a harmonising law to deal effectively with the failing of credit institutions, with the minimisation of the negative consequences through the maintenance of the systemically important functions of the relevant institutions. The relevant draft Law is expected to finish in 2015.

4.4.2 Directives

In 2014, the CySEC issued the following Directives:

- Directive (DI131/56-2014-01) on the fees and the annual contributions of the AIFs and their managers;
- Directive (DI131-2014-01) on the procedure for the granting authorisation to AIFs;
- Directive (DI131-2014-02) on the terms and conditions for the authorisation of AIFs with limited number of persons and the procedure for the authorisation of AIFs with limited number of persons;
- Directive (DI56-2013-03) on the procedure for the suspension of AIFM authorisation;
- Directive (DI56-2013-04) on the disclosure of information in case of acquisition of control in non-listed company or issuer by an AIF under the management of an AIFM;
- Directive (DI56-2013-05) on the transfer of the registered office of an AIFM to and from the Republic;
- Directive (DI144-2007-13) on tied agents;
- Directive (DI144-2007-14) on margin accounts for the conduct of transactions in the stock exchange;
- Directive (DI144-2014-14) on the prudential supervision of Investment Firms;
- Directive (DI144-2014-15) on the discretions granted by the Regulation (EU) No. 575/2013.

4.4.3 Circulars

In 2014, 28 circulars have been circulated to CIFs. The most important circulars are:

- Granting of trading benefits to clients;
- European Regulation no. 648/2012 on Over the Counter Derivatives, Central Counterparties and Trade Repositories (EMIR – European Regulation) – Latest developments;
- Establishment of a Risk Based Supervision Framework;
- Risks of investments in complex financial products;
- In relation to the Commission Document for consultation on FX financial instruments;
- Capital adequacy and financial exposures of CIFs;
- Supervisory function of CIFs - Governance Arrangements – Risk management;
- Findings of on site audits – Annual Compliance Report for the prevention of money laundering and terrorist financing – Responsibilities of persons and administrative sanctions;
- Content of the Annual Compliance Report on the prevention of money laundering and terrorist financing;
- Maintenance of merchant accounts with service providers for clearing/ settlement of payment transactions;
- Prudential supervision – Application of the fourth legislative package on capital adequacy, CRD IV.

During the year, a number of announcements and circulars to Issuers of listed securities on a regulated market was also issued, which covered, among others, the following issues:

- The publication of the ESMA Registry on decisions in relation to the enforcement of the application of the International Financial Reporting Standards;
- The ESMA Questions and Answers in relation to Prospectuses;
- The Public Statement of ESMA dated 20 December 2012, in relation to the forbearance practices in the IFRS Financial Statements of Financial Institutions (ESMA Public Statement on the 'Treatment of Forbearance Practices in the IFRS Financial Statements of Financial Institutions');
- The Report of ESMA in relation to the assessment of the European Supervisory Authorities of the impairment of goodwill and other intangible assets in the IFRS Financial Statements;
- The Interim Financial Reports for the first semester of the financial year 2013 and the risks and uncertainties of the second semester of 2013;
- The ESMA Public Statement of 11 November 2013 on European common enforcement priorities for 2013 financial statements;
- The ESMA Public Statement of 12 November 2013, in relation to: 'Information on shareholder cooperation and acting in concert under the Takeover Bids Directive';
- The ESMA Public Statement of 18 November 2013, in relation to: 'Review of Accounting Practices – Comparability of IFRS Financial Statements of Financial Institutions in Europe'.

During the year, a number of announcements and circulars to Issuers of listed securities on a regulated market was issued, that covered, among others, the following issues:

- The publication of the ESMA Register about decisions in relation to issues of the enforcement of the International Financial Reporting Standards;
- The common positions of the competent Authorities in relation to Prospectuses (ESMA - Questions and Answers - Prospectuses);
- The obligations arising under the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, regarding Public Interest Entities;
- The abolishment of the obligation to publish an Annual Bulletin;
- The draft Regulatory Technical Standards on major shareholdings and indicative list of financial instruments subject to notification requirements under the revised Transparency Directive.

4.4.4 Consultation Papers

In 2014, the CySEC circulated 9 papers for consultation with the interested parties in relation to:

- (a) the issue of Directives for the application of the Alternative Investment Fund Managers Law;
- (b) the issue of a Directive on fees payable for Public Takeover Bids;
- (c) the issue of a Directive in relation to the exposures of the directors and shareholders of CIFs;
- (d) the issue of a Directive in relation to the margin accounts to retail clients for the conduct of stockexchange transactions;
- (e) the issue of Directives for the application of the Alternative Investment Funds Law;
- (f) the issue of a Directive in relation to tied agents;
- (g) the promotion of a draft Law for the amendment of the Alternative Investment Funds Law;
- (h) the issue of Directives in relation to the Alternative Investment Funds Law;
- (i) the promotion of a draft Law for the purpose of harmonisation with the Directive 2014/65/EU and the Regulation No. 600/2014 (MIFID/MIFIR).

4.4.5 Forms and other Documents

In 2014, updated documents of questions and answers about Laws that relate with the CySEC's duties, have been prepared and posted on the CySEC website.

4.4.6 Communication with supervised entities/investors/interested parties

In 2014, the Legal Department of the CySEC received by market participants, investors, lawyers, auditors and other persons, a large number of queries on legal issues which have been dealt with. The Law that gathered most questions are summarised on the table below.

Law	No. Of questions
Investment Services and Activities and Regulated Markets Law	280
Administrative Services Law	330
UCITS/AIFMs/AIFs	130
The Prevention of Money Laundering and Terrorist Financing Law	50
Other Laws	50

4.5 INTERNATIONAL AND DOMESTIC COOPERATION

4.5.1. International Cooperation

4.5.1.1 Permanent Representation of the Republic in Brussels

An Officer of the Legal Department is seconded to the Permanent Representation of the Republic in Brussels (Financial Services Attaché) and deals with all the issues of the Council of the EU in relation to the financial services which relate with the competencies of the CySEC.

The Officer of the Legal Department remained in the Permanent Representation in Brussels as a Financial Services Attaché, after the end of the Cyprus Presidency, in order to build on her experience and technical expertise gained during the Presidency in relation to the handling of the issues related with the CySEC Competencies and of other Governmental Departments.

4.5.1.2 European Securities and Markets Authority

The European Securities and Markets Authority – ESMA is an independent Authority of the EU that contributes to the stability of the financial system of the EU that ensures the integrity, transparency, efficiency and the smooth operation of the securities markets and the enhancement of the protection of investors. ESMA enhances the cooperation between the capital market Authorities, and the reinforcement of the protection of investors. ESMA enhances the cooperation between the capital market Authorities and the various financial sectors by cooperating closely with the other European Competent Authorities in the banking and the insurance section and the professional pension schemes.

The role of ESMA is to act as a Competent Authority within the European System of Financial Supervision by assisting in the establishment of the technical details of the European legislation in relation to transferable securities and ensuring greater consistency to the daily application of the European legislation and cooperation among its members.

The CySEC participates, at the highest level, as a member of ESMA, since the members of ESMA are the heads of the supervisory authorities of the capital markets of each EU member state and participates in the meetings of the administrative bodies, such as the Board of Supervisors and at experts' level with the participation of its Officers in various committees established within the framework of operation of ESMA. Subsequently, reference is made to the main governing bodies of ESMA and to the number of the committees and groups in which the CySEC is involved.

Board of Supervisors and the Management Body

The ESMA Board of Supervisors consists of the heads or their authorized representatives of the 28 national authorities, with one observer from the European Commission, Norway, Iceland and Liechtenstein as well as a representative of EBA and EIOPA and a representative of the ESRB.

The principal role of the Board of Supervisors is to take all the policy decisions related to ESMA, as for example, the compliance with the community legislation, the practical application of the community legislation by the national competent Authorities, taking decisions in crises, the approval of the draft technical standards, guidelines, peer evaluations and any other relevant reports.

The Board of Supervisors meets, about seven times per year to discuss significant issues that affect the securities markets in EU and the CySEC participates through its Chairwoman.

The Management Board of ESMA consists of the ESMA Chair and a number of representatives of national competent Authorities. Furthermore, a representative of the European Commission participates as an observer. The Management Board ensures that ESMA accomplishes its mission.

Review Panel

The ESMA Review Panel contributes in the supervisory convergence through the consistent and timely implementation of the community legislation by EU member states and the identification of areas for regulation and supervision, where there is room for further convergence.

The Review Panel achieves this objective by fostering effective cooperation between National Competent Authorities, by carrying out peer reviews in relation to the practical application of the EU legislation and the ESMA standards and guidelines in the national jurisdictions and promoting best practices.

A senior officer of the CySEC participates in the meetings of the Review Panel, which account to eight every year. At the same time, the CySEC submits periodic information to the Review Panel in relation with the above issues, to be assessed on the basis of the level and the efficiency of the practical application of the EU legislation in the Cypriot market of transferable securities.

European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent body of the EU, whose mandate is the macroprudential oversight of the financial system of the EU as a whole. The establishment of this body, that concentrates the competencies for the oversight of the systemic risks in all financial sectors, was deemed necessary due to the internationalization of the financial markets and the contagion risk of financial crises.

The ESRB aims to contribute to the prevention or mitigation of the systemic risks that threaten the financial stability in EU that arise from developments within the financial system and taking into account macroeconomic developments so as to avoid serious negative consequences in the financial system and the economy, in general. The CySEC participates in the meetings of the ESRB, as an observer, through its Vice-Chairman or through a Senior Officer.

Investors Protection and Intermediaries Standing Committee, Secondary Markets Standing Committee and Post-Trading Standing Committee

One Senior Officer and two Officers of the ClFs' Department (now Supervision Department), participated in the three permanent committees of ESMA. These Committees are responsible for studying and agreeing on the common application of the European Directives and the preparation and publication of guidelines for the implementation of the European Directives 2004/39/EC regarding the Markets in Financial Instruments, 2006/73/EC regarding the implementation of the Directive 2004/39/EC (Implementing Directive of 2004/39/EC) and of the European Regulation 1060/2009 regarding the Credit Rating Agencies. In 2014, the persons mentioned above participated in the meetings of the relevant Committees.

Market and Integrity Standing

The Market and Integrity Standing Committee undertakes ESMA's Work on issues relating to market surveillance, enforcement of securities laws, facilitation of cooperation of national authorities and exchange of information in market abuse investigations. Regarding surveillance, the Standing Committee works in order to enhance the efficiency and effectiveness of the market surveillance activities of national authorities, including the use of various market surveillance tools (including analysis of transaction reports). The Standing Committee also provides a forum in which national authorities may share their experiences concerning their market surveillance and enforcement activities. In the area of cooperation, the Standing Committee works to ensure efficient and timely cooperation in cross-border cases and facilitates sharing of information under ESMA MoU. Finally, the Standing Committee has responsibility for elaborating advice to the European Commission and the issue of technical standards, guidelines and recommendations on issues relating to the integrity of markets and short selling. In 2014, two officers of the Market Surveillance and Investigations Department, participated in the meetings of the relevant Standing Committee.

Corporate Reporting Standing Committee

The Corporate Reporting Standing Committee is dealing with issues related with the endorsement process and the enforcement of the International Financial Reporting Standards in EU, with issues in relation to the audit of the financial statements and the issues regarding the periodic financial disclosures in accordance with the Transparency Directive. In 2014, the CySEC participated in 2 meetings and 2 teleconferences of the relevant Committee, through the participation of Officers of the Issuers' Department. (2013 – 2 meetings and 1 teleconference).

Corporate Finance Standing Committee

The Corporate Finance Standing Committee is dealing with issues relating to the Prospectus Directive and Corporate Governance and with certain issues relating to the Transparency Directive, as the major shareholding disclosures. In relation to the Prospectus Directive the Standing Committee discusses issues which emerge from the practical application of the Directive and, where applicable, develops Questions and Answers with

the common positions of the competent authorities, members of ESMA ('ESMA- Questions and Answers - Prospectuses'). In 2014, 2 Officers of the Issuers Department participated in two meetings and 1 teleconference of the relevant committee (2013 – 2 meetings and 1 teleconference).

European Enforcers Coordination Sessions

The relevant Standing Committee was established in accordance with Standard No. 2 (Standard No.2 on financial information – coordination of enforcement activities), and is comprised of the Competent Authorities of the EU Member States that are responsible for the enforcement of the financial information regardless whether they are members of ESMA or not. At the meetings of the relevant Committee, among other issues, important enforcement cases of each competent Authority are discussed in relation with the enforcement of the International Financial Reporting Standards. In 2014, Officers from the Issuers Department participated in 6 meetings of the relevant Committee (2013 – 4 meetings).

Takeover Bids Network

An Officer of the Issuers' Department is also following the proceedings of the Takeover Bids Network of ESMA which deals with issues of Public Takeover Bids in cooperation with the Legal Department. The aim of the relevant Network is the exchange of information and experiences arising from the practical application of the Directive regarding the Public Takeover Bids. In 2014 an officer of the Issuers' Department participated in 1 meeting of the Network (2013 – 0 meetings).

Investment Management Standing Committee

The Investment Management Standing Committee deals with issues regarding the collective management of investments in relation to harmonised and non-harmonised investment funds. During the year, an Officer of the Legal Department of the CySEC participated in the meetings of the relevant Committee during which issues in relation to the legal frameworks regarding the collective investment schemes have been discussed.

Committee for Economic and Markets Analysis

The Committee for Economic & Markets Analysis deals with the following areas: (a) the monitoring and assessment of financial markets at a microprudential level of the trends, potential risks and vulnerabilities, including financial innovations and incentives related to market practises; and (b) the impact assessments of the existing and proposed regulations and supervisory practises. The CySEC monitors the work of the relevant committee without participating in its meetings.

Group about the Exchange of Staff between ESMA Members

The CySEC through the Department of Staff and Administration, participates in the group of ESMA which is responsible for the development of a common culture and cooperation between the Securities Markets Authorities of EU member states. In the context of this group, the task for the creation of a common policy regarding the exchange of staff between ESMA members has been implemented. Furthermore, in cooperation with the other two competent Authorities of the financial sector in EU, the European Banking Authority, which is responsible for the supervision of credit institutions and the European Insurance and Occupational Pensions Authority, which is responsible for the insurance sector and the occupational pension schemes. In this context, the study for the development of a policy regarding the CySEC's staff education continued.

Information Technology Management Group

An Officer of the Department of Information Technology participates in ESMA Group on Information Technology Management, which deals with important IT projects on a European level. This Committee meets 4-5 times per year.

4.5.1.3 International Organisation of Securities Commissions

The International Organization of Securities Commissions – IOSCO is the international body that promotes the international cooperation among the securities regulators and it is the recognised global standards setter for the securities sector.

IOSCO members meet every year at the Annual Summit to discuss important issues in relation to the international securities markets. The Annual Summit for 2014 took place at Rio De Janeiro of Brazil (28 September – 2 October 2014), where the executive Vice-Chairman of the CySEC participated. At the Annual Summit IOSCO focused on issues of regulatory compliance and sanctions, corporate governance, longterm financing for economic development, protection and education of investors, which are the main drivers to improve the investors' confidence.

4.5.1.4 Memorandums of Understanding and Cooperation

The signature of Memorandums between the competent authorities of two countries sets a benchmark for cross border cooperation that facilitates the exchange of information between the competent authorities which assists in the better promotion of their objectives and especially in the supervision of the transactions and activities in the securities markets. The signature of the Memorandums, leads to the establishment of efficient procedures that assist in the exchange of experiences, knowhow and good practices that contribute to the expansion and strengthening of the supervisory procedures and practices. Furthermore, the signature of the Memorandums proves the mutual spirit of cooperation between the CySEC and the national competent Authorities of the other Countries and the outward orientation of their economies and contributes in the fruitful business relationships between Cyprus and the respective countries to the benefit of their financial markets.

To this date, the CySEC has signed 19 bilateral Memorandums of Understanding and Cooperation, 47 Memorandums of Understanding and Cooperation with Third Country Competent Authorities in accordance with the Alternative Investment Fund Managers Directive (AIFMD), while it is a co-signatory to the Multilateral Memorandums of Understanding of ESMA and IOSCO.

In 2014, the cooperation between the IOSCO Members broadened and strengthened. Today, there are 105 co-signatories to the Multilateral Memorandum of Understanding, while IOSCO accepted 3.000 applications for the participation of new signatories to the MOU from stakeholders of the capital markets worldwide.

Signature of Memorandums of Understanding and Cooperation between the CySEC and other Third Country Competent Authorities in the context of the AIFM Directive (AIFMD)

Within the scope of the Alternative Investment Fund Managers Law that was voted on the 4th of July 2013, for the harmonisation of the Directive 2011/61/EU on AIFMs in national law and the promotion of the investments in that sector, the CySEC proceeded in the signature of Memorandums of Understanding and Cooperation with 47 Third Country competent Authorities, for the reinforcement of the AIFMs supervision. The list of the 47 competent Authorities with which the CySEC has signed the Memorandum is shown in Annex A.

In 2014, the procedures for the signature of Memorandums of Understanding and Cooperation with the following Third Country competent Authorities were completed:

1. Financial Services Board of South Africa – South Africa
2. State Securities Commission – Vietnam
3. Capital Markets Authority of Kenya – Kenya
4. Securities Commission – Bahamas

The signature of the MOUs between the competent Authorities of the EU Member States and their counterparts is a condition of the AIFM Directive for the non-EU Managers to access the EU markets or to manage AIFs through delegation by EU Managers.

The main aim of the signature of the MOUs is to facilitate the cross border supervision of the entities that fall under the scope of the AIFM Directive and constitute an important step to the development of the collective

investments' sector, as third country AIFMs may distribute their products in EU. Furthermore, the relevant MOUs contribute in a closer supranational cooperation between the competent Authorities by facilitating the exchange of information, the cross border on site inspections and the provision of mutual assistance on the compliance with the application of the respective supervisory laws. The CySEC expects that the cooperation on this sector shall enhance the development of the collective investments in Cyprus offering a plethora of possibilities for the promotion of alternative investment products.

Signature of Memorandum of Understanding and Cooperation between the CySEC and the Central Bank of the Russian Federation

In 2014, the CySEC proceeded in negotiations for the signature of an updated Memorandum of Understanding and Cooperation with the Central Bank of the Russian Federation ('Bank of Russia'), due to the transfer of the competencies of the Federal Financial Markets Service of Russia to the Bank of Russia, which now regulates the sectors of banks and transferable securities.

The MOU was signed during a special ceremony in Moscow on the 25th of February 2015, on the presence of the Presidents of Cyprus and Russia, by the Chairlady of the CySEC, Ms Demetra Kalogerou and the Governor of the Central Bank of Russia, Ms Elvira Nabiullina, during the visit of an official delegation of the Republic of Cyprus in Russia.

4.5.1.5 Cooperation and exchange of information between the National Competent Authorities

In the context of the international cooperation between the competent Authorities of the national capital markets and, in particular, in accordance with the bilateral or multilateral MoUs signed by the CySEC with other countries, there is a requirement for the processing of an increasing volume of requests for assistance and exchange of information.

The exchange of information is for regulated entities which conduct cross border activities. An investigation and collection of information is required by the respective national competent authorities is necessary for the most of these requests, including the requirement of lifting of bank secrecy for the entities or persons under investigation. In accordance with the Memorandum signed by the CySEC with the respective national competent Authorities and with various securities regulators and other bodies abroad, the CySEC also asks for information about the activities of entities and persons abroad, which are under its supervision for the purposes of its investigations. In many of those requests information is sought about the fitness and properness of persons during the examination of applications for authorisation in order to form a proper opinion. Other requests for assistance relate to the exchange of views on issues of interpretation and practical application of the laws, as well as, exchange of best practises and experiences on supervisory issues.

In 2014, the cooperation of the CySEC with the competent Authorities and bodies abroad has been intensified due to the increased volume of requests for investigation and collection of information pursuant to the bilateral or multilateral MoUs. The increasing activity of the companies that provide investment services, mainly within Europe, either through the cross-border provision of services or through a tied agent or a branch, has created the necessity for even closer cooperation and coordination between the competent Authorities.

The exchange of information and provision of mutual assistance between the competent authorities is important because it reinforces the efficient exercise of supervision and investigation of alleged violations of the legislation. In several cases, there was a requirement for the lifting of bank secrecy for entities or persons under investigation. Furthermore, during the examination of applications for authorisation and in cases of changes in the shareholding structure and appointment of new directors, numerous requests for the provision of information are sent to other competent Authorities that assist in forming an opinion in relation with the fitness and properness of shareholders and directors.

Specifically, in 2014, the CySEC received 233 requests (2013-180, 2012-104) from competent Authorities abroad and made 71 requests (2013-98, 2012 – 51) to other competent Authorities abroad, in cases it required information for its purposes.

4.5.1.6 Participation in International Assessments and Questionnaires

The CySEC is included in peer reviews of the ESMA Review Panel and conducts self assessments which check the application of supervisory standards and the promotion of best practises. In 2014 the following reviews have been conducted:

ESMA assessment on best execution

The relevant assessment was about the degree of convergence and application of the legislation in relation to the obligation of best execution on the most favourable terms for the clients in accordance with section 21 of the Markets in Financial Instruments Directive (MiFID). The best execution obligation is a very important part of the standards for the protection of investors under MiFID, given that they aim to the promotion of the efficiency of the market, in general, and the achievement of the best possible result for the investors in general. The obligation for the best execution of orders requires CIFs to take all reasonable measures at the execution of orders, to achieve the best possible result for their clients, taking into consideration the following factors:

- Price
- Cost
- Speed of execution
- Execution and settlement
- Volume
- Size and nature of the Order
- Any other factor of the execution of the Order

ESMA assessment on the provisions for fair, comprehensible and non misleading information of the investors

The relevant assessment, which took place on May of 2014, related to the behaviour of the regulated companies under the scope of MiFID, especially in relation to the provisions for fair, comprehensible and non misleading information of their clients – investors. Specifically, the aim of the evaluation was to establish whether the national competent supervisory Authorities apply supervisory practices and tools in the context of best practices and whether they face difficulties on the application of these practices.

4.5.1.7 Inclusion of Cyprus in the list of the countries that apply equivalent legislation on money laundering of Cayman Islands

After several and concerted efforts and with the assistance of other departments and institutions, the CySEC has achieved the inclusion of Cyprus in the list of the countries included in the 'Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands' (the 'Guide'). The Guide includes all the countries that apply equivalent legislation on money laundering, according to the Cayman Islands Monetary Authority ('CIMA'). The Cayman Islands Council of Ministers made this decision on March 5, 2013, after a recommendation of CIMA. The relevant publication in the Official Gazette of the Cayman Islands was made on November 21, 2014.

According to the provisions of this Guide, a Mutual Fund may delegate functions (e.g. fund management) to third parties, only when these are subject to the regime against money laundering of the Cayman Islands or are included in the list of the countries that apply equivalent legislation to Cayman Islands.

Consequently, the inclusion of Cyprus in the relevant list creates opportunities for cooperation with service providers in Cayman Islands and contributes in the restitution of the good fame of Cyprus, after being recognised that it applies equivalent arrangements for the combat of money laundering and terrorist financing.

4.5.2. National Cooperation

4.5.2.1 Participation in Committees and Authorities of Cyprus

The CySEC cooperates closely with all the competent Authorities of the financial services sector of Cyprus and other Authorities, while it maintains excellent relationships of cooperation with other interested parties and bodies. This ensures the improved cooperation and exercise of their duties and responsibilities, the exchange of information and the provision of assistance between the national competent Authorities.

The CySEC specifically is in close cooperation with the Central Bank of Cyprus, the Ministry of Finance and the Unit for Combating Money Laundering (MOKAS). Furthermore, the CySEC participates in High Level Meetings of the Competent Authorities of the Cyprus Financial Sector, with the Central Bank, the Insurance Authority and the Service for the Supervision and Development of Cooperative Institutions which aim to the exchange of information on issues related with their duties and responsibilities regarding the supervision of the financial sector.

In the exercise of its responsibilities, the CySEC may also cooperate with the Legal Service of the Republic, the Police and the Office of Financial Crime Investigation, the Companies Registrar, the Courts e.t.c.

The CySEC is in constant communication, consults and takes the views and suggestions of organised groups, bodies and associations, such as the Pancyprian Investors' Association, the CIFs Association, the Cyprus Bar Association, the Institute of Certified Public Accountants of Cyprus and many others. Furthermore, the CySEC cooperated with the Cypriot Consumers' Association in the context of its programs for the investors' education in capital market issues.

There is also a close cooperation between the CySEC and the Cyprus Investment Promotion Agency, CIPA, regarding issues in relation to the proper promotion of the capital market and its legal framework abroad.

The CySEC participates in the Consultative Committee on the application of the sanctions resulting from the United Nations Security Council resolutions and the restrictive measures of the EU Regulations. Furthermore, a Senior Officer of the CySEC is the Vice-Chairman of the Council of the Financial Services Ombudsman as a representative of the CySEC's Chairwoman.

Representatives of the CySEC participate in the Administrative Committee of the Investors' Compensation Fund, which is responsible for the management of the CIFs' and IFs' Investors' Compensation Fund; in the Consultative Authority regarding issues of money laundering and terrorist financing and in the Technical Committee of the Competent Authorities which examines issues in relation with the supervision of the financial sector regarding money laundering and terrorist financing.

4.6 INVESTORS' PROTECTION

The CySEC ensures the protection of the investors with various ways and it attempts, in various ways to upgrade the methods and tools that shall enhance the protection of investors which conduct transactions in transferable securities in the Republic and abroad through the CIFs.

4.6.1 Harmonisation of the National Legislation with the European Directives

One way of investors' protection is the harmonisation of the national regulatory framework with the European Directives, the soonest possible. This practice ensures that the regulatory framework of the provision of investment services in Cyprus and the level of investors' protection is on the same standards which apply to the other EU member states.

Examples of the most important European Directives harmonised in the national legal framework include: the Transparency Directive, the Prospectus Directive, the Market Abuse Directive, the MiFID, CRD, the UCITS Directive and the Directive that Regulates the operation of the Alternative Investment Fund Managers, the AIFMD.

4.6.2 Regulatory framework in accordance with MiFID

The provision of investment services sector in Cyprus and the activities of the CIFs are regulated by the Investment Services and Activities and Regulated Markets Law, which harmonises the MiFID.

The relevant Directive is one of the most important European Directives, whose immediate transposition and application were necessary to establish strong investor protection rules through the implementation of the best execution principles, disclosure requirements and specific rules which focus on clients and proper arrangements regarding the appropriateness and suitability of the financial instruments in relation to the clients and the remuneration policies adopted by the financial institutions.

The Directive 2014/65/EU, known as MiFID II and the Regulation 600/2014 (MiFIR), shall bring substantial changes to the EU capital markets. The relevant Directive was adopted by the European Parliament and the Council in 2014 and the Member States must harmonise their national laws by June 2016, as it enters into force in January 2017. The purpose of the Directive is to establish a safer, more robust, transparent and accountable financial system in EU which shall operate for the benefit of the society as a whole.

4.6.3 Dealing with violations regarding market abuse and non-compliance with the transparency requirements

The approach of the CySEC to the violations regarding market abuse and non compliance with the provisions of the legislation regarding disclosure of information (transparency requirements) is very strict. The imposition of high administrative sanctions to the entities or persons that conduct that kind of violations is a very strong tool for the protection of investors as it operates in a suppressive and preventive way, ensuring the compliance of the relevant entities and persons with their legal obligations and the avoidance of the repetition of such violations. Furthermore, the publication of all administrative penalties which are imposed by the Commission (name and shame), works preventively due to the bad publicity caused to the persons and companies.

4.6.4 Dealing with violations in relation with the provision of investment services by non-regulated entities

The provision of investment services is legal, only if conducted by companies that have been authorised by the CySEC or the competent Authority of an EU member state for the provision of those investment services. Therefore, any entities that appear to provide such services without being authorised by the CySEC or the competent authority of another EU member state, which has notified the CySEC in this respect, are conducting a violation of the legislation and are subject to criminal and administrative sanctions. To facilitate the investors, the CySEC maintains a public register, on its website, of authorised CIFs and IFs of other EU member states for which a notification has been submitted to the CySEC from the relevant competent Authority that they wish to provide investment services in the Republic and encourages investors, before making a decision to receive investment services, to check that the CIF with which they intend to cooperate is on that Register.

Furthermore, the CySEC has established an electronic system of submission of complaints against authorised CIFs and non regulated entities, to facilitate investors in the submission of their complaints. The CySEC investigates all the complaints received by investors and asks them to submit their complaints in case they believe that their rights in relation to the provision of investment services have been violated.

4.6.5 Financial Services Ombudsman

In the previous years, the CySEC had an important role in the promotion of the establishment of the Financial Services Ombudsman, which was established to deal with consumers' complaints against companies that operate in the financial sector and the achievement of an out of the court solution of the disputes. A representative of the Chairwoman of the CySEC participates in the Council of the Institution as one of the two Vice-Chairmen.

On the completion of the procedure for the appointment of the Financial Services Ombudsman in 2013 and with the hiring of the staff to assist the Financial Services Ombudsman, the Institution is now able to accept complaints from the public. The Financial Services Ombudsman is expected to assist significantly the investors in financial instruments and services as it will be dealing with complains against financial institutions, providing the opportunity of a fast solution of the disputes and remedies through an out of court procedure. Furthermore, since 2014, after an amendment of the Law in relation to the Financial Services Ombudsman, he may appoint an intermediary, which undertakes the intermediation between a consumer-debtor and a Financial Institution for the restructuring of credit facilities which satisfy the relevant provisions of the Law.

The commencement of the activity of the Institution is a positive development, as, among others, many of the complaints submitted to the CySEC, especially the compensation claims, shall be addressed to the Institution. As a result, the CySEC may focus to the complaints that entail alleged violations of the legislation.

4.6.6 Investors' education

The investors' education in capital market issues is specifically important, because it strengthens their protection by complementing the supervisory and regulatory framework. The value of the education of investors in relation to financial issues was recognised at a European and international level and the European Commission gives great importance to the education of the investors and encourages member states to develop relevant programs.

Appart from the benefits to the investors themselves, the education in financial issues, benefits the society and the economy. This applies because the educated investor is expected to make proper decisions and thus, reducing the risk of making risky investments and losing his money or/and the creating debts that might lead to bankruptcy.

Nowadays, the financial education is very important, because of the increased complexity and availability of many kinds of financial products and services. The capital markets are developing rapidly and the high volatility, the globalisation and the easiest access to the markets multiplied the investment opportunities and the risks. Furthermore, the financial needs of the individuals became more complex and lead to the necessity of the proper management of their wealth.

The CySEC promotes the investors education in capital market issues in various ways. For that purpose, the CySEC maintains a special section on its website dedicated in investors education and it is enriched regularly with educational material, advice and warnings issued by the CySEC or competent Authorities of other countries. Furthermore, the CySEC publishes informative articles in newspapers, financial magazines and websites. The publication of the Investors' Guide which defines the main principles of the MiFID Directive regarding the rights of persons that have invested or plan to invest in financial products aims to educate and protect the investors. Finally, the CySEC organises informative lectures and presentations which are open to the public. The dates of these lectures are announced on its website.

The way of action and the activities of the CySEC in relation to investors' education have been determined in accordance with the findings of a national market research conducted by the CySEC in 2010, which was repeated in 2014 to determine the level of knowledge of the public on issues that relate with capital market and investments in transferable securities.

Market research

In 2014, a national market reaserch was conducted by a specialised institution on behalf of the CySEC, on a sample basis in a random stratified sample of 1200 people of 25-75 years old, in order to assess the basic knowledge of the public on capital market issues. The public was called to answer, among others, to questions in relation to the CySEC and its role and whether it was aware where it should address in case of alleged violation of its rights in relation to investments in financial instruments. The results of the market research demonstrated the need to continue and intensify the initiatives of the CySEC in relation to investors' education in order to improve its knowledge on issues related to the capital market and gain awareness of

the CySEC, its competencies and its work. The findings considered the most important where that 63% of the respondents did not know where they should address to receive investment advice, 78% did not know whether mutual funds are marketed in the Republic and 78,8% did not know that there is a competent Authority for the supervision of the investments in financial products.

Cooperation with Media

The CySEC, recognising the very important role of the Media in the continuous education of the investors, organised a seminar for the Media reporters that deal with capital market issues or, broadly, the economic reportage. During the seminar, the financial services framework regulated by the CySEC and the way it exercises its supervisory responsibilities as well as, the two new areas that came under the CySEC's supervision – the collective investments and administrative service providers- were presented. Both presentations aimed to clarify any issues that were unclear to the journalist community and to the investors. A discussion followed about the role and the work of the CySEC and views were exchanged for the improvement of the cooperation with the Media with the purpose to enhance the investors' information through the correct and objective presentation and transmission of the financial news.

Publication of informative articles

In 2014, informative articles in relation to Contracts for Differences (CFDs), Ponzi Schemes, collective investments, the new examination procedure in relation to certification and registration in the public register of certified persons and other issues have been written and published in various Media. The findings of the above mentioned market research conducted by the CySEC, demonstrated that the publications of articles, announcements and interviews about capital market issues, contribute in the information and education of investors.

4.6.7 Warnings to investors

In 2014, the CySEC issued 17 warnings about companies that provided services in the Republic, without being authorised by the CySEC or by the CBC and were neither a banking/cooperative institution nor an investment firm established in the Republic, or in another Member State, since no notification had been received by a Competent Authority of another Member State about those companies. The purpose of those warnings was to inform the public not to cooperate with them and in general, to be more careful, when it comes to the choice of a company that provides investment services. More information about these warnings is included in section 5.3.2, under the title: Investigation of Investors' complaints.

At the beginning of the year under examination, the CySEC issued a warning on the risks entailed in investments in complex products, based on a warning issued by ESMA. The competent Authorities are greatly concerned, that during the current period where the investment returns were low, the companies that provide financial services may seek higher investment returns by offering complex financial products, which are very often promoted through aggressive marketing, which results in tempting non experienced retail investors within EU to invest. The main message of the warning was to advise investors to avoid investments in products for which they do not understand their main characteristics or the main risks entailed in them.

In October, the CySEC issued a warning to investors in relation to the potential risks associated with investing in Contingent Convertible Instruments, based on the warning issued by ESMA, on «Potential Risks Associated with Investing in Contingent Convertible Instruments». In spite of the fact that the ESMA warning was addressed to institutional investors, nevertheless, the CySEC considered that it should also be read and considered by retail investors. The purpose of those announcements was to clarify to investors the risks entailed in Convertible Financial Instruments and encourage them to consider the risks associated with them during their assessment and valuation.

Furthermore, within the same year, the CySEC issued an announcement to the public in relation to Crowd-Funding, based on the publication of a Working Document from IOSCO with the title: «Crowd-funding: An Infant Industry Growing Fast» for the better information of the public on this issue.

4.7 SUPPORT AND MARKET DEVELOPMENT

4.7.1 Promotion of the Cypriot Capital Market in Cyprus and abroad

It worths mentioning that, in spite of the problems and difficulties faced by the Cypriot economy, the CySEC continues to receive applications from Cyprus and abroad for the authorisation fo new entities that will operate in the sector of the provision of financial and administrative services. Furthermore, there is an increased interest by companies of foreign interests, mainly Russia, Luxembourg and Grece, to operate on the field of collective investments. Specifically, in 2014, 45 CIFs, 94 ASPs, 1 UCITS, 1 UCITS Management Company, which was dual authorisation to manage Alternative Investment Funds, 5 Alternative Investment Fund Managers, one of which has dual authorisation to also manage UCITS and 3 Alternative Investment Funds, which had applied to CBC to obtain an ICIS authorisation, had been authorised by the CySEC. This proves that Cyprus, continuous to have substantial advantages and is an attractive investment destination. However, there are a lot of challenges and many times it takes hard work and collective effort by all institutions to regain the reliability Cyprus and return to development.

For this purpose, the CySEC cooperates with the Cyprus Investment Promotion Agency and supports its project for the coordinated promotion of Cyprus abroad as a reliable jurisdiction for investments. The Commission contributes in this objective by participating in various conferences organised by CIPA in Cyprus and abroad and presenting the regulatory framework that governs the Cypriot Capital Market. Specifically, in 2014, the Chairwoman and the Vice-Chairman of the CySEC participated, as speakers, among others, in 20 events organised in Cyprus and abroad, in relation with the legal framework of the Cypriot capital market. Furthermore, Officers of the CySEC participated in a conference on Collective Investments in June 2014, organised by the CSE in cooperation with CIIM, the subject of which was: 'Promoting Cyprus as a Fund Jurisdiction', which was addressed by the Chairwoman of the CySEC, while an officer of the CySEC presented the legal framework that governs the collective investments in Cyprus.

Furthermore, 22 interviews have been given or clarifications have been made in financial magazines in Cyprus and abroad for the developments in the Cypriot capital market. At the same time, 5 informative articles have been written to explain the sectors of the regulatory and supervisory environment and other useful information has been provided in relation with the Cypriot capital market, which have been published in Cypriot and international financial magazines and websites.

4.7.2 Contribution in the minimisation of the negative consequences of the financial crisis

Within the context of its responsibilities, in 2014, the CySEC contributed in the collective effort for the minimisation of the negative consequences of the crisis in the economy, by taking various initiatives to reinstate the smooth operation of the financial services sector.

The direct and dynamic investigation of cases related with the Cypriot banking sector, which fell within the competence of the CySEC, was crucial and assisted in the achievement of full transparency in order to enable the financial system to regain credibility internationally, but also to restore public confidence in the institutions. Despite the large number of other investigations that the CySEC was called to carry out, it focused on the investigation of many and complicated cases related with banks with securities listed in the CSE. These investigations mainly related to (a) possible delay in the publication of confidential information in connection with investments in Greek bonds, (b) the possible impairment of goodwill resulting from the acquisition of a bank; (c) possible impairment of goodwill resulting from the merger of banks, (d) the possibility of failing to ensure equal treatment of the bank's shareholders as well as misleading communication to investors and (e) the possible inadequacy of provisions in banks' financial statements.

The investigations completed in 2014, resulted in infringements of the legislation and administrative sanctions, of €8,2 million, in total, have been imposed. Furthermore, where the possibility of criminal offenses arose, the CySEC sent the evidence before it at the Law Office of the Republic to examine whether there are cases where criminal offences have been committed. The investigation of non completed cases continues in 2015, while the CySEC continues to conduct investigations and in other sectors of the Cypriot capital market, both ex officio and after complaints, about breaches of the legislation. More details are listed in Section 5.3 of this Report entitled "Conduct of Investigations".

At the same time, the CySEC kept the communication lines with its regulated entities and other market participants open, to be kept informed about the difficulties they face and cooperate with them to find solutions and assist them, if possible. The aim was to limit any adverse consequences to these entities and to the economy in general. To trace and fully understand the problems of the regulated entities, the CySEC issued circulars to them asking substantial information and data. Furthermore, for a second year, a special questionnaire was distributed to CIFs asking them to report any other problems they faced, as a result of the crisis in the Cypriot economy which may have not be made known and their proposals regarding their solution. The feedback received has been assessed internally in order to find solutions to the various problems, where this was possible.



HUMAN RESOURCES, ORGANISATION, METHODS AND INFRASTRUCTURE

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5.1 STAFF TRAINING

The CySEC ensures the constant and continuous training of its staff through seminars organized in the offices of the CySEC, or through the participation of the staff in various selected seminars and conferences in Cyprus and abroad. The CySEC also participates in the eLearning program which is offered by ESMA.

In 2014, Senior Officers and Officers of the CySEC participated in the following educational seminars:

- Workshop: «De-offshorisation of Russia. What does it mean for Cyprus? »;
- Open Lecture: «The Economic Outlook in Cyprus for 2014 and Beyond»;
- Seminars and training of the staff on the new Electronic Registry/eOAS;
- Risk Based Supervision Framework (internal seminar);
- Presentation of the application project of the RBSF (internal seminar);
- Seminar «Trading Book Issues and Market Infrastructure» which was organised by the Financial Stability Institute of the BASEL Committee in cooperation with IOSCO;
- Workshop on professional safety and health (internal seminar);
- Conference on: «EMIR and MiFIR, MiFID II»;
- Seminar: «What can Private Equity do for Cyprus?» which was organized by the Chartered Institute for Securities & Investment (CISI) and the Institute of Chartered Accountants in England and Wales;
- Seminar Recent developments and Updates of: IAS's 17, 37 and IFRS's 5, 10, 12;
- Seminar Prospectus Review Process;
- Members of the staff have been trained on the examination of ASP applications in the context of the fast track examination scheme;
- Conference: 'Development of Modern and Efficient Skills of Secretarial Staff'.

5.2 PURCHASE OF SERVICES

Cooperation agreement for the provision of services to the CySEC

In 2014 the cooperation with the CSE for the provision of services to the CySEC, as this was agreed by signing the relevant contract in October of 2012, continued. As part of this contract, CSE Officers offer specialized services to the CySEC, which, mainly, include the examination of applications for authorization of CIFs and the upgrading of the special surveillance and data filing systems of supervised entities. The services are provided according to the needs of the CySEC and the ability of the CSE to provide the necessary staff. In 2014 the contract was renewed for another year. With this agreement, the CySEC gained direct access to human resources with specialized knowledge in the field and has contributed both to partially relieve the workload of the CySEC, and to the faster examination of the applications for authorisation submitted.

5.3 CHANGES IN THE ORGANISATIONAL STRUCTURE

Establishment of a new organisational structure for the future development of the CySEC

The changes in the organizational structure of the CySEC were necessary because of (a) the large increase in its competencies, (b) the addition of new entities under its supervision, (c) the increase in the number, size and

complexity of the existing regulated entities and (d) the increasing legal obligations of the regulated entities in accordance with the latest European Directives.

In order to respond to the increased obligations due to the above, the CySEC needs additional staff and better internal organization to ensure the best possible productive use of the existing and additional human resources in its disposal.

Therefore, in order to become more efficient and flexible in its activities, the reorganization that began in 2012, continued with the establishment of a new organizational structure, which is expected to assist the CySEC to cope with the necessary increase in staff in the next few years. For the preparation of this new organizational structure, a study of the organizational structure of other supervisory authorities in the EU and other countries was conducted and took into account the current data in relation to the supervisory front, in the next five years the CySEC should gradually increase its staff with at least 160 persons. To this day, the CySEC employs 74 people (53 permanent posts and 21 persons through contract). In addition to strengthening the existing departments, the new organisational chart provides for the establishment of new departments and teams, such as the Department of Risk Management, the Department of Statistics and Research, the IT Audit / Forensics Team etc.

The implementation of the new organisational chart shall begin in 2015 and complete gradually within the next five years according to the increase in staff.

5.4 INFRASTRUCTURE UPGRADING PROJECTS

5.4.1 Implementation of the Corporate Content System

When the necessary tasks for its launch were completed, the Corporate Content System (eOAS) came into operation in June 2014 and it is the Central Archive of the CySEC. With the use of this system, the management and secure storage of the content and records created or received daily by the CySEC in the context of its activities is done electronically and collectively. The system implements an important role in the safe storage of the records, as it does not allow any amendment or intervention to the original document submitted. This is the central system of management of the data circulated in the CySEC, as it concentrates the data which is available at the various the CySEC Departments and maintains uniformity and order, offering, at the same time, security, secrecy and easy access to the CySEC's Officers.

5.4.2 Launch of the new website

In its effort for more efficient operation and better communication with the regulated entities and the investors, the CySEC completed in 2014 the implementation of the operation of its new web site. The new site offers improved classification of the information that the CySEC wishes to be available and easily accessible through the internet. For the better and more direct information of the interested parties about the important changes / additions that concern them, the new website provides for the subscription in RSS Feed and Twitter, while the search function is improved and the content of information material is enriched.

Furthermore, in the context of the establishment and implementation of the new website, the Content Management System was upgraded, allowing uploading and categorization of digital content in a consistent and structured way. The upgrade supports different levels of access to different content managers, as well as the proper classification of the information. Finally, the advanced login possibility was granted, so as to enable the CySEC to provide supervised entities with customized webpages according to the category to which they belong. This feature will assist in the subsequent development and adoption of an online portal which will be a digital "input" for the submission of documents by regulated entities to the CySEC.

5.4.3 Digital Signatures

As part of the efforts to improve the CySEC's procedures about the security of the transmission of electronic data via the TRS system and saving time and resources, the CySEC proceeded in the adoption of the use of

digital signature by regulated entities for the submission of specific files and documents to it. The new policy of the CySEC is consistent with the Legal Framework for Electronic Signatures and Related Matters Law of 2004 (N.188 (I) / 2004), as amended by N.34 (I) / 2009 and N.86 (I) / 2012. The main purpose of the use of advanced electronic signatures is the identification of the person submitting the document (authenticity), the guarantee of the authenticity of digital data (integrity) and to ensure that the person who signs it cannot discharge its legal responsibilities in relation to the documents submitted (non discharge of liability).

The new policy for the submission of documents applies to CIFs and ASPs, which, during the year, had purchased the Secure Signature Creation Devices (SSCD) and Qualified Certificates, to be able to digitally sign the forms submitted to the CySEC. The issue of the qualified digital certificates is done through the provision of services by the CSE which acts as the Local Authority for the Registration of the Qualified Certification Service Provider. In 2014 the Qualified Service Provider issued 416 digital certificates, of which 272 are for CIFs and 144 for ASPs. The Information Technology and Operations Department of the CySEC provides, in cooperation with the CSE and the Recognized Certification Service Provider, support for users of digital signatures on an ongoing basis to resolve any technical problems arising during the issue and renewal procedures of qualified certificates. The implementation of the system of digital signatures has received very positive feedback from all market participants, as it facilitates substantially the reporting to the CySEC and enhances the security in the transmission and storage of this information.

5.4.4 Installation of new servers for the new supervisory framework

After an invitation to tender and evaluation of the offers received, the Department of Information Technology and Operations of the CySEC installed appropriate servers, which shall enable the CySEC to supervise the regulated entities under the Risk Based Supervision Framework - RBSF the following years.

5.5 SOCIAL RESPONSIBILITY

The CySEC, recognising the positive contribution of the Corporate Social Responsibility (CSR) to the society, has introduced in its long term strategy various actions in relation to CSR.

During the previous years, various initiatives took place within the scope of the CSR, but with a non systematic, unofficial way. Since 2012, the CSR is a conscious option for the CySEC, as the management gives high importance to CSR and has assigned the responsibility of the organisation of CSR to a specific Officer.

The successful adoption of the CSR depends on the commitment of the management, but at the same time, on the awareness, actual support and commitment of the CySEC staff and various stakeholders at several cases. Therefore, the Council of the CySEC, decided to give to the staff the opportunity to be actively involved to the formulation of proposals in relation to CSR, by submitting comments, ideas and suggestions. The CSR actions are characterised by the team spirit, the collective effort and the active involvement of the staff to the development of proposals and ideas set the grounds for the implementation of the relevant actions.

5.5.1 Corporate Social Responsibility Actions

The CySEC staff, in an effort to respond to its social responsibilities, has implemented various actions within the year.

Public debate on Corporate Social Responsibility

On February 3rd an Officer of the CySEC participated in the Public Dialogue on Corporate Social Responsibility organized by CYTA under the auspices of the Minister of Finance and the participation of the President of the Network for Reform in Greece and Europe, Mrs. Anna Diamantopoulou. The title of dialogue was "Corporate Social Responsibility in the Age of Economic Crisis: Replacing or Quitting?", which aimed to the search for the quality elements of CSR, even in conditions of economic crisis, as well as support for redesign of CSR policy, avoiding the mistakes of the past.

Packing of food with the Red Cross for poor students

On April 2, Officers of the CySEC participated in their spare time in the packaging of food and cleaning items in boxes for 1,500 pupils in need. The aim was to assist in the alleviation of the problem identified in various schools in the district of Nicosia in students who were unable to purchase basic necessities such as food and cleaning materials.

Cleaning campaign «Let's Do It Cyprus»

On April 6, a group of Officers of the CySEC participated, with a lot of enthusiasm, in the second nationwide cleaning campaign «Let's Do It Cyprus», which was part of the global campaign cleaning «Let's do it World!» Whose aim was to clean the garbage from the areas of nature of the world. The volunteers' team of the CySEC cleaned the Athalassa Park in Latsia.



UNICEF pencils

On April 30, an officer of the CySEC, at its own initiative proceeded in the sale of UNICEF pencils, of the United Nations organization for children, within and out of the CySEC to assist selflessly in the organization's objective, which is to support the children and women in the areas of health, nutrition, education, water and sanitation in 162 countries worldwide.

Head Shave Challenge Day

On May 29, the staff of the CySEC participated in the Head Shave Challenge Day 2014 organized by the Karaiskakio Foundation, sponsoring one of their colleagues to get a haircut or shave. All proceeds of the event were given for the financial support of the Karaiskakio foundation on its action for people with leukemia. Beyond financial support, the purpose of the event was that all the hair, beard, etc. collected be used to produce wigs with natural hair for cancer patients.



Blood donation

On May 16th, the CySEC conducted a volunteer blood donation, in order to respond to the increased requirement of the medical centres during the summer period, when there are less available volunteers due to the summer vacations.



Campaign for the collection and distribution of basic needs' items

During the first week of December, as part of the Volunteer Week, the staff of the CySEC organized a clothing collection campaign and collected basic needs' items to help those in need. The items gathered were made available through the Cyprus Red Cross, to meet the needs of 345 refugees, including 52 children, who had come to Cyprus from Syria and who were accommodated in Kokkinotrimithia. The other items were given to a private children's shelter, the "House of Hope" created by the organization "Hope for Children" UNCRC Policy Center (HFC) with the approval, financing and close cooperation of the Social Welfare Services and the European Refugee Fund. This children's shelter operates for unaccompanied minors, aged from 5 years to

18 years old who have been abused and provides daily care and psychosocial and legal support to minors by specialized personnel to assist in their integration, rehabilitation and finding viable solutions for children.

Support of the Wagon of Love through a charity bazaar

The staff of the CySEC, voluntarily participated in a charity bazaar, organized on the weekend 13 and 14 of December, as part of a Christmas event on Stasikratous street in order to enhance the work of the charity organisation, the "Wagon of Love", operated solely by volunteers to provide

financial, material and moral support to families in need. Volunteers of the CySEC offered various creations made with care, such as homemade pastries, handmade jewelry, paintings, Christmas ornaments and other handicrafts. All proceeds were donated to the 'Wagon of Love'.



Health and Safety Seminars

In November, a series of seminars in health and safety issues was held for the staff, which were part of the continuous training and education of the staff in Health and Safety issues. The issues included: (a) general guidance to staff for immediate action in various incidents in the workplace, (b) how to act in various situations, for example in case of fire, earthquake, squats etc. and (c) First Aid.

Furthermore, ergonomic movements have been demonstrated to the staff, that assist in the avoidance of musculoskeletal disorders and other chronic problems from incorrect everyday movements at work. In addition to that, a fire drill exercise and other simulation exercises took place.

Protection of the environment and save of energy

The CySEC management gave special attention to the establishment of an energy saving policy and so this year continued the informative campaign to the staff. Specifically, information material was disseminated and smart videos and images were forwarded to the staff in an enjoyable way of carrying the message that saving energy and protecting the environment improves the quality of life and our daily lives.

Furthermore, the CySEC follows all the indicative measures/directives published by the Service of Energy of the Ministry of Commerce, Industry and Tourism and by the Cyprus Institute of Energy. Some of the measures implemented are (a) the motion detector lighters which turn on and off automatically when motion is detected in the area and (b) control of the lighting level in order to use the required density of light for the various activities of the users of the place (for example there are special switches, which turn on only half of the lights in the hallways).

Furthermore, an Officer of the CySEC participates in the annual conference organised by the Cyprus Institute of Energy and in the various meetings organised during the year, for the exchange of views and the provision of information on the new systems of saving energy and the provision of advice for the saving and proper use of energy. The CySEC tries to promote and display its various actions through publications on its web site, to encourage and enhance the awareness of other organisations on energy saving.

Relevant are the provisions included in the tenders issued by the CySEC to purchase products which provide for the purchase of environmentally friendly products.

Recycle

The CySEC recycles many of the materials it uses, such as paper, plastic and batteries, in order to contribute to the saving of energy and raw materials and to the reduction in the volume of garbage and their effect on the environment. For that purpose, it has special recycle bins in different locations within and out of the CySEC

building to recycle the scrap paper. Furthermore, with the implementation of the modern system of Central Archive and document management the paper volume consumed has decreased significantly. The CySEC participates in the packaging recycling program Green Dot Cyprus and recycles batteries, cartridges, printers and other materials containing substances harmful to human health and the environment. By collecting and recycling of these materials, the penetration of the substances in the environment is prevented and energy and natural resources are saved.

Collection of plastic caps for re-cycle and support of the Antirheumatic Foundation of Cyprus

Starting in 2013 and continuing in 2014, the members of the CySEC staff support, willingly, the effort of the Antirheumatic Foundation of Cyprus with the collection of plastic caps, which are given to a recycle company. This company undertakes the responsibility to purchase aids/tools (such as food and serving aids, clothing and marching aids and bath aids) to improve the daily quality of life of the persons with rheumatic diseases. Through the relevant action, the awareness and encouragement of the staff for recycle is achieved, while, at the same time, the information about the importance of the rheumatic diseases, the prevention, the timely diagnosis and the treatment of these diseases is promoted.

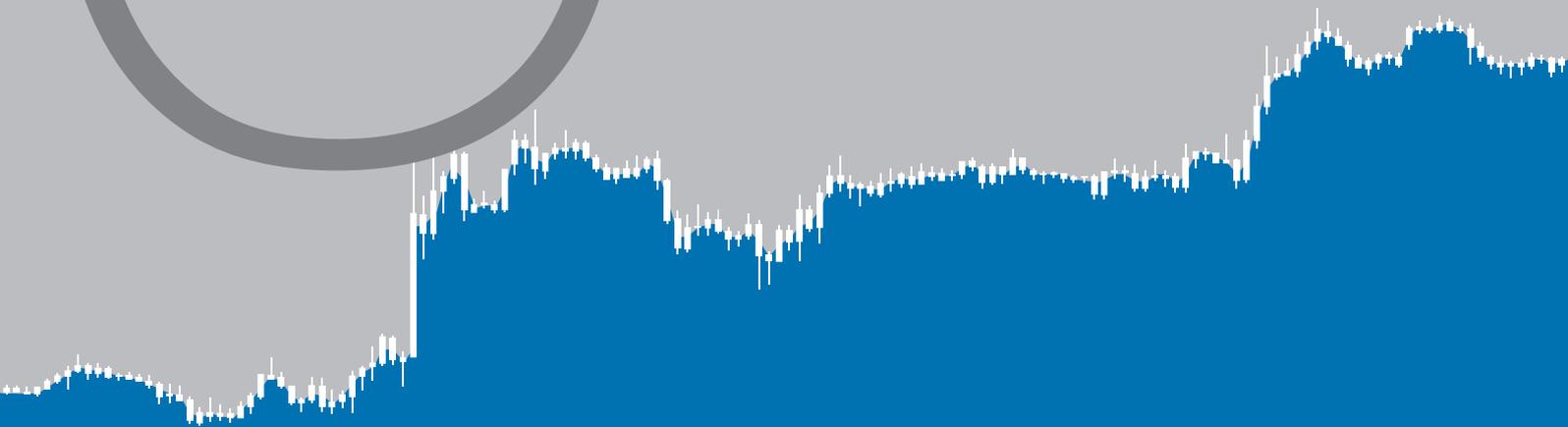


Donations of computers

Within the year, the CySEC donated 3 portable computers to Chryseleousa Primary School, to equip the computer lab of the school.

Treatment of cats

Within the year, at the underground parking of the CySEC, there were cats in poor health. Members of the CySEC staff, at their free time, ensured their safe transfer to the vet, their treatment and their subsequent adoption.



ANNEXES

Annex A 75

ANNEX A - THIRD COUNTRY SUPERVISORY AUTHORITIES WITH WHICH THE CYSEC HAS SIGNED A MEMORANDUM OF UNDERSTANDING AND COOPERATION UNDER THE ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE (AIFMD)

1. Financial Supervisory Authority of Albania – Albania
2. Australian Securities and Investments Commission – Australia
3. Securities Commission - Bahamas
4. Bermuda Monetary Authority – Bermuda
5. Comissão de Valores Mobiliários do Brasil – Brasil
6. British Virgin Islands Financial Services Commission - British Virgin Islands
7. Alberta Securities Commission – Canada
8. Autorité des Marchés Financiers du Québec – Canada
9. British Columbia Securities Commission – Canada
10. Office of the Superintendent of Financial Institutions – Canada
11. Ontario Securities Commission – Canada
12. Cayman Islands Monetary Authority – Cayman Islands
13. Dubai Financial Services Authority – Dubai
14. Egyptian Financial Supervisory Authority – Egypt
15. Securities and Exchange Commission of the Republic of Macedonia (FYROM) – FYROM
16. Guernsey Financial Services Commission – Guernsey
17. Hong Kong Monetary Authority – Hong Kong
18. Securities and Futures Commission – Hong Kong
19. Securities and Exchange Board - India
20. Financial Supervision Commission of the Isle of Man – Isle of Man
21. Israel Securities Authority – Israel
22. Financial Services Agency of – Japan
23. Ministry of Agriculture, Forestry and Fisheries of Japan – Japan
24. Ministry of Economy, Trade and Industry of Japan – Japan
25. Jersey Financial Services Commission – Jersey
26. Financial Services Commission/Financial Supervisory Service - Korea
27. Labuan Financial Services Authority – Labuan
28. Securities Commission – Malaysia
29. Capital Market Development Authority – Maldives
30. Financial Services Commission of Mauritius – Mauritius
31. National Banking and Securities Commission of the United Mexican States – Mexico
32. Securities and Exchange Commission of Montenegro – Montenegro
33. Conseil Déontologique des Valeurs Mobilières of Morocco – Morocco
34. New Zealand Financial Markets Authority – New Zealand
35. Securities and Exchange Commission of Pakistan – Pakistan

36. Monetary Authority of Singapore – Singapore
37. Republic of Srpska Securities Commission – Srpska
38. Financial Services Board of South Africa – South Africa
39. Swiss Financial Market Supervisory Authority (FINMA) – Switzerland
40. Capital Markets and Securities Authority of Tanzania – Tanzania
41. Securities and Exchange Commission Thailand – Thailand
42. Emirates Securities and Commodities Authority – UAE
43. Commodity Futures Trading Commission – USA
44. Federal Reserve Board – USA
45. Office of the Comptroller of the Currency – USA
46. Securities and Exchange Commission – USA
47. State Securities Commission - Vietnam