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ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

ANNUAL REPORT | 2019

Chairwoman's statement	3
2019 at a glance.....	6
The regulated entities in numbers	8
The Commission	13
The CySEC Board.....	16
Sector growth.....	19
■ Authorisations Department.....	20
■ Policy Department.....	29
■ Legal Department.....	33
■ Strategy, International Relations and Communication Department.....	40
■ Financial Services, Personnel and Education Department.....	49
■ Internal Audit Unit.....	53
Market supervision and compliance	54
■ Supervision Department.....	55
■ AML/CFT Department.....	59
■ Issuers Department.....	63
■ Market Surveillance and Investigations Department.....	69
■ Risk Management and Statistics Department.....	75
■ IT and Operations Department	79

Demetra Kalogerou

CySEC Chairwoman

Welcome to the new format of the Annual Report of the Cyprus Securities and Exchange Commission (CySEC) for 2019. I hope it proves a pleasant read and the information within is useful.

Before I move onto the work that was carried out by CySEC in 2019, I would like to refer to the imponderable impact the Covid-19 pandemic had on Cyprus. As of March 2020, the spread of the Covid-19 pandemic was a considerable shock on Cyprus' economy and in extent its financial sector. This in turn affected CySEC's operations and objectives for 2020. The spread of the virus in Cyprus led the government to take a series of measures, peaking with a restriction on citizens' movement and a flight ban.

With its top priority being to protect public health and especially the wellbeing of its personnel and market stakeholders, CySEC took swift action to adopt the Government's measures. These included implementing work-from-home arrangements for all CySEC staff, with meetings taking place exclusively either via teleconference or by phone. This enabled CySEC to continue its operations without interruption. CySEC also issued a series of circulars to its regulated entities, on how their operations would be affected and the lingering threats, as well as on the extension of deadlines to submit information and documents. It also arranged for the collection of documents and payments.

In 2019, CySEC continued to examine applications to license new regulated entities. A total of 65 entities were approved, 52 of which were collective investment managers, 9 CIFs and 4 administrative service providers.

By end-2019, CySEC had 681 entities under its supervision, as compared to 662 at the end of 2018, recording a 2.87% increase. The total number of regulated entities is expected to increase even further, as 97 new applications were under review in January 2020. Moreover, the sector employs over 19,500 professionals.

In 2019, the procedures to regulate Crowdfunding continued and by January 2020, CySEC issued a relevant Directive. Crowdfunding is an alternative form of financing, through which small and medium-sized start-ups can seek financing from the public, including by issuing securities (usually shares or bonds).

The content of the relevant EU Directive has already been agreed at European level, and is expected to be published in the Official Journal of the European Union towards the end of the summer. It lays out the framework and conditions for companies to be licensed to provide this new investment product through online cross-border platforms across the EU.

The Pan-European Private Pension Product (PEPP) Regulation was also approved in 2019. The European Commission is expected to announce some of the delegated acts in 2020, so that the Regulation can come into effect 12 months later.

Also, in 2019, the procedure got underway to prepare the draft law that would transpose the 5th Edition of the Directive on the Prevention of Money Laundering and Terrorist Financing into national law. The draft law includes – for the first time ever – specific regulations on virtual currencies and custodian wallet providers. At the same time, the procedures to create the Central Trust Registry of the Republic continued to advance.



In addition, in 2019, the procedures were completed and at the end of the year, CySEC announced the launch, as of February 2020, of specialised certification exams for anti-money laundering and terrorist financing compliance officers. The purpose of these exams is to ensure that those who are appointed as AML compliance officers are adequately trained. This measure will contribute towards improving the level of our country's compliance with European standards, thus reinforcing Cyprus' image on a European as well as international level.

In 2019, the Supervision and Anti-Money Laundering (AML/CFT) Departments carried out 38 scheduled on-site inspections on CIFs, ASPs and AIFMs, as well as over 870 desk-based thematic inspections on their compliance with their ongoing obligations, based on the relevant CySEC laws and Directives.

The Market Surveillance and Investigations Department carried out 6 onsite ad hoc inspections of CIFs for possible violations of the law in 2019, after relevant complaints were submitted to CySEC. In the same year, it completed eight investigations while another 24 were pending at the year's end, again for possible violations of the law after the entities were reported.

Furthermore, in 2019 a significant number of issuers did not comply with their legally-mandated obligations and specifically the publication of an Annual Financial Report for the year 2018, as well as an Interim Financial Report for the first half of 2019, within the deadline specified by Law. As a result, CySEC investigated a number of cases for potential violations.

From the abovementioned investigations and supervisory checks, the total administrative fines imposed in 2019 on regulated entities and their senior executives came to €1.27m, of which €1.25m concerned CIFs. Beyond the monetary fines, CySEC also suspended the operating licences of four CIFs, where significant problems were identified, and recommended a series of corrective measures to improve their internal procedures, regulations and practices, aiming for their full compliance with their legal obligations. It also sent seven letters to the Attorney-General of the Republic to investigate possible criminal offences.

The smooth functioning of the financial sector as well as investor protection are not only ensured by the implementation of an excellent legislative and supervisory framework, but also by each investor's ability to assess the risks of the various investment options. In 2019, CySEC paid special emphasis to informing investors about all the developments surrounding the investment services sector. The sub-section dedicated to investors on the CySEC website was regularly updated with informational material, advice and warnings, while the list entitled "Unauthorised Websites", which is available to the investing public, was regularly updated so that investors were aware at any given time about unlicensed entities. Furthermore, CySEC regularly published informative articles in newspapers, financial magazines and websites. Our goal is to create brief informative videos for the public, as well as to take additional actions to educate investors.

CySEC attaches great significance to its continuous improvement and modernisation, by promoting substantive changes that simplify and automate its operations and functions. CySEC's ever-changing operational needs make it necessary for it to amend and upgrade its digital systems.

With the arrival of 2020, CySEC extended its digital archive for the submission of corporate data to include Alternative Investment Fund Managers, in addition to CIFs, which we consider an important landmark as it reinforces transparency and the efficiency of the emerging sector of alternative investments in Cyprus, which has the ability to finance the real economy.

In 2020, CySEC will proceed with transferring, storing and processing Big Data on a Cloud-based platform. This technological advancement will enrich the business knowledge required for more efficient and direct supervision. CySEC's aim is to find more technological solutions, including artificial intelligence, to process and analyse the Big Data it receives from regulated entities.

CHAIRWOMAN'S STATEMENT

In short, market supervision will be conducted at a swifter pace, through specialised technology, with CySEC's aim being to further improve its prudential policy, spotting potential risks in time to ensure investor protection.

Another aim for 2020 is to create a specialised system for the electronic submission of applications to license new entities and for other substantive changes, as well as to automate the procedure for submitting applications for the provision of cross-border services. In addition, procedures will be launched to develop a system that will keep a record of the statistical data of the Authorisations Department for all the applications that are received and processed.

In closing, I would like to note that it is very important for CySEC to continue to have all the necessary powers at its disposal and to be strengthened further with the necessary resources, to be in a position to successfully execute its very important role as a Supervisory Authority. Our aim is for CySEC to act prudentially, catching any possible threats in time, so as to ensure the smooth operation of the market and so that the severity of its decisions is reflected in the significance it attributes to investor protection and the sector's credibility.

Technological upgrade

- CySEC attributes great significance to utilising technology to meet its constantly changing operational needs.
- The CIF Transaction Reporting System was broadened significantly, to comply with the new MiFID II Law.
- The EMIR data processing and reporting system became fully operational

Legislative

- Revised Cyprus Securities and Exchange Commission Law of 2009
- New Directive governing the Investor Compensation Fund
- Public Offer and Prospectus Law
- Draft law regulating the operation of Mini Managers

Supervision

- 28 on-site inspections on 27 CIFs
- 585 thematic desk-based inspections on 235 CIFs
- 17 scheduled on-site inspections on CIFs, ASPs and AIFMs for AML compliance
- 6 onsite ad-hoc inspections/audits on CIFs



Modern risk-based supervision tools

In 2019, CySEC looked at upgrading the current software system for the implementation of the RBS-F framework, to make it more user-friendly and extend its scope. CySEC aims to act prudentially, to ensure the market's smooth operation.



Fines and other disciplinary measures

As a result of the investigations and supervisory checks, administrative fines totalling €1.27 million were imposed:

- €1.25m on CIFs
- Suspension of operating licence for 4 CIFs

Innovation Hub

Through the Innovation Hub, 19 companies applied to CySEC to present a specific product or submit queries. Among other, these companies were active in:

- Regulatory Technology Tools (Regtech)
- Distributed Ledger Technologies (DLT)
- Artificial Intelligence in Fintech and Regtech tools
- Tools to manage capital on a collective basis, which use big data



TRACE in operation

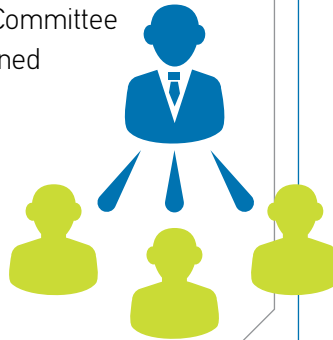
In 2019, the processing and reporting system for European Market Infrastructure Regulation (EMIR) – TRACE became fully operational

AML exams

In 2019, CySEC announced the launch of certification exams for anti-money laundering and terrorist financing Compliance Officers

Participation in Committees / Meeting with MONEYVAL

- Participation in the government's Ad-hoc Committee examining the application of Distributed Ledger Technology (DLT) in the financial and public sector
- Assumption of presidency of the Sub-Committee on Financial Applications, which examined potential DLT applications
- Meeting with MONEYVAL delegation
- Meeting with the delegation of the Organisation for Economic Co-operation and Development (OECD) World Forum



Educating market participants

Being fully responsible for preparing and conducting exams for individuals working or wishing to work in a position relating to the provision of investment services, CySEC carried out:

- **23** seminars in Nicosia and Limassol, which were attended by **580** people
- **97** exams

Domestic and international cooperation

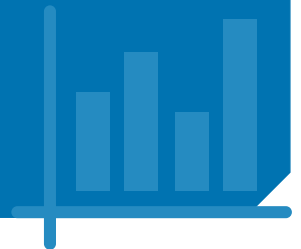
- Memorandum of Understanding signed with its counterpart in the United Kingdom (UK), ESMA and the regulatory authorities of other countries, in case of a no-deal Brexit
- Multilateral Agreement signed with the European Central Bank and the national competent authorities, for AML matters
- Memorandum of Understanding signed with national supervisory authorities and the respective UK authorities, on matters pertaining to participants in Clearing and Settlement systems
- Meeting with Supervisory Authority of Bahamas, to update them on CySEC's regulatory framework
- Memorandum of Understanding signed with the National Betting Authority
- Memorandum of Understanding signed with the Institute of Certified Public Accountants of Cyprus (ICPAC)



Statistics

In 2019, CySEC:

- Published the second annual Statistical Bulletin, for the period 2015-2018
- Established the publication quarterly statistical bulletins, for the Collective Investments sector



CySEC's relocation

CySEC's relocation to a new building was completed in the first quarter of 2019. CySEC's new offices were inaugurated in September of the same year.

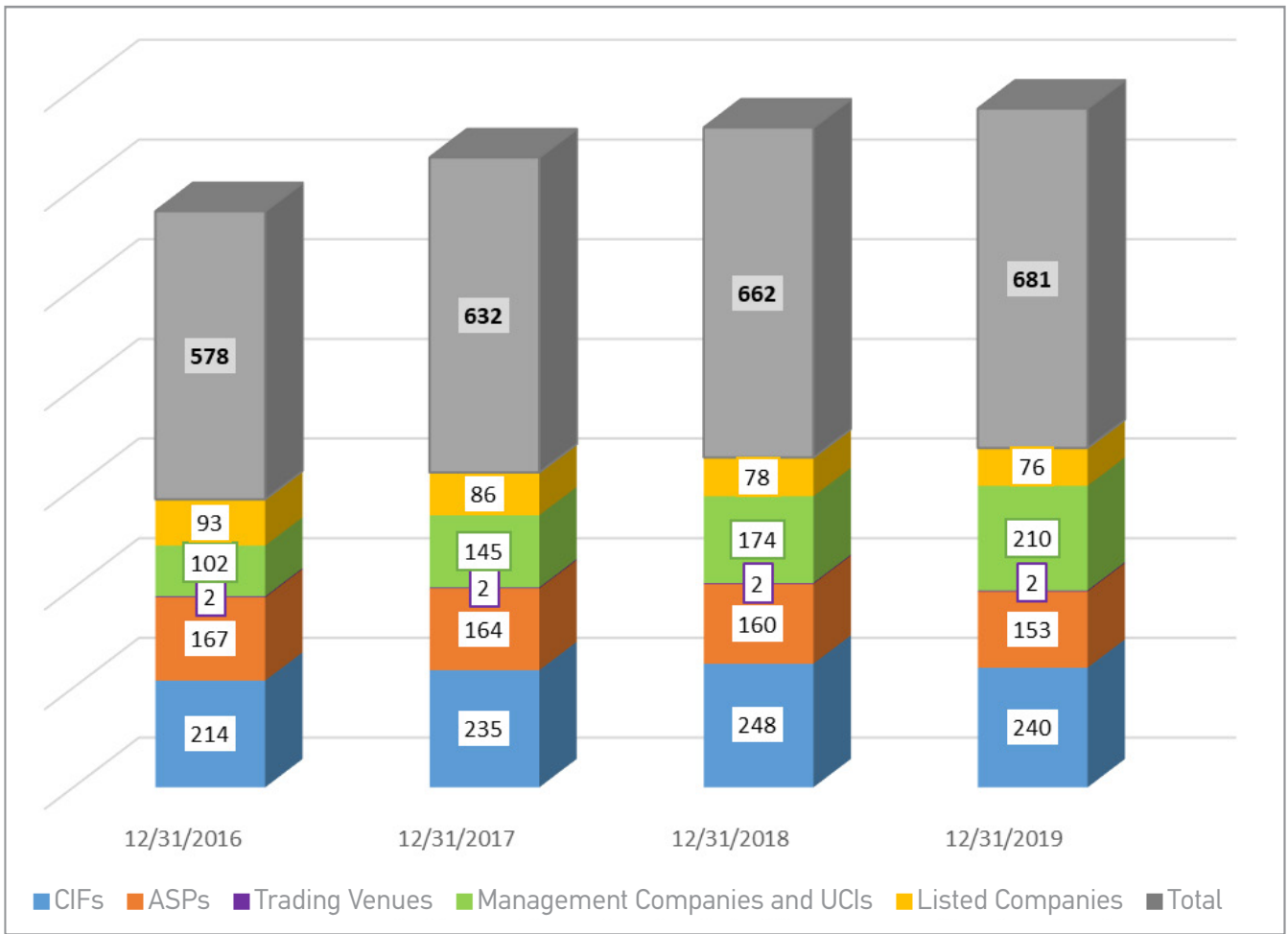
World Investor Week



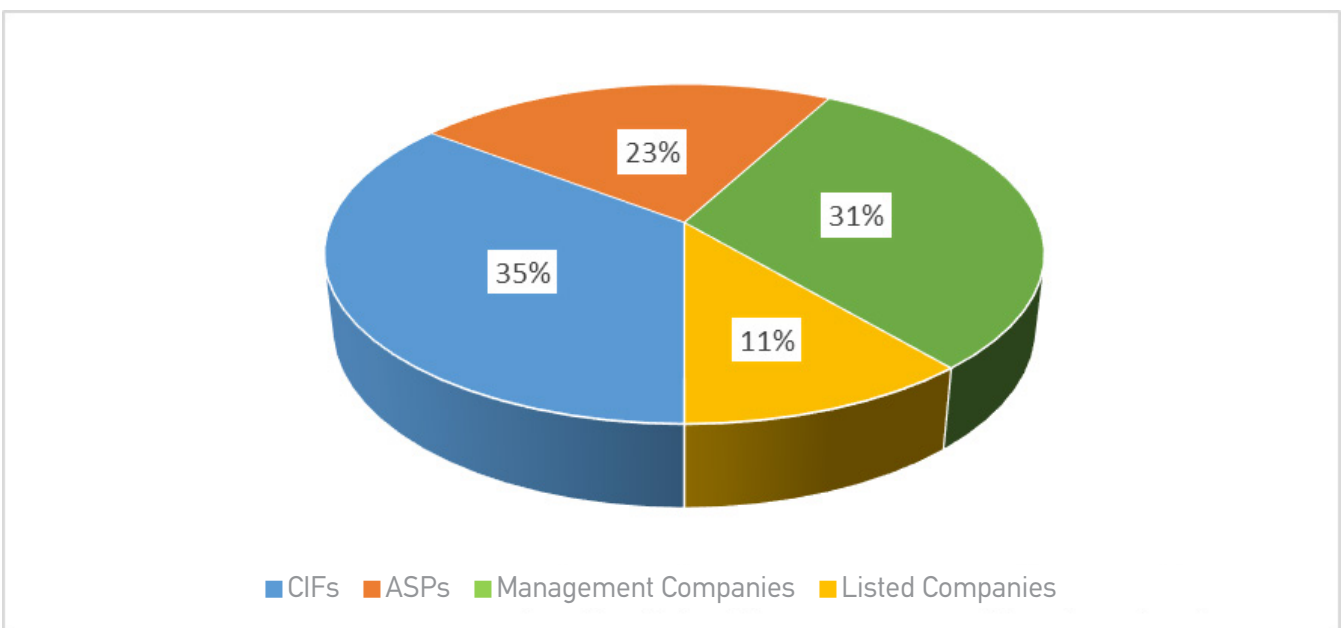
CySEC participated for the first time in World Investor Week (October 2019), the aim of which is to promote education and investor protection. Through its participation, it aimed to highlight the need for financial education and encouraging initiatives also from other organisations to this end.

THE REGULATED ENTITIES IN NUMBERS

Regulated entities

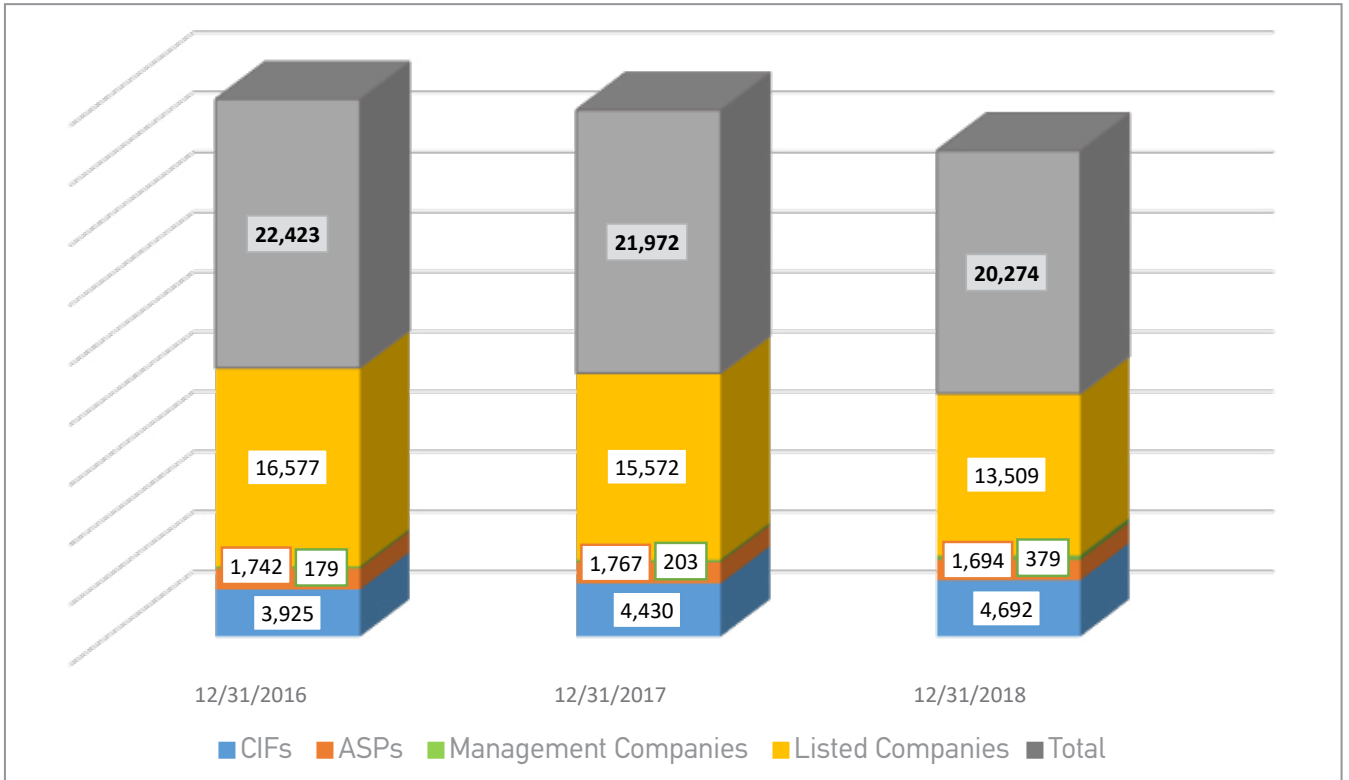


Regulated Entities as a percentage in 2019



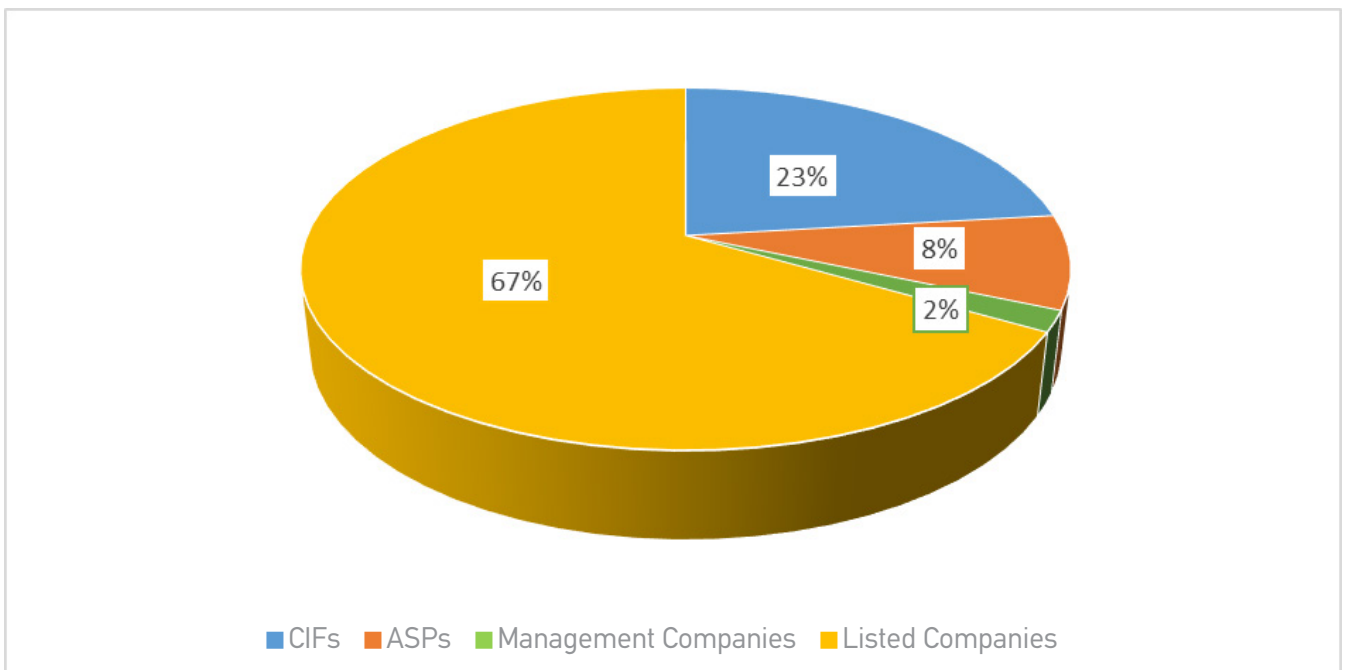
THE REGULATED ENTITIES IN NUMBERS

Number of employees



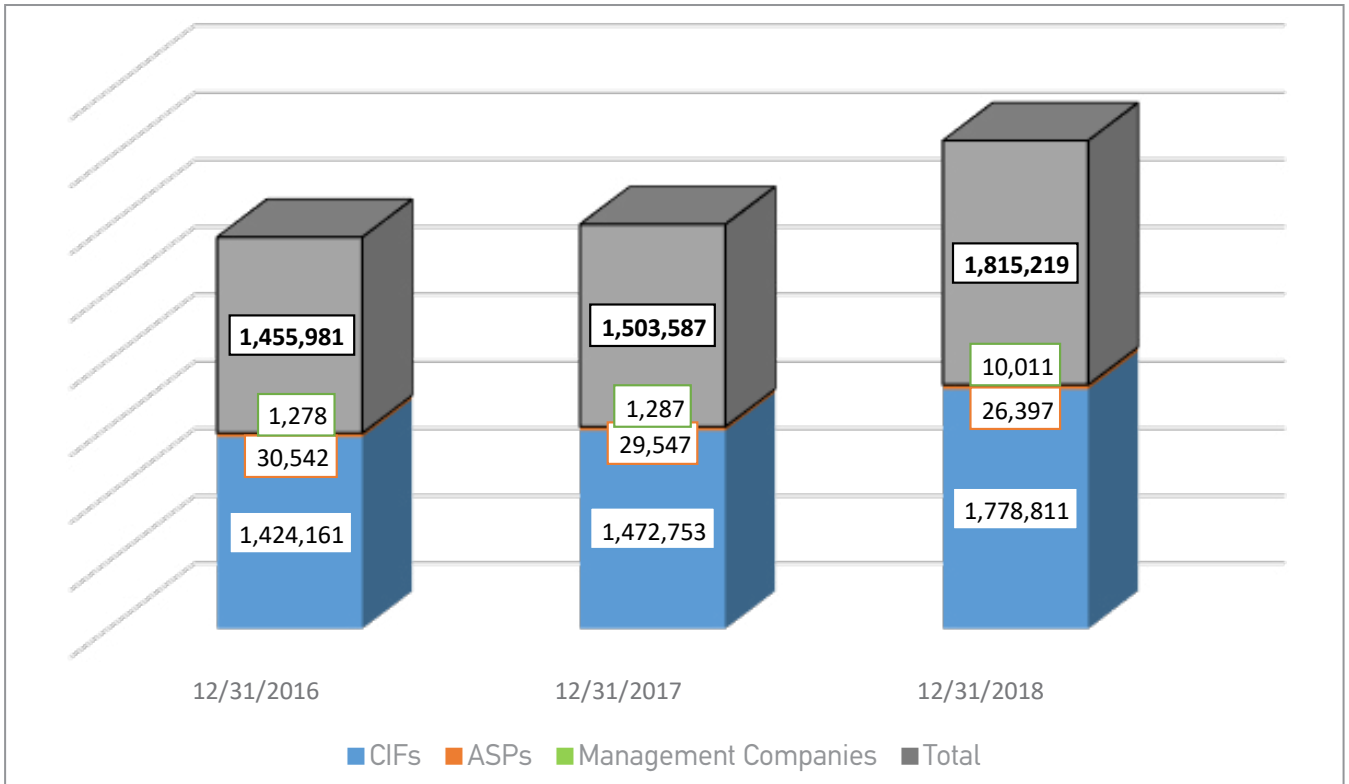
** The number of listed companies only includes the employees of issuers who are listed on the CSE

Number of employees as a percentage



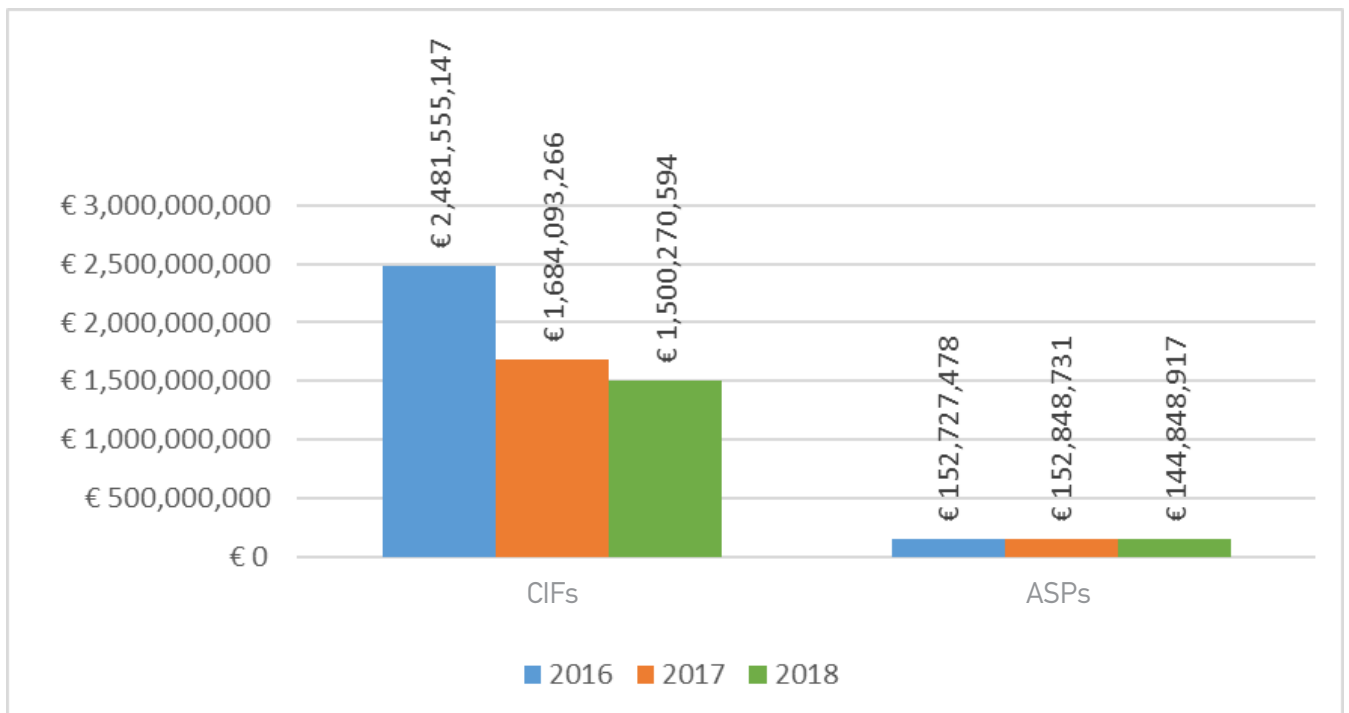
THE REGULATED ENTITIES IN NUMBERS

Number of clients



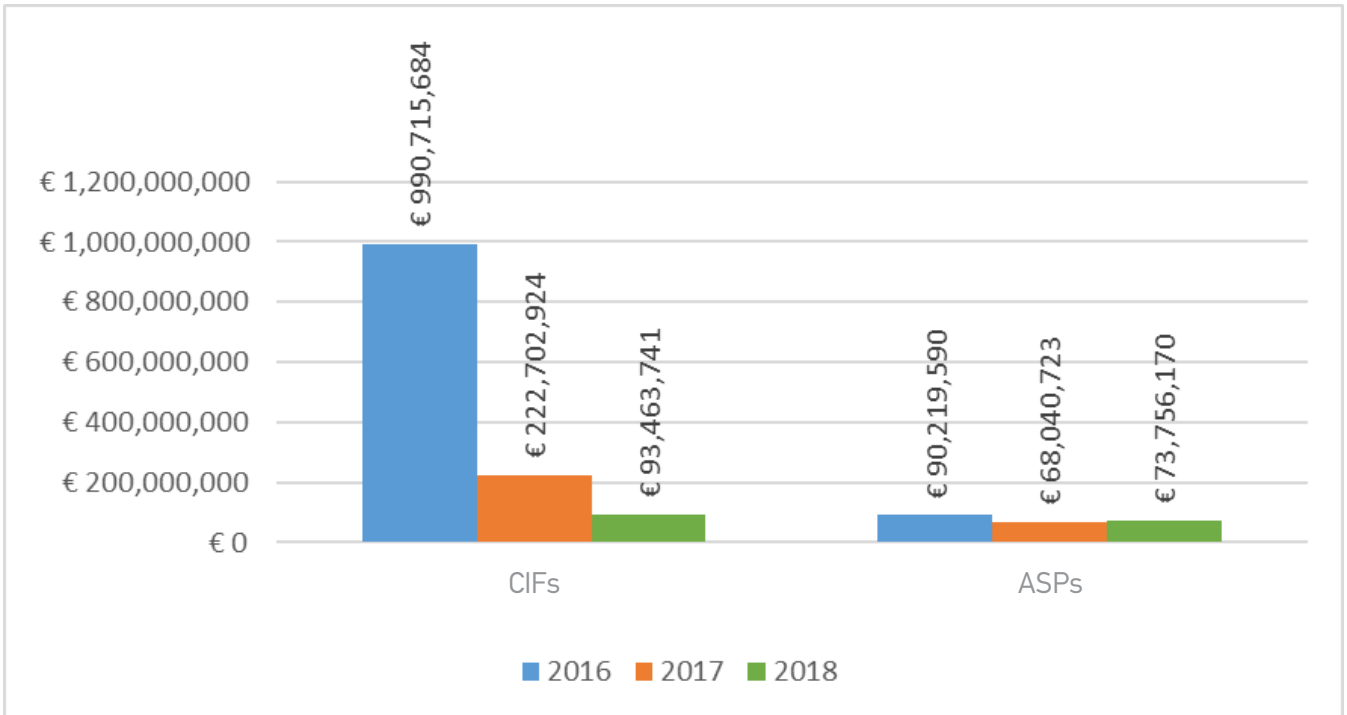
* There is no available data for the companies listed on the CSE markets

CIFs and ASPs turnover

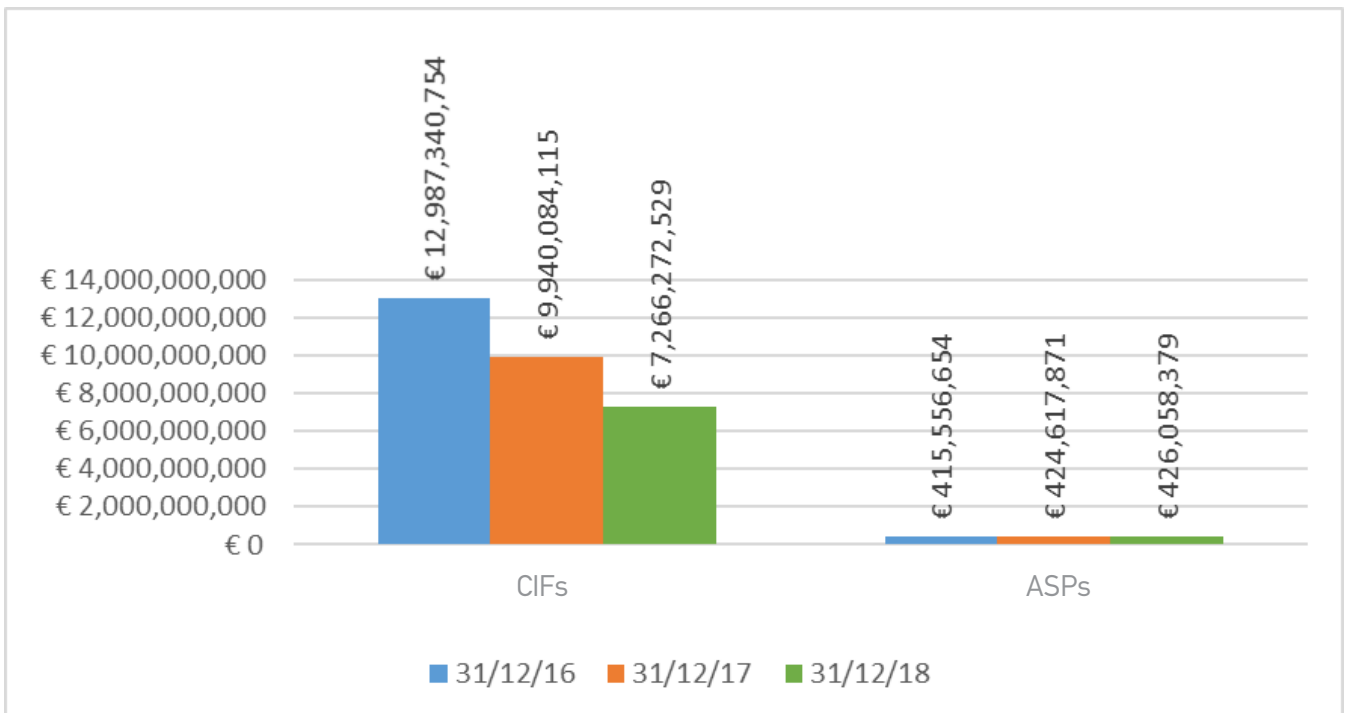


THE REGULATED ENTITIES IN NUMBERS

CIFs and ASPs net profit after tax

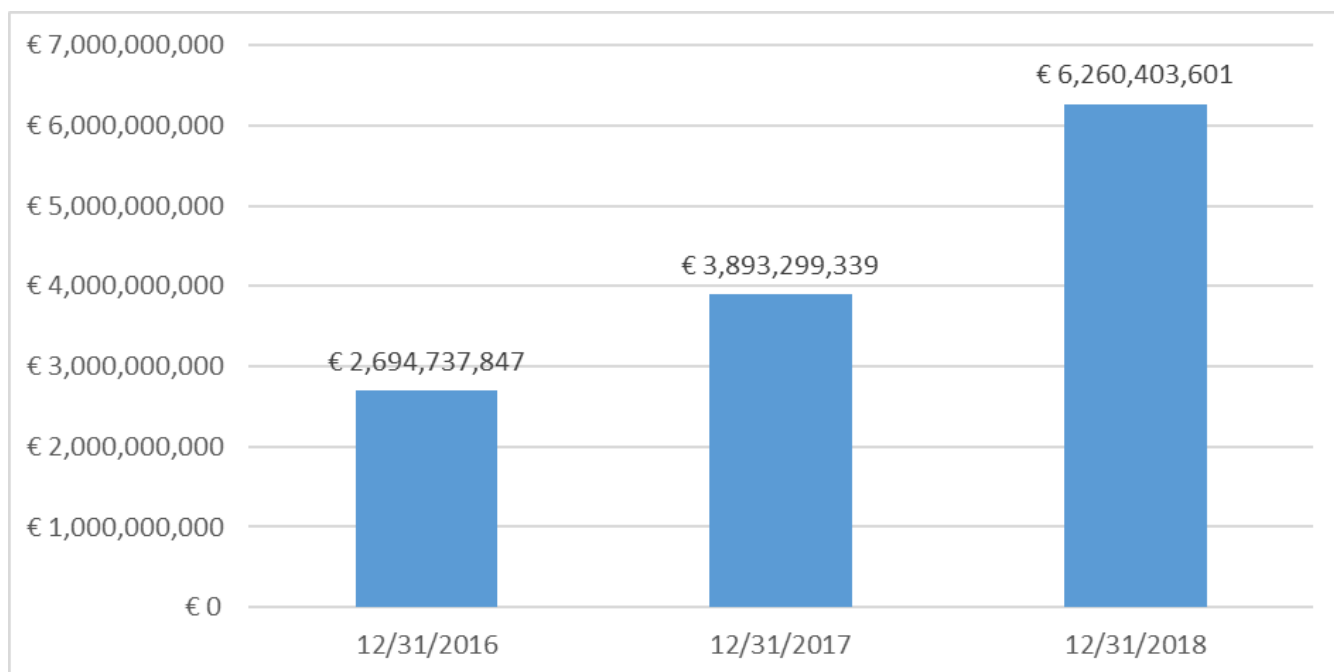


CIFs and ASPs total assets



THE REGULATED ENTITIES IN NUMBERS

Assets under Management by Collective Investment Management Companies



The background is a dark blue gradient with intricate, semi-transparent geometric patterns. These patterns include overlapping circles, dashed lines, and various shades of blue, creating a sense of depth and complexity. A large, white, stylized number '1' is positioned on the right side of the page, extending from the top to the middle. The text 'The Commission' is centered in a yellow, sans-serif font.

The Commission

1

The Cyprus Securities and Exchange Commission (CySEC) is a public independent supervisory authority responsible for the supervision of the investment services market, the stock exchange market and the collective investments and asset management sector. It also supervises businesses that offer administrative services, which do not fall under the supervision of ICPAC and the Cyprus Bar Association.

Vision

CySEC's vision is to establish the Cypriot securities market as one of the safest, most reliable and attractive investment destinations.

Mission

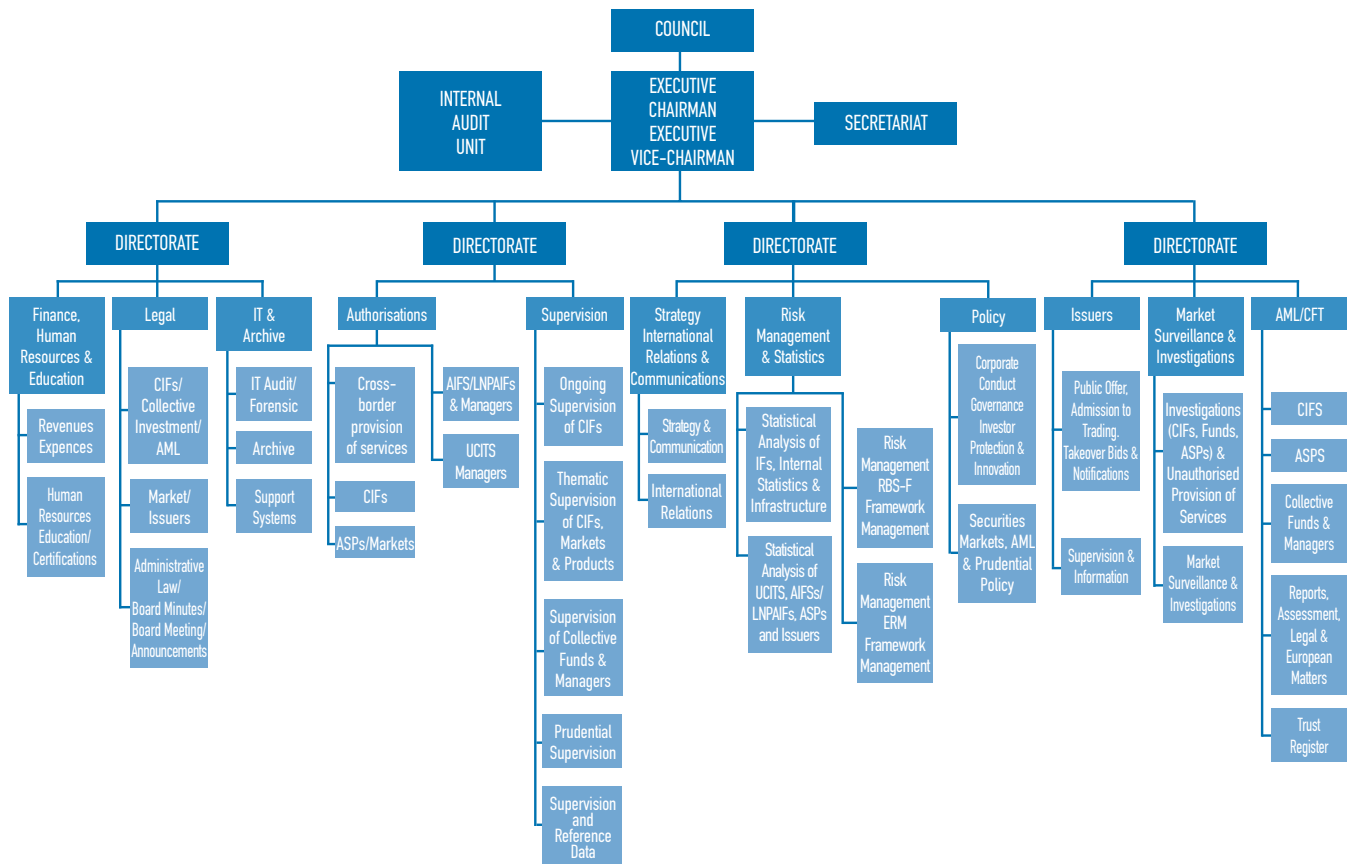
CySEC's mission is to conduct effective supervision that ensures investor protection and the sound development of the securities market.

Competencies

Inter alia, CySEC's main competencies and responsibilities are:

- To examine applications and grant operating licences to the entities under its supervision, as well as suspend and revoke these licences;
- To supervise and monitor the operation of the Cyprus Stock Exchange and other regulated markets of the Republic and the transactions performed in those markets.
- To supervise and inspect 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 its legal competencies assigned to it by law, also on behalf of other foreign Competent Authorities
- To request and collect necessary or useful information for the exercise of the competencies assigned to it by law and demand the submission of information in writing, by 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 that conflict with 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 with regulatory content;
- To cooperate and exchange information and documents with other public authorities of the Republic, competent supervisory authorities abroad and other organisations.

Organisational Chart



Website

CySEC's website <https://www.cysec.gov.cy/en-GB/home/> includes information concerning CySEC itself and its work. It also features all the decisions of the CySEC Board, as well as the legal instruments, announcements, circulars, Press Releases and other documents prepared by CySEC's Departments, for the purpose of transparency and for keeping stakeholders and investors informed.



The CySEC Board

2

2 THE CYSEC BOARD

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



Demetra Kalogerou
Chairwoman



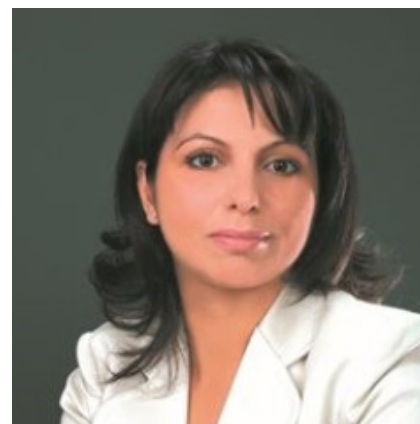
Andreas Andreou
Vice Chairman



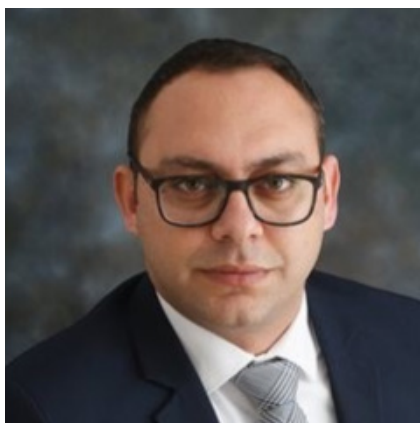
Anastasia Anastasiades
Member



Theodoros Theodoulou
Member



Evanthia Tsolaki
Member



George Pitros
Member



Spyros Ierotheou
Member

Participations in meetings

In 2019, the CySEC Board convened 32 times.

Participation	%
Demetra Kalogerou	100
Andreas Andreou	100
Anastasia Anastassiades	87
Theodoros Theodoulou	81
Evanthia Tsolaki	87
George Pitros	90
Spyros Ierotheou*	86

** Mr Ierotheou was appointed to the CySEC Board in July 2019, following the resignation of Mr John Georgoulas at the end of June.*

In 2019, the Chairwoman and Vice Chairman participated in 6 meetings with the European Securities and Markets Authority (ESMA). They also held 320 meetings with other bodies and individuals separately in Cyprus, on matters that fall within CySEC's mandate.

Creation of Audit Committee

On 16 December 2019, the CySEC Board convened and authorised the creation of an Audit Committee, comprising three non-executive members from the Board, along with its Rules of Operation. Theodoros Theodoulou (Chairman), Anastasia Anastassiades and Spyros Ierotheou were appointed to the Committee.

The Audit Committee began operation on 1 January 2020, with its first meetings taking place on 27 January 2020 and 26 February 2020.

The background is a dark blue gradient with various abstract elements. There are several curved, overlapping bands of lighter blue and cyan. Scattered throughout are small, semi-transparent circles and thin, intersecting lines, creating a sense of depth and movement. The overall aesthetic is modern and technological.

3

Developing
the sector

3.1 Authorisations department

“One of CySEC’s main objectives is the growth and progress of Cyprus’ securities market, by attracting new, healthy and dynamic financial organisations. The aim of the Authorisations Department is to ensure that new entities meet the provisions of the law for granting an operating licence and that any substantial changes that arise following the granting of the operating licence ensure compliance of the regulated entities with the provisions of the Law governing their operation.”

Irene Spyrou

Head of Authorisations Department

3.1.1 Duties / competencies

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

3.1.2 Reorganisation of the Department

Keeping in mind the stabilisation of the investment and administrative service sector as well as the gradual decrease of applications for CIF and ASP operating licences over the past two years, combined with an increase of applications for substantive changes to existing companies, in the second half of 2019, the Department was reorganised by dividing the CIF/ASP Sector by function. The division of functions took place at a mid-management level, with Officers answering to the relevant Officer A’, who has the responsibility of monitoring the execution of the specific operation.

In addition, an Investigation Unit was established, to contribute towards enhancing the efficiency of the assessment process for applications for operating licences and notifications for substantive changes, as well as reinforcing CySEC’s supervisory role in the field of prudential supervision, in terms of the suitability of individuals connected to regulated entities.

An Interview Panel was also established under the Authorisations Department, to interview the proposed Board Members of the regulated entities as well as other individuals who hold key positions, to ensure that they meet the suitability criteria to take on the proposed duties.

The Authorisations Department also runs a CIF Notification Unit, which is responsible for:

- Processing notifications by regulated entities (CIF) to carry out cross-border activities, whether these are carried out through the free provision of services (cross border), or through the creation of a branch, or with the appointment of a tied agent, who is registered in a member state’s registry or registered in the Republic, as well as for setting up a representative office in member states.
- Processing inward passporting requests by IFs of member states, for respective cross-border activity.
- Filing and recording the notifications in the relevant excel file to keep an archive.
- Processing correspondence with supervisory authorities of other member states, relating to cross-border activity.

3.1.3 Objectives for 2020

With the aim of bringing CySEC's operations up to date, the Authorisations Department, in cooperation with the IT Department, will work towards:

- Automating the procedure for submitting requests to CySEC, whether these concern applications for operating licences, or for substantive changes.
- Automating the procedure for submitting requests for the provision of cross-border services.
- Developing a system that will keep an electronic record of all the statistical data of the Authorisations Department on all the requests it receives and processes.

3.1.4 Department's Operations

3.1.4.1 Examining applications for operating licences

	Applications submitted in 2019	Companies that were granted a licence in 2019	Conditional Licence / pre-approval	Rejections	Applications withdrawn by the applicants
CIF	11	9	16	3	3
ASP	8	4	1	2	-
MC UCITS	0	0	0	0	-
UCITS	2	1	0	1	1
AIFM	9	9	4	0	1
RAIF	24	19 (listing)	0	0	-
AIF (ext. Managed)	23 ¹	6	10	0	-
AIFLNP (ext. Managed)	8	6	2	0	-
Special Purpose Entities	1	2	1	0	-
AIF (int. Managed)	1	-	1	0	-
AIFLNP (int. Managed)	4	9	11	0	-

Furthermore, in the first half of 2019, 122 requests were submitted to CySEC by AIF/AIFLNP for their compliance with the provisions of article 145 of the AIF Law. Of the 122, 55 have already been reviewed.

Also in 2019, the Cyprus Stock Exchange submitted a request to CySEC to be listed on the Register as a Reference Index Manager, pursuant to article 34(1)(b) of Regulation 2016/1011.

¹ of which 14 requests were to turn an AIFLNP into an AIF

3.1.4.2 Personal interviews

Moreover, 186 personal interviews were carried out with Directors, AML Officers/Risk Managers/Portfolio Managers from the date the Interview Panel was appointed.

Personal interviews per regulated entity	
CIF	114
ASP	18
IF/AIFLNP/AIFM/UCITS/ UCITS Management Companies	54

3.1.4.3 Review of notifications for substantive changes by CIFs

Number of notifications to participate in a CIF that were examined by the CySEC Board	46
Number of notifications reviewed for changes to the organisational structure of CIFs	224
Number of requests by CIFs to extend their operating licence, including applications for other operations ²	41

The above data show that the flow of requests by CIFs and ASPs has now stabilised, while the submission of notifications to participate in a CIF continued to increase in 2019 as well. In many cases involving changes to a CIF's ownership status, it was noticed that the specific companies were facing viability issues, as their capital adequacy ratios were below the limit laid out by Law or were on the verge.

This is possibly due to:

- the increased number of obligations introduced as a result of the European Directive MiFID II, which has led to substantial changes to the way companies operate;
- the implementation of the Product Intervention Measures for CFDs of the European Securities and Markets Authority (ESMA), which have restricted the availability of complex financial instruments to private investors; and,
- the now explicit ban on the provision of services in binary options contracts to private investors.

As for applications by CIFs to extend their licence, these mainly concerned the provision of the investment service of own-account transactions, which falls under the framework of activities of those who provide services to CFDs, in order to comply with CySEC's policy on risk management regulations.

3.1.4.4 Review of requests by CIFs for voluntary renunciation of their operating licence

	2018	2019
Number of requests submitted to CySEC	16	12
Number of requests that were reviewed	6	16

² There were four (4) applications for the execution of other operations, of which one concerned an AIF mini manager.

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

Notifications	Number
Change of Shareholders at internally-managed AIFLNP	6
Changes to AIFLNP's organisational structure	38
Conversion from internally-managed AIFLNP to externally-managed AIFLNP	4
Conversion of AIFLNP into an AIF	17 ³
Compliance of AIF with the provisions of the Law	41
Conversion of internally-managed AIF into an externally-managed one	1
Change of AIF manager	3

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

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

3.1.4.7 Cross-border Activity

3.1.4.7.1 CIF notifications

In 2019, the following CIF notifications were processed:

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

Notifications	2019	2018
CIFs that sent a notification for free provision of services to member states for the first time	28	38
CIFs that sent a notification on an increase/reduction of investment services, increase/reduction of financial instruments to member states	31	36
CIFs that sent a notification on changes to their contact details (address, telephone, fax, contact person)	70	47
CIFs that sent a notification on changes to their domains (addition of new one/removal of current one)	71	76
CIFs that sent a notification on changes to trading names	5	0

³ Three (3) applications were formally submitted in early 2020

Notifications	2019	2018
CIFs that sent a notification on the use of a tied agent, registered in the Republic, to provide cross-border services to member states	1	4
To suspend CIFs, notifications were sent to the member state in which the CIFs provide cross-border activities	7	2
Notification on the termination of the licence of CIFs that provide cross-border activities in member states	16	7
Notification on the termination of provision of services to a specific member state	5 *	8
CIFs that sent request for free provision of services to third countries	66**	72

Notes:

* The following CIFs stopped providing services to specific member states:

- Rodeler Ltd to Italy
- Hoch Capital Ltd to Italy
- CentralSpot Trading Ltd to Italy
- Depaho Ltd to Belgium
- Maxigridd Ltd to Belgium, France, Latvia, Malta, Poland and Spain

** It is noted that CIF requests to provide services to third countries are not covered as the Law does not provide for the provision of services to third countries. Instead, they are carried out (Circular 256) once the CIF presents a relevant licence from the Supervisory Authority of the third country, or a legal opinion, and the company is informed accordingly.

ii) Opening a CIF branch in a member state

In 2019, eight (8) notifications were sent for establishing a branch, of which just three (3) were accepted by the corresponding supervisors, while for the rest there is ongoing communication between the two sides, with the supervisory authorities requesting further clarifications.

iii) Appointment of tied agents in member states

In 2019, 13 notifications were sent for the appointment of a tied agent, of which just four (4) were accepted by the relevant supervisory authorities to register. In the case of three (3) notifications, the CIF withdrew its request. For the remaining six (6), there is ongoing communication between the two sides, with the supervisory authorities requesting further clarifications.

iv) Appointment of tied agents registered in the Republic

In 2019, four (4) notifications were sent by CIFs to appoint a tied agent who is registered with the CySEC register in the Republic.

v) Representative offices

In 2019, six (6) requests were sent for representative offices, of which five (5) were accepted by the foreign supervisory authorities.

■ CIFs that made use of inward passporting

i) Free provision of cross-border services

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

Notes:

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

A/A	COUNTRY	No. of notifications
1	United Kingdom	60
2	Ireland	19
3	The Netherlands	17
4	Germany	15
5	Malta/France	6

ii) Establishment of IF branch in the Republic

During 2019, three (3) notifications were received by IFs from member states to establish a branch in the Republic.

iii) Appointment of tied agents in the Republic

One (1) notification was received from an IF of a member state to appoint a Tied Agent in the Republic in 2019.

iii) Other operations

In 2019, the Notifications Unit took on an additional volume of operations in view of the possible exit of the United Kingdom (UK) from the European Union (EU).

The Notifications Unit sent a circular to the regulated entities that provide services to the UK, urging them to inform CySEC by 28 March 2019 whether they had sent a notification to the FCA to make use of the UK's Temporary Permissions Regime (TPR).

After receiving the CIFs' responses, the Unit processed the information and prepared relevant files so that CySEC could update its website in the event of a no-deal Brexit. This process was repeated in October 2019 (postponement of the UK's possible departure).

Furthermore, the corresponding supervisory authority in the UK (FCA) sent an excel file to CySEC, which included the names of the CIFs that applied to the FCA for a TPR, so they could be verified, and as a result another review/inspection was carried out.

At the same time, the Unit asked the FCA-regulated entities that provide services in Cyprus through a branch or tied agent, to inform CySEC about the contingency measures they intended to take in view of the possible exit of the UK from the EU, which would result in the UK being considered a third country.

3.1.4.7.2 Notifications by AIFMs and UCITS MC

In 2019, the following notifications by AIFMs and UCITS MC were processed:

Alternative Investment Fund Managers (AIFMs)

(a) AIFMs that have used outward passporting

Free provision of cross-border services

AIFMs of the Republic that sent a notification for the free provision of services to member states, including the marketing of AIF units	5
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Notes:

*The largest volume of notifications by AIFMs of the Republic for the free provision of services in the European Union concerned the following member state:

A/A	COUNTRY	No. of notifications
1	Luxembourg	3

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

Free provision of cross-border services

Notifications*	2019
AIFMs of member states that sent a notification for the free provision of services in the Republic, including the distribution of AIF units	96

Notes:

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

A/A	COUNTRY	No. of notifications
1	United Kingdom	21
2	Luxembourg	37
3	Ireland	27
4	France	10
5	Sweden	1

UCITS Management Companies (UCITS MC)

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

Free provision of cross-border services

Notifications*	2019
UCITS MC of the Republic that sent a notification for the free provision of services to member states, including the distribution of UCITS units	3

Notes:

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

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

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

The number of UCITS Management Companies with headquarters in an EU member state, other than the Republic of Cyprus, which provide cross-border services in the Republic, increased compared with 2018.

Member States of origin of UCITS Management Companies	2019	2018
France	5	5
Luxembourg	9	5
Lichtenstein	1	1
Greece	6	6
Italy	1	1
Ireland	3	1
United Kingdom	1	1
Total	26	20

Notifications by foreign UCITS for the marketing of their units in the Republic

The total number of foreign harmonised UCITS that market units in the Republic, as the chart below shows, increased in 2019 compared with 2018. During the year under review:

- (a) Five (5) new foreign harmonised UCITS (single scheme) and 10 new foreign harmonised UCITS (umbrella scheme) were registered under CySEC to market their units in the Republic
- (b) Three (3) foreign harmonised UCITS (umbrella scheme) were delisted from marketing their units in the Republic

Foreign Harmonised UCITS

Number of foreign harmonised UCITS:	2019	2018
Single scheme UCITS	5	0
Umbrella scheme UCITS	33	26
Total	38	26

The foreign UCITS mainly came from Luxembourg and Ireland.

Foreign UCITS' country of origin

Foreign UCITS' country of origin	2019	2018
Number of harmonised UCITS		
Luxembourg	27	22
Ireland	5	3
France	0	1
Greece	5	0
Total	38	26

The total number of sub-funds under UCITS umbrella schemes increased to 363 in 2019.

UCITS sub-funds

Total number of sub-funds under umbrella schemes	2019	2018
Harmonised UCITS	363	336
Total	363	336

The number of Representatives registered with CySEC increased to 16 in 2019, compared with 13 in 2018.

3.1.4.8 Supervisory Coordination Network (SCN) for cases of relocation of companies from the UK due to Brexit

The Supervisory Coordination Network (SCN) for cases of relocation of companies from the United Kingdom (UK) due to Brexit, was established in May 2017 with the main goal of promoting common approaches and practices by all national supervisory authorities, as regards cases where entities in the UK wish to re-establish or move their activities or operations to another European Union member state, due to the departure of the UK from the Union (Brexit).

More specifically, the aim of the Network is to promote cohesion and consistency when it comes to the national supervisory authorities' assessment of applications and decision-making. The Network's members discuss specific cases anonymously. Another part of their activity is to refer cases, collect data, analyse as well as exchange views and information.

Throughout the year, CySEC officers from the Authorisation and Supervision Departments held eight meetings with the Network, where they presented three cases of Investment Firms re-establishing/moving their activities to the Republic.

3.2 Policy Department

“With its operation, the Department gives CySEC the ability to handle in a timely manner, policy matters that arise in the volatile environment in which the regulated entities operate, which is influenced by innovation as well as supervisory and financial technology (Regtech and FinTech) that dominate the current era. We work at a national and European level to introduce and fine tune supervisory regulations, with the aim of protecting investors and ensuring the healthy growth of the market.”

Marios Nearchou

Head of Policy Department

3.2.1 Duties / competencies

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

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

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

3.2.2 Goals for 2020

The Department’s goals for 2020 include, among other, promoting the following actions:

- Issue the Policy Declaration and Directive on crowdfunding
- Participate in finalising the European regulations that will govern Crowdfunding throughout Europe.
- Issue a progress report on the work carried out by CySEC’s Innovation Hub over the past year.
- Study the impact of the United Kingdom’s exit from the European Union and take initiatives for a smooth transition into the next era.
- Examine European initiatives on sustainable financing and participate in decision-making forums.
- Participate in national initiatives on the use of Distributed Ledger Technology (DLT).
- Examine the possibility of creating a supervisory framework for Administrative Service Providers to Fund Managers.
- Handle requests that are received from the Innovation Hub.
- Handle queries by market participants.
- Participate in establishing a national Law on the operation of Investor Compensation Funds.
- Examine the possibility of replacing Directive 131-2014-03 with a new Directive, to also include provisions

for RAIFs, based on the AIF Law, that invest through loans, in cooperation with the Legal Department and Authorisations Department.

- Participate in transposing the provisions of the 5th European Directive on anti-money laundering, in relation to virtual currency service providers, in cooperation with the Legal Department.
- Examine the possibility of shaping the regulatory framework to reinforce the customer verification process with innovative methods, in cooperation with the Legal Department and AML Department.
- Examine the UCITS Directives to pinpoint potential issues that need to be revised, in cooperation with the Legal Department and Authorisations Department.
- Participate in actions on a European and national level relating to innovation and Financial Technology.

3.2.3 Department's operations

3.2.3.1 ICF

In 2019, the Policy Department completed the first phase of replacing the framework governing the operation of the Investor Compensation Fund (ICF). After preparing the directive and following relevant consultations with the market and the issuance of a policy document, the new Directive governing the operation of the ICF was published in March 2019. The upgrade includes, among other:

- The obligation of CIFs to participate in the ICF, regardless of investment service or activity, and of Alternative Investment Fund Managers ("AIFMs") that provide services under Article 6(6) of the Law on Alternative Investment Fund Managers and of Management Companies that provide services under Article 109(4) of the Law on Open-Ended Undertakings for Collective Investment.
- A risk-based calculation of the annual contribution, taking into account the credibility of the eligible funds and the financial instruments of the covered clients of the submitted statements to the ICF by its members, the sum of eligible capital and financial instruments of the covered clients of each member and the time when contributions were paid.
- The contributions that will be paid by ICF members, pursuant to the New Directive, will not be returned and the members will pay contributions on a continuous basis. The contributions that were paid pursuant to the previous regulatory framework will continue to be kept in accounts and the provisions for the return of the balance in the accounts will apply, in the event that members renounce their operating licence.
- The obligation of ICF members to keep a minimum liquidity buffer in the range of 3% of the eligible funds and financial instruments of their customers and submission of a standard certificate.
- The non-delimitation of the extraordinary contribution at this stage, so that the ICF has access to the necessary resources in the event of an unfavourable scenario.
- The exercise of discretion provided for by Directive 97/9/EC to provide coverage equal to the smallest amount between €20,000 and 90% of the claim of the covered investor.
- Ensuring that the payment of the initial contribution will be made by the candidate members or existing members prior to the granting or expansion of the operating licence, once CySEC has examined that the main criteria for granting or extending the licence have been met, and it has given relevant instructions.
- The introduction of an annual fee to cover the ICF's operational expenses, both on an ongoing basis as well as in the case of unexpected expenses, such as the collection, filing and assessment of investors' claims, in the case of providing compensation to customers of a big member (e.g., a member with thousands of investors).

3.2.3.2 Policy Statements

As part of the effort to establish or further specialise supervisory regulations, a study is carried out to form a proposed approach, which is then put to public consultation by issuing a relevant Consultation Paper. Once the public consultation is completed, the views that were submitted are analysed, the relevant regulations are finalised, and a Policy Statement is issued. The Policy Statements include the views that were submitted, CySEC's final position and the reasoning on which CySEC's approach is based.

Policy Statement for the risk-management arrangements of CIFs that provide investment services to Contracts for Differences ("CFDs")

In early 2019, following a number of actions such as the preparation of a study into the impact of negative balance protection on the capital adequacy of CIFs and a market consultation, the Policy Department issued a Policy Statement on the risk-management arrangements of CIFs that provide investment services to CFDs.

Based on the specific document, CIFs are obliged to keep additional capital if they have commercial ties with entities located in destinations that may not have a sound prudential framework.

Policy Statements on the implementation of Product Intervention Measures by CySEC regarding the disposal, promotion and sale of CFDs and Binary Options

The Policy Department also issued Policy Statements on the implementation of Product Intervention Measures by CySEC regarding the disposal, promotion and sale of CFDs and Binary Options. Various actions took place to complete the venture, in cooperation with the Supervision Department.

The measures that were implemented regarding CFD's include:

- Limiting the leverage ratio to between 30:1 and 2:1, depending on the underlying asset:
 - I. 30:1 for major currency pairs,
 - II. 20:1 for minor currency pairs, gold and main indices,
 - III. 10:1 for commodities and sub-indices,
 - IV. 5:1 for shares and other securities,
 - V. 2:1 for cryptocurrencies
- To close out a position, in the case that the client loses more than 50% of the capital it invested as a margin.
- Protection from negative balance.
- Ban on the provision of benefits to investors that encourage them to invest in high-risk financial instruments.

3.2.3.3 Innovation Hub

The Innovation Hub has been operating since 2018 as a communication channel between CySEC and innovative businesses, assisting mainly in the exchange of information and views on emerging financial and regulatory technologies. Through the Innovation Hub's operation, CySEC aims to reinforce the concept that regulated and non-regulated entities have regarding such technological applications and the implementation of the regulatory framework.

In 2019, a total of 19 companies that had a specific innovative product or wanted to submit specific questions referred to CySEC, through the Innovation Hub.

Among other, these companies were involved with:

- Regulatory Technology (Regtech) tools that help companies comply with the regulatory framework, which operate on the basis of data analysis and verification

- Businesses that use Distributed Ledger Technology for the offering, transfer and verification of ownership of financial instruments.
- Artificial Intelligence Applications in Financial and Supervisory Technology Tools.
- Tools for managing funds on a collective basis, which use big data.
- Trading venues wishing to use Distributed Ledger Technology.

Furthermore, through the Innovation Hub, a series of other meetings were held with professionals, such as lawyers, auditors and representatives of universities, credit institutions and associations that wished to be further informed about CySEC's approach when it comes to Financial Technology.

3.2.3.4 Crowdfunding

The framework for the adoption of Crowdfunding regulations was examined in 2019. Among other, a review was made of the content of each proposed text of the European regulation, various issues were spotted in the provision of such services in the Cypriot market, there was cooperation with the Permanent Representation of the Republic of Cyprus in Brussels and a detailed presentation of the relevant draft law was prepared. Then, the Directive was completed along with a consultation paper regarding the adoption of national regulations on Crowdfunding and the submitted comments were examined. The Policy Statement will be issued in early 2020.

3.2.3.5 Contact with other Authorities

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

Throughout 2019, officers from the Department participated as members in the Financial Innovation Standing Committee (FISC) of ESMA and the Financial Innovation Network of IOSCO. They also participated in laying out the Republic of Cyprus' positions on European legislation being discussed at the European Council and following a request by the Ministry of Finance, they represented Cyprus in the consultations that followed in Brussels.

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

3.2.3.6 Other operations

In 2019, the Department was assigned the responsibility of educating other national authorities of the Republic and representing CySEC in national forums. To this end, the Department's officers participated as speakers in a seminar by the Bar Association on innovation in the financial sector, while they also represented CySEC in the Government's Ad-Hoc Committee on Distributed Ledger Technology (DLT).

In addition, CySEC presided over the Sub-committee on Financial Applications as well as the Round Table Discussion on DLT applications in the financial sector, submitted comments and suggestions to the Government regarding the National Strategy, while it organised an educational seminar with the Ministry of Finance staff on the legislation governing investment funds.

3.3 Legal Department

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

Elena Michaelidou

Officer A’ of Legal Department

3.3.1 Duties / competencies

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

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

3.3.2 Goals for 2020

In 2020, the Legal Department plans to make further improvements to the institutional framework, such as finalise the draft law concerning Mini Managers and other harmonising draft laws. At the same time, it will closely monitor the United Kingdom’s exit from the EU (Brexit), in view of the expiration of the transitional period, with the aim of minimising the risks and uncertainty in the market and investors.

3.3.3. The Department’s Operations

3.3.3.1 Laws

The Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009)

On 19 April 2019, Law 56(I)/2019 was published in the Official Gazette of the Republic, amending the Cyprus Securities and Exchange Commission Law of 2009 up until 2018. The amendment had to do with CySEC’s powers when it comes to investigating/gathering information. More specifically, the new law explicitly mentions that any person has the obligation to provide timely, complete and precise information to CySEC following a relevant request by CySEC.

The Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017)

CySEC is examining and preparing a draft law to amend the Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017), for matters that require improvements/additions. The draft law will be put to consultation in 2020.

The Recovery of CIFs and Other Entities under the Supervision of the Cyprus Securities and Exchange Commission and for Related Matters Law of 2016 (L.20(I)/2016)

On 21 May 2019, Law 73(I)/2019 was published in the Official Gazette of the Republic, amending the Recovery

of CIFs and Other Entities under the Supervision of the Cyprus Securities and Exchange Commission and for Related Matters Law of 2016 (L.20(I)/2016).

The specific amendment concerns:

- (a) Harmonisation with Directive (EU) 2017/2399, which amends Directive 2014/59/EU (BRRD) regarding the classification of unsecured debt instruments in the bankruptcy hierarchy, and
- (b) the more correct harmonisation with Directive 2014/59/EU (BRRD), for establishing a framework for the recovery and consolidation of credit institutions and investment firms.

The Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007 (N.190(I)/2007)

CySEC prepared a draft law, which is in the hands of the Ministry of Finance for a more correct implementation and improvement of L.190(I)/2007 in order to:

- (a) Replace the referrals to laws/European directives that have been abolished in L.190(I)/2007 with those that apply today.
- (b) Oblige the issuer to submit its “privileged information” to CySEC at the same time as publishing them, in line with Regulation 596/2014.

Additionally, CySEC suggested to the Ministry of Finance to include a provision in the draft law in order to clarify the application of the obligation for disclosure of acquisition/disposal of own shares referred to in L.190(I)/2007, taking into account the corresponding provisions of Directive 2004/109/EC.

The Public Offer and Prospectus Law of 2005 (L.114(I)/2005)

On 19 April 2019, Law 57(I)/2019 was published in the Official Gazette of the Republic amending the Public Offer and Prospectus Law of 2005 up until 2018, in order to introduce the discretion provided to member states by Article 3(2) of Regulation (EU) 2017/1129 (Prospectus Regulation), which came into effect on 21 July 2018.

The amendment determines which offers of public securities in the Republic are exempted from the obligation to publish a prospectus.

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

CySEC prepared and promoted an amendment to the Open-Ended Undertakings for Collective Investment Law, to harmonise it with article 50a of Directive 2009/65/EC on the coordination of legislative, regulatory and administrative provisions relating to certain Undertakings for Collective Investments in Transferrable Securities (UCITS). Article 50 is amended by article 38 of the Regulation (EU) 2017/2402 regarding the establishment of a general framework for securitisation and the creation of a special framework for simple, transparent and standardised securitisation, as well as regarding the amendment of directives 2009/65/EC, 2009/138/EC and 2011/61/EC and the regulations (EC) no. 1060/2009 and (EC) no. 648/2012.

The draft law is expected to be voted into law in 2020.

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

CySEC prepared and forwarded an amendment to the Alternative Investment Fund Managers Law, to harmonise with article 17 of the Directive 2011/61/EU on alternative investment fund managers and to amend the directives 2003/41/EC and 2009/65/EC, as well as regulations (EC) no. 1060/2009 and (EU) no. 1095/2010, which is amended by Article 41 of the Regulation (EU) 2017/2402 on establishing a general framework on securitisation, on creating a special framework for simple, transparent and standardised securitisation and on amending the directives 2009/65/EC, 2009/138/EC and 2011/61/EU as well as regulations (EC) No. 1060/2009 and (EU) no. 648/2012. The draft law is expected to be voted into law in 2020.

The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 (L.188(I)/2007) – AML – European Directives on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

In June 2018, the Directive (EU) 2018/843 amending Directive (EU) 2015/849, was published in the Official Journal of the European Union. The purpose of Directive (EU) 2018/843 is to introduce additional measures to fight terrorist financing, such as, inter alia, extending the scope of Directive (EU) 2015/849 to cover virtual currency exchange platforms and custodian wallet providers, strengthening the powers of financial intelligence units and facilitating their cooperation.

In order to harmonise with Directive (EU) 2018/843 on digital currencies, CySEC prepared a draft law to amend the Prevention and Suppression of Money Laundering Law, which was put to consultation. The draft law also took into consideration the Financial Action Task Force Recommendations on digital currencies.

Furthermore, in cooperation with the Central Bank of Cyprus and the Unit for Combating Money Laundering (MOKAS), CySEC prepared a draft law to amend L.188(I)/2007 and harmonise with Directive (EU) 2018/843. It also participates in the Ad-hoc Transposition Group of the Advisory Authority for Combating Money Laundering and Terrorist Financing, which was established to examine and adopt the specific Directive and transpose it into Cypriot law. It is noted that in view of the three authorities' cooperation for harmonisation, the provisions of the harmonising draft law for Directive (EU) 2018/843 on digital currencies will be incorporated in the amendment they are preparing, which is expected to be completed in 2020.

Additionally, CySEC proceeded to coordinate and promote the creation of the Central Trusts Registry of the Republic, which is provided under Directive (EU) 2015/849 and Directive (EU) 2018/849. More specifically, CySEC was assigned as the responsible Authority to develop, maintain and operate the Registry, as well as prepare the relevant Directives to regulate it.

In order to harmonise with Directive (EU) 2015/849, CySEC issued the Directive on Preventing and Suppressing Money Laundering (R.A.D. 157/2019), which was published in May 2019, on all the specific matters that need to be implemented by its regulated entities in order to comply with L.188(I)/2007. R.A.D. 157/2019 replaces CySEC's previous Directive DI144-2007-08 of 2012, on the Prevention of Money Laundering and Terrorist Financing.

Draft law – Market Abuse Law

The draft law was prepared in order to regulate the reporting of violations or potential violations of the CySEC's regulatory framework by (a) any individual to CySEC and (b) any employee whose employer is a CySEC-regulated entity.

The need to prepare the draft law emerged from the European regulatory framework, which now explicitly refers to the member states' obligation to regulate the submission of complaints. The draft law is pending at the Ministry of Finance and is expected to be promoted in 2020.

The Law on Preventive Supervision of Investment Firms (Capital Requirements Directive – CRD)

CySEC in cooperation with the Ministry of Finance are promoting a draft law for harmonisation with Directive 20013/36/EU, regarding access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as well as Directive (EU) 2019/878, to amend Directive 2013/36/EU on exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital maintenance measures.

It is noted that the relevant provisions of Directive 2013/35/EU had been transposed into the Investment Services and Activities and Regulated Markets Law of 2007 (L.144(I)/2007) and even though the specific law was abolished, the referenced provisions continue to apply, pursuant to a transitional provision in L.87(I)/2017, until their re-harmonisation.

The specific draft law is expected to be passed into law in 2020.

Furthermore, CySEC in cooperation with the Ministry of Finance are examining the preparation of a draft law to harmonise with Directive (EC) 2019/2034 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

Draft law – The Law on Small Alternative Investment Fund Managers (“Mini-Managers”)

CySEC prepared and forwarded a draft law on regulating and operating sub-threshold alternative investment fund managers (mini-managers), as laid out in the Alternative Investment Fund Managers Law of 2013 (L.56(I)/2013).

The mini-managers will be licensed by CySEC and will be able to manage the portfolios of funds whose assets do not exceed the threshold of L.56(I)/2013 (€100,000,000 including leverage or €500,000,000 without leverage). This category of managers does not fall under the European Directive 2011/61/EU (nor L. 56(I)/2013) and is therefore governed by national law.

The aim of the new legislation is to create a prudential regime for companies performing these functions, in order to ensure a climate of trust and adequate investor protection.

The draft law is expected to be passed into law in 2020.

Draft law - Law on the Management Functions of AIF Administrators (Fund Administrators)

Following suggestions from the market and aiming to improve national legislation, a draft law is being prepared on regulating the operation of firms that provide services in the management of alternative investment firms – AIF (fund administrators).

Based on the current institutional framework, the manager (who is licensed and fully regulated by CySEC) has the right to assign the provision of services for the management of collective investment firms to third parties. Upon the introduction of the new institutional framework, the provision of services for the management of collective investment firms must be carried out by a firm that is licensed and regulated by CySEC.

The aim of the new legislation is to create a prudential supervisory regime for companies offering these services, in order to ensure a climate of trust and adequate investor protection.

Amendment of the Companies Law

Aiming to improve the current institutional framework, CySEC has taken steps to prepare a Draft law amending the Companies Law, in cooperation with the Registrar of Companies, with a view to incorporate provisions for “limited liability companies with variable capital” to operate as Variable Capital Investment Companies, as per the Alternative Investment Firms Law of 2018 (L.124(I)/2018) and the Open-ended Undertakings for Collective Investments Law of 2012 (L.78(I)/2012).

The amending draft law has been submitted to the Law Office by the Ministry of Energy, Commerce and Industry, and legal vetting is expected to be completed in 2020.

Furthermore, in the context of preparing the draft law to amend the Companies Law to harmonise with Directive (EU) 2017/828 to amend the Directive 2007/36/EC, as regards the encouragement of long-term shareholder engagement, CySEC has submitted comments and suggestions on the harmonising provisions that fall within its mandate. It should be noted that the Ministry of Energy, Commerce, Industry and Tourism is responsible to implement the harmonisation of Directive (EU) 2017/828.

Amendment of the General and Limited Partnership and Business Names Law

Aiming to improve the current institutional framework and to ensure best functioning of the framework on Alternative Investment Firms (AIFs), CySEC has taken steps, in cooperation with the Registrar of Companies,

to prepare an amending draft law on the General and Limited Partnership and Business Names Law, with the aim of introducing a new form of limited partnership, one with separate legal personality.

The Alternative Investment Firms Law of 2018 (L.124(I)/2018) introduces a new form of AIF, in the form of a partnership with a separate legal personality. To this end, CySEC is proceeding with the necessary amendments to the General and Limited Partnership and Business Names Law so they can be established as limited partnerships with separate legal personality, in order to be licensed as AIFs.

The amending draft law has been forwarded to the Law Office by the Ministry of Energy, Commerce, Industry and Tourism, with the legal vetting expected to be completed in 2020.

Revision of the Investor Compensation Fund

As part of transposing the MiFID II Directive into national law, CySEC in cooperation with the Ministry of Finance and Central Bank of Cyprus are preparing a draft law to regulate the operation of the Investor Compensation Fund (ICF), which will transpose European Directive 97/9/EC into national law anew. The draft law is with the Ministry of Finance.

Meanwhile, in March 2019, CySEC's new Directive on the Operation of Investor Compensation Funds (R.A.D. 76/2019) was published, replacing Directives 144-2007-09 and 144-2007-15.

3.3.3.2 Regulations and Directives

From the EU:

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

As of 21 July 2019, Regulation (EU) 2017/1129 of the European Parliament and Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (Prospectus Regulation) came into full effect, having been published in the Official Journal of the European Union on 30 June 2017.

Regulation 2017/1129 lays down the requirements for the preparation, approval and distribution of the Prospectus to be published in the public offering of securities or their admission to trading on a regulated market located or operating in a Member State.

The objective of Regulation 2017/1129 is to facilitate companies' access to more diversified sources of capital anywhere within the EU, to offer investors more opportunities to utilise their money and to accelerate the more efficient functioning of the markets. The Regulation will reinforce investor protection, whilst also improving the internal securities market.

In July 2019, a Notification by the Minister of Finance was published in the Official Gazette of the Republic, assigning CySEC as the competent authority to implement this specific Regulation.

In view of the full implementation of Regulation 2017/1129, a draft law is expected to be prepared and forwarded in 2020 to repeal the Public Offer and Prospectus Laws of 2005-2019 and replace them with the new law so that the Republic can comply with the Regulation, and so that other matters that need to be further defined can be regulated.

IFD/IFR

Following the publication on 5 December 2019 of the European Directive 2019/2034 and European Regulation 2019/2033 on the prudential supervision of investment firms, CySEC in cooperation with the Ministry of Finance is looking to prepare a draft law to harmonise with the specific Directive (EC) 2019/2034 on the

prudential supervision of investment firms and the amendment of Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU. The harmonization is expected to be completed within 2020 and definitely no later than 26.06.2021.

The new Directive and Regulation will replace the existing prudential supervision requirements for investment firms, which are currently set out in Regulation (EU) 575/2013 on prudential supervision requirements for credit institutions and investment firms (CRR) and Directive 2013/36/EU (CRD IV). The new framework on prudential supervision of IFs takes into account the special business practices of the various types of IFs and especially their size and connections with other financial and economic factors.

CySEC has published a practical guide on its website, which briefly explains the new prudential supervision framework for IFs.

Package of measures to promote the Capital Markets Union

Furthermore, the following EU actions have been published, resulting from the package of measures to promote the Capital Markets Union:

1. Directive (EU) 2019/1160 and Regulation (EU) 2019/1156 for the Cross Border Distribution of Funds. This Directive and Regulation simplify the procedure for notifying the competent authorities of another member state, as well as the distribution and advertising regulations in the case of cross border distributions of UCITS and AIFs. CySEC, in cooperation with the Ministry of Finance are preparing a relevant harmonising draft law.
2. Regulation (EU) 2019/1238 on the establishment of a Pan-European Personal Pension Product (PEPP). This Regulation establishes the legal framework for a new pension product, the PEPP, with a long-term retirement nature, which to the extent possible, will be simple, safe, cost-efficient, transparent and consumer-friendly, and can be transferred anywhere within the EU.
3. Regulation 2019/2115 on the promotion of the use of small and medium sized enterprises (SME) growth markets. This Regulation introduces amendments to Regulations 596/2014 (MAR Regulation) and 2017/1129 (Prospectus Regulation) in order to reduce bureaucracy and improve the information provided to SMEs on their financing options, thus providing them with additional means to grow. CySEC has published a practical guide on its website, which briefly explains the amendments brought about by the Regulation.

Regulations on sustainable investments

The package of Regulations on sustainable investments consists of three Regulations and takes into account the Paris Agreement on climate change and the EU's action plan on financing sustainable growth. More specifically, it seeks to redirect capital flows to financial products that focus on sustainable investment.

The first Regulation (2109/2088) on sustainability-related disclosures in the financial services sector concerns the information and rules to be followed by financial market participants when creating financial products and financial advisers when providing investment advice to investors, in relation to this type of products.

The second Regulation (2019/2089) – amendment of the Benchmarks Regulation – lays down the EU benchmarks and specifically the “EU Climate Transition Benchmark” and the “EU Paris-aligned Benchmark”. Benchmark administrators should publish detailed information on whether or not and to what extent a degree of overall alignment with the target of reducing carbon emissions or the attainment of the objectives of the Paris Agreement is ensured. As we know, the Paris agreement aims to curb global warming well below 2°C above pre-industrial levels and to continue efforts to limit global warming to 1.5°C compared to pre-industrial levels.

The first two Regulations were published in December 2019, while the third Regulation is expected to be

published in the Official Journal of the EU in 2020, defining what is considered a sustainable investment, so that the framework governing sustainable investments can be put into effect.

3.3.3.3 Communication with regulated entities/investors/stakeholders

In 2019, the Legal Department received and processed a series of questions on legal matters by market stakeholders, investors, lawyers, auditors and other individuals. The laws that garnered the most questions are summarised in the table below:

Law	No. Questions
Investment Services Law (UCITS)	160
Administrative Service Providers Law (ASPs)	50
Collective Investments Laws	150
Other Laws	120

3.4 Strategy, International Relations and Communication Department

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

Liana Ioannidou

Head of Strategy, International Relations and Communication Department

3.4.1 Duties / competencies

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

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

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

3.4.2 Objectives for 2020

In 2020, the Department will continue to oversee the implementation of CySEC’s strategic planning and ensure that its work is properly communicated. Emphasis will be given to continuing and deepening CySEC’s cooperation with its counterparts abroad, as part of its supervisory role, as well as to forming legislative regulations governing financial activity on a European level, through its participation in the various ESMA committees and working groups. At the same time, the Department will look at new ways to help educate the public.

3.4.3 The Department’s operations

3.4.3.1 Strategy

Strategic Planning

During the year, the department proceeded to prepare CySEC’s multiannual Strategic Plan, which is vastly important for CySEC itself but also its surrounding environment. On the one hand, it gives individual departments and teams within CySEC the opportunity to identify future actions that will add value to their projects and work, and therefore CySEC, while on the other, it aligns all stakeholders with CySEC’s strategic priorities.

The aim is for the Strategic Plan to be updated regularly throughout the year, taking into account current developments, the CySEC priorities and the progress that has been achieved in each project. At the same time, the full and documented correlation of CySEC's Strategic Planning with its Budget is sought, which in the coming years will be prepared on the basis of the Strategic Plan and the projects that will be included in it.

Managing CySEC's public image

In 2019, the Department took a series of initiatives and took advantage of a number of opportunities to promote and showcase CySEC's work, while it also made suggestions to CySEC's chairmanship, relating to the securities market's growth and progress, as well attracting new, healthy and robust financial organisations.

Informing and communicating with the decision-making centres

Aiming to contribute CySEC's communication with state officials, various organisations and stakeholders on matters relating to upgrading CySEC's operation and helping the securities market grow, the Department prepared a significant number of documents and letters throughout the year.

3.4.3.2 International Relations

Providing assistance and exchange of information

Given that cross border cooperation and exchange of information between supervisory authorities is very important and necessary when it comes to executing its supervisory role, and therefore enacted by the European Directives and Regulations, CySEC attaches great significance to its cooperation with the supervisory authorities of other countries. In 2019, the Department closely cooperated with counterpart supervisory authorities from other EU member states and third countries and has handled 496 requests for two-way assistance and information exchange. In 2019, there were 359 incoming requests and 149 outgoing.

ESMA Joint Group

In January 2019, the ESMA Joint Group's operations came to an end – following a decision of the ESMA Board of Supervisors – which used to provide a framework for closer cooperation between a number of EU supervisory authorities. The decision to end the operations was supported by the successful completion of a relevant Action Plan by CySEC.

Representing CySEC abroad

In 2019, the Department represented CySEC, both at the permanent committees/working groups, as well as high-level meetings by ESMA and IOSCO, such as the Board of Supervisors, the European Regional Committee and the Supervisory Convergence Standing Committee. To this end, 14 meetings were held in total. Furthermore, the Department represents CySEC at the meetings of the Mediterranean Partnership of Securities Regulators.

Signing of memoranda of cooperation

On 23 August 2019, CySEC signed a Memorandum of Cooperation (MoU) with the National Betting Authority. This MoU lays down the framework and procedures for cooperation, with the aim of facilitating the exchange of information and more generally the provision of mutual assistance, to ensure the two Authorities execute their duties more effectively and achieve their goals. Based on the MoU, the two Authorities cooperate closely to increase the efficiency of their supervision and to ensure a uniform way of dealing with issues and violations of the law, where there is a common object, thus guaranteeing compliance with the relevant laws.

In 2019, CySEC also signed an MoU with the Institute of Certified Public Accountants of Cyprus (ICPAC), which lays down the framework and procedures for cooperation, with the aim of facilitating the exchange of

information and more generally the provision of mutual assistance, to ensure the two Authorities execute their duties more effectively and achieve their goals. Based on the Memorandum of Cooperation, the two Organisations cooperate on money-laundering matters in the administrative services sector and on ensuring a more uniform way of dealing with issues and violations of the law, where there is a common object, thus ensuring the compliance of the regulated entities.

In early 2019, the European Securities and Markets Authority (ESMA) and European national regulatory authorities – including CySEC – agreed on Memoranda of Understanding with the corresponding Authority of the UK (Financial Conduct Authority), on the event of a disorderly exit of Britain from the EU.

Furthermore, a multilateral Agreement was reached between the European Central Bank and the national competent authorities for the exchange of information on preventing money laundering and terrorist financing.

In December 2019, a Multilateral Memorandum of Understanding was signed between the European Supervisory Authorities and the corresponding authorities of the United Kingdom (the Bank of England/ Prudential Regulation Authority) for the exchange of information on matters pertaining to participants in Clearing and Settlement systems.

Also in 2019, CySEC took steps to sign AIFMD MoUs with the corresponding Authorities of Russia and China.

To date, CySEC has signed 21 bilateral Memoranda of Understanding and Cooperation, 50 Memoranda of Understanding and Cooperation with supervisory authorities outside the EU, in line with the European Directive on Alternative Investment Fund Managers (AIFMs), while it signed the Multilateral Memorandum of Cooperation of the European Supervisory Authority ESMA and International Organisation IOSCO.



In October 2019, a meeting was held with Securities Commission of the Bahamas (SCB). The aim was to update and inform the SCB on the regulatory framework, procedures and practices CySEC follows when supervising companies that provide investment services via online platforms, to CFDs. During the meeting, the two authorities exchanged views and information on the Bahamas securities market, where the collective investments sector is very advanced.

3.4.3.3 Promoting CySEC's work

Presentation of the national legislative and supervisory framework

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

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

To this end, 36 speeches and presentations for 29 events in Cyprus and abroad were prepared in 2019, with the participation of the Chairmanship. The topics concerned the Cypriot securities market's institutional framework.

Furthermore, informative material and statistical data were prepared and forwarded to public organisations and authorities in Cyprus and abroad for 77 cases, to inform about CySEC's activities and work.

3.4.3.4 Informing the public and other stakeholders

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

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

CySEC also issued warnings to investors that individuals were falsely pretending to be CySEC officers or representatives and contacting investors asking them to submit payments in exchange for supposedly recovering losses they suffered. CySEC used these warnings to remind investors that it never contacts investors or the public to ask for personal, financial or other information, nor does it have the authority to receive payments for any purpose by private investors, nor does it authorise anyone to do so on its behalf.

As is the case every year, a series of interviews, articles and interventions by CySEC's Chairwoman were published in 2019, on current affairs and developments in the securities market, so as to inform the public about the Commission's activities and work. In some cases, it provided informative material to media representatives. More specifically, around 120 documents were prepared for articles, interviews, statements, Press Releases, announcements and information to the media.

Furthermore, a brief informative video on CySEC and its work was prepared and posted on its website.



3.4.3.5 Presentation of CySEC's annual work

In March 2020, CySEC's Chairwoman presented the Commission's work in 2019 at a Press Conference, along with the developments in the sector and its targets for 2020. A significant number of editors from various media outlets were present at the conference, and the event was widely covered.

3.4.3.6 CySEC website

The Department, in cooperation with other CySEC departments, monitors and edits when necessary any material that is published on CySEC's website. During the reference year, it edited/reviewed 145 documents that included announcements, decisions, circulars, warnings and others, which were then posted on CySEC's website. In addition, it edited CySEC's statistical publications.

3.4.3.7 Strategically important events

The Department is responsible for organising and coordinating any big and strategically important CySEC event. As part of CySEC's competencies and the contact it needs to maintain with the market and primarily the entities it regulates, it organises events aimed at informing them on the latest developments, but also relaying CySEC's determination to continue its efforts to further develop the investment services sector and establish Cyprus as an international financial centre.

Official conference dinner

In April 2019, CySEC organised an official dinner, with the main speakers being ESMA Chair Mr Steven Maijoor – who referred to the technological and legislative changes in the investment sector and to matters that are of interest, as well as concerns of market players – and CySEC Chairwoman Mrs Demetra Kalogerou, who referred to the most important developments in the Cypriot securities market. It was also addressed by the President of the Republic, Mr Nicos Anastasiades. Other

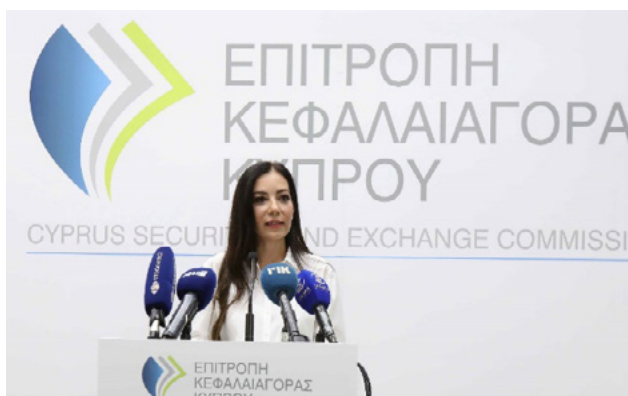




participants included the CEOs, major shareholders of CySEC-regulated entities, and other securities market stakeholders, as well as state and government officials and financial actors. Mr Frixos Sorokos, CySEC's first-ever Chairman, received an honorary award, in one of the evening's highlights. The award was handed over jointly by the President of the Republic and CySEC Chairwoman.

Opening and sanctification of new offices

In September 2019, the Department organised the opening event for CySEC's new offices. The inauguration was performed by the Minister of Finance, Mr Harris Georgiades, and Metropolitan Panteleimon of Koroneia, on behalf of the Archbishop of Cyprus, Chrysostomos II, who blessed the building. State officials and stakeholders of the investment services sector honoured the event with their presence. The new building covers CySEC's current needs and is in a position to support the Commission's further expansion of staff.



3.4.3.8 Educating the public

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

Beyond the benefits for the individuals themselves, financial education also has important benefits for society and economy. An educated investor is expected to make more correct decisions, thus limiting the risk of taking excessive risks when it comes to their money and reducing the possibility of them being led to even high losses or even the creation of debts, which in some cases can even lead to bankruptcy.

As a result, CySEC promotes the public's education on matters pertaining to the securities market in a variety of ways. More specifically, it runs a special section on its website dedicated to investors, where it posts informative material and warnings issued by CySEC or the regulatory authorities of other countries.

Participation in World Investor Week

In 2019, CySEC participated for the first time in World Investor Week, a global campaign that was organised for the third time by IOSCO, with the aim of encouraging investor protection and education. Throughout the week (30 September – 6 October 2019), CySEC promoted the messages from the IOSCO initiative on its website and social media



accounts, thus contributing to the international campaign for educating and informing the investing public. Furthermore, through various publications and articles in the press, it highlighted the importance of financial literacy and informing the public and investors, with the aim of increasing their ability to take important financial and investment decisions.

Submission of proposals to the government

Educating the public on basic financial knowledge, including matters pertaining to the securities market, is something that is repeatedly highlighted by European and international organisations. In its 2015 report, the International Organisation of Securities Commissions (IOSCO) stressed that poor alignment between the investor's understanding of the risk and the actual level of risk to which he may be exposed through an investment, leads to uninformed decisions, resulting in significant financial losses. Despite the above observation, studies in various EU member states, including our country, record very high levels of financial illiteracy among the general population. Furthermore, the need to educate the public has become all the more imperative due to the radical growth of new financial technologies and an increase in financial options in services and products.

To this end, CySEC has examined examples of action taken in other countries and submitted specific proposals to the government for the creation of an independent financial education body and the introduction of a basic financial education course in schools.

Furthermore, as the regulatory Authority, CySEC has declared its readiness to contribute both to the creation and structure of the independent Body, and prepare the aforementioned national strategy, as well as shape the syllabus of the Lyceum course, in cooperation with all other stakeholders.

Educational visits by university students to CySEC

In November 2019, the Department suggested arranging educational visits by university students in economic and financial studies to CySEC's offices, with the aim of educating them on matters of the securities market,

getting them acquainted with CySEC and its work, as well as informing them about career opportunities, both at CySEC and the sector it supervises.

To this end, the Department contacted universities that run economic and financial studies schools or departments, inviting them to cooperate in order to organise the educational visits. Initiatives to achieve this cause will continue in 2020.

Participation in Career Day at a secondary school

In 2019, CySEC participated in a secondary school's career day with its own kiosk. The aim was to inform and educate pupils on CySEC, its competencies and the sector it supervises, as well as career opportunities in the investment services sector and at CySEC. As part of its participation, CySEC prepared informative material that it handed out to students, along with a special leaflet on collective investments that was prepared by CIPA.



3.4.3.9 Social responsibility actions

Aware of the positive impact that responsible voluntary action by organised bodies can have on society, CySEC's long-term strategy encourages and supports its staff to participate in social contribution actions, which are part of a comprehensive programme aimed at combining the personnel's awareness, active support and commitment towards their social responsibility. In 2019, CySEC's staff focused, among other, on promoting a variety of actions, some of which are mentioned below.

Internal Charity bazaar

Throughout 2019, CySEC's internal bazaar continued with the sale of homemade foods prepared by CySEC staff, out of working hours, aiming to raise money for charity purposes. Furthermore, a Christmas charity bazaar was held, where homemade foods and other products made by CySEC staff were purchased by the other colleagues. All proceeds went to charity.



Collection of clothes, essentials, toys and school supplies

Throughout the year, CySEC staff collected toys, clothes, school supplies and essentials for families in need, which were delivered to the Volunteerism Council and Red Cross to be given to families facing financial difficulties. In addition, as part of the Pancyprian Volunteerism Coordinative Council's action, CySEC staff participated in the campaign "All children with school supplies", collecting school supplies that were given to financially vulnerable children.

Blood donation

In January and September 2019, CySEC staff participated in blood donations held at the Engomi Health Center Blood Donation Station, to help deal with serious blood shortages.

Nicosia Marathon and Tree-planting

CySEC staff supported the "Agia Skepi" Therapeutic Community for people with addictions, with a team of staff members volunteering to take part in the 5km Nicosia Marathon corporate race.

Additionally, CySEC staff participated in a tree-planting event that was held under the "I Give Life" campaign by non-government organisation Round Table 6 Limassol, with the support of citizens' initiative "300,000 trees in Nicosia".

Campaigns to raise funds for families

CySEC staff offered financial support to families of children with serious health problems, who needed to travel abroad for specialised treatment and surgical procedures. In all cases, the families were unable to take on the cost of the treatments.

Support to charities

Ahead of Easter, CySEC staff supported various charities, such as the Cyprus Anti-Cancer Society, the Karaiskakion Foundation and the Apostolos Varnavas Charity and Missionary Group, by purchasing Easter candles that were created by the volunteers of each institution.

CySEC staff made a donation to the "Bike+me" campaign to support the Cyprus Anti-Cancer Society, while it also supported the Karaiskakion Foundation's "#GoOrangeForALife" campaign, by purchasing the foundation's collectable products.

Also, CySEC staff supported the Cyprus Anti-Cancer Society and the Cyprus Association for Children with Cancer and Related Diseases "One Dream One Wish", by purchasing the associations' Christmas products, while it also participated in the "Adopt a Family for Christmas" programme by the Pancyprian Volunteerism Coordinative Council, in aid of financially-vulnerable families to help them get supplies for the Christmas table.

Protecting the environment and saving energy

Throughout the year, CySEC recycles the various materials that it uses, such as paper, plastic and batteries, so as to contribute towards saving energy and raw materials, as well as reduce the volume of its waste and the impact it has on the environment.

Moreover, CySEC follows all the proposed measures/guidelines that are issued by the Energy Service of the Ministry of Energy, Commerce and Industry, as well as the Cyprus Institute of Energy. The provisions included in the tenders CySEC opens are also relative, for the purchase of environmentally-friendly products.



3.5 Finance, Human Resources and Education Department

“Finance, Human Resources and Education Department provides significant support to CySEC on multiple levels. CySEC’s smooth operation depends on the Department’s work, particularly when it comes to the composition of the Commission’s budget, managing its human resources, handling certification matters as well as other multifaceted matters. Our Department’s aim is to assist the Commission in achieving its strategic planning, providing it with all the necessary means. This is a constant challenge, due to the changing environment in which CySEC operates.”

Costas Angastiniotis

Head of Finance, Human Resources and Education Department

3.5.1 Duties / Competencies

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

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

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

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

3.5.2 Objectives for 2020

The Finance, Human Resources and Education Department, in cooperation with other CySEC departments, will continue its study into changing CySEC’s pricing policy for CIFs, which was implemented initially for CIFs. In 2020, further changes to CySEC’s pricing policy are expected in other sectors as well.

It is worth noting that the examinations for the certification of individuals on AML matters will start in 2020. CySEC keeps a relevant register, in line with the CySEC Directive regarding the Certification of Persons and the Certification Registers (R.A.D. 44/2019).

Furthermore, the Department’s plans also include to upgrade the system for managing certified persons, so as to offer persons wishing to take CySEC’s certification exams, but also certified persons, the ability to create a username and submit their inquiries to CySEC electronically, through the system.

In the following year, the Department is also expected to complete the process to hire new Officers and Assistant Clerical Officers to fill vacancies, and the procedure to transfer two Assistant Clerical Officers from the CSE to CySEC.

More specifically, now that the Department’s personnel has increased, an effort will be made to better organise its operations, by preparing manuals and a clear record of the procedures that must be followed.

Also in 2020, the Department plans to install a human resource management programme and operate, as a first stage, the part that manages the personnel's annual leave.

The department will also place special emphasis on implementing the programme for strengthening CySEC's organisational culture, which will focus on a number of issues facing CySEC as regards managing its human resources. The programme is expected to help pinpoint areas that have room for improvement, such as staff administration, while the necessary measures will be taken to strengthen the organisational culture. At the same time, the aim is to organise specialised training for the personnel on matters of organisation, performance and communication.

3.5.3 The Department's operations

3.5.3.1 CySEC personnel

As of the end of 2019, CySEC employed seven (7) Senior Officers, 23 Officers A', 54 Officers, four (4) Clerical Officers and 25 Assistant Clerical Officers.

Four Officers and one Senior Officer left CySEC during the year. Also, 15 individuals became permanent officers, while one individual became Assistant Clerical Officer, after the relevant applications were examined by the Social Insurance Service and a relevant decision was taken by the CySEC Board.

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

DEPARTMENT	PERSONNEL
Finance, Human Resources and Education Department	12
Legal	5
IT and Operations	7
Authorisations	21
Supervision	18
Strategy, International Relations and Communications	8
Risk Management and Statistics	7
Policy	2
Issuers	7
Market Surveillance and Investigations	10
AML	11
Internal Audit Unit	3
Chair Support / Reception	2
TOTAL	113

Given CySEC's need for more staff, and pursuant to the special Memorandum of Cooperation that was signed between CySEC and CSE in 2012, one Officer and two Assistant Clerical Officers were seconded from the CSE to CySEC in end-2019. Furthermore, one Officer has been employed at the Strategy, International Relations and Communication Department since 1/8/2018, after being seconded from the Office of Electronic Communications & Postal Regulations, in line with the secondment of employees of the Civil Service and Public Law Organisations Law of 2017 (L47(I)17).

3.5.3.2 Representation abroad

Permanent Representation of the Republic in Brussels

The Officer A' of the Legal Department who had been seconded to the Permanent Representation of the Republic of Cyprus in Brussels (Financial Services Attaché) to handle all issues of the EU Council in relation to financial services related to the competencies of CySEC, returned to her duties at CySEC and was replaced by an Officer A' of CySEC's Strategy and Communication Department in September 2019.

The Financial Services Attaché represents Cyprus at EU Council meetings and works closely with the other EU institutions to promote the interests of Cyprus in dealing with issues falling within the competence of CySEC, as well as other government Departments.

Participation in the European Securities and Markets Authority (ESMA)

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

The committee completed the project of creating a common policy for the exchange of personnel among ESMA members in 2019, while in cooperation with another two Authorities of the EU's financial sector – the European Banking Authority (responsible for credit institutions) and the European Insurance and Occupational Pensions Authority (responsible for insurance and professional pension funds) – it promoted matters that had to do with personnel training. To this end, CySEC continued to develop its policy for staff training.

3.5.3.3 Educating CySEC personnel and Professionals at regulated entities

3.5.3.3.1 Staff training

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

More specifically, CySEC organised the following seminars for its personnel in 2019, with the participation of foreign instructors:

- Big Data Analytics
- Distributed Ledger Technology
- Train the trainer
- Best Execution
- Funds and Fund managers
- Basic IFRSs
- Recovery and Resolution of CIFs
- Market Abuse
- Blockchain Introduction and Regulatory Issues

The Department's officers also participated in seminars on IFRS and Effective Administration, as well as seminars by the Ministry of Finance on tendering procedures and combating corruption.

Additionally, other internal seminars were held for various CySEC departments, depending on each department's expertise and field of interest. Indicatively, it is noted that the Risk Management and Statistics Department held two seminars on how to use the eGRC platform and RBS-F supervision framework.

3.5.3.3.2 Certification & professional training of professionals at regulated entities

In 2019 97 certification exams were held, with 1,606 persons registering to take them. Of those, 85.62% registered to take the upgraded exam and 14.38% the basic exam. Of those who took the exams, 757 passed. At the end of 2019, there were 3,432 individuals registered on the CySEC public register.

Simplification of procedures

It is worth noting that as part of its effort to modernise its operations and simplify its procedures, CySEC has implemented a number of changes when it comes to registering to take the certification exams and registering/renewing the Public Certified Persons Register, such as providing the ability to pay and submit the application online at the same time, which has been a great convenience for interested parties.

Now, interested parties can use the CySEC website to register for exams and the public register, renew/re-register in the public registry, register for Continuous Professional Training seminars and pay the fees, while ways are always being sought to further upgrade the system that manages certified persons as well as further automate CySEC's procedures.

Improving the compliance of regulated Organisations

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

To this end, CySEC holds seminars for the regulated entities, as well as lectures that are open to the public. During these seminars and lectures, any changes to the legislative framework governing the sector and any new laws are presented, while explanations are given on the basic legal provisions and the regulated entities' obligations, resulting from these changes.

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

In 2019, CySEC organised and held 23 seminars, in Nicosia and Limassol. The seminars were attended by around 580 individuals, of whom the majority were registered professionals of the field, or professionals who were interested in becoming registered on CySEC's certified persons registry.

During the seminars, the legal framework on market abuse, laws on Recovery and Consolidation and AML were analysed. The Law on Collective Investment Schemes and the Laws on Investment Schemes and Managers of Investment Schemes were also analysed.

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

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

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

3.6 Internal Audit Unit

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

Maria Savva

Head of Internal Audit Unit

3.6.1 Duties / Competencies

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

4

Supervision
of the market
and compliance
of regulated
entities

4.1 Supervision Department

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

Eftychia Georgiou

Head of Supervision Department

4.1.1 Duties / Competencies

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

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

The department can be contacted via the email: supervision@cysec.gov.cy

4.1.2 Objectives for 2020

In 2020, the Supervision Department will pay special emphasis to supervising CIFs and specifically the following:

- Supervising the compliance of high- and medium-risk CIFs with their legally-mandated obligations, by carrying out checks.
- Supervising the compliance of a sample of medium-to-low and low-risk CIFs with specific legally-mandated obligations, by carrying out checks.
- Execution of thematic checks on a sample of CIFs, regardless of their risk classification, or ad-hoc checks, regarding the following obligations/requirements:
 - Supervision of products (product governance requirements), including the requirements for the preparation of a basic information document (PRIIPs KID requirements)
 - Assessment of the appropriateness and suitability requirements of the services/products they offer clients
 - information addressed to clients requirements, including marketing communications
 - transparency requirements
 - inducements and remunerations requirements

- cost and charges requirements
- best execution requirements
- governance requirements
- safeguarding of clients funds
- risk management procedures
- Monitoring their compliance with the requirements for transaction reporting, as they arise from the MiFIR, EMIR, CSDR, STFR, Securitisation and AIFM Regulations.
- Monitoring their compliance with capital adequacy requirements, capital requirements (Pillar I and II requirements – ICAAP) and the publication of information (Pillar III requirements) and checking their calculation of own funds and capital adequacy ratio.
- Issuing guidelines, circulars and forms to help CIFs comply with their legal obligations.
- Examining and upgrading the regulatory and supervisory framework governing CIFs' operation.
- Examining the growth of the securities market to include new sectors/products, such as the provision of cryptocurrency services, and the use of blockchain technologies.
- Active participation in committees, in Cyprus and abroad, which define the regulatory framework governing CIFs.
- Automation/Improvement of the functions and procedures of the Department for more effective supervision.

When it comes to supervising Management Companies & Undertakings of Collective Investments, the Department's planning for 2020 includes the following:

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

4.1.3 Supervision Department's operations

4.1.3.1 Inspections

In 2019, the Supervision Department monitored the compliance of regulated entities with their legal obligations, by carrying out onsite inspections at their offices and examining documents that were submitted, pursuant to the current law or analysing the data referring to it.

CySEC's supervisory action plans for 2019 gave emphasis to monitoring the compliance of regulated entities with their ongoing obligations.

CIFs

The Supervision Department carried out the following inspections on CIFs:

Onsite inspections

In 2019, 28 onsite inspections were carried out on 27 CIFs, which comprise 11% of total CIFs. The inspections had to do with organisational requirements (i.e. organisational structure and compliance function), the provision for investor protection (i.e. monitoring products, assessing compatibility, marketing placements, product promotion), best execution rules, clients' money requirements and risk management procedures.

Desk-based/document inspections

Thematic desk-based inspections

In 2019, the Supervision Department carried out 585 thematic desk-based inspections on 235 CIFs, which comprise 98% of total CIFs. The inspections concerned the following requirements/obligations:

- Product monitoring requirements
- Compatibility assessment requirements
- Marketing communications requirements
- Organisational requirements
- Requirements for making information available to the public on the quality of transaction execution
- Client money protection requirements
- Derivative contract reporting requirements
- Obligations on reporting transactions
- Assessment of internal audit reports
- Requirements for systematic internalisers
- Assessment report on internal capital adequacy assessment procedure
- Deactivation - provision of services

Document inspections

The Supervision Department also inspected almost all documents that were submitted by CIFs on the following:

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

CySEC also examined a number of complaints against CIFs that were made by the supervisory authorities of other countries.

AIFM/AIF

In 2019, CySEC's Supervision Department also carried out desk-based inspections on 174 AIFM/AIF, to assess their compliance with the minimum asset requirements, on 111 AIFM to assess their compliance with their obligation to report data and five MC UCITS (10 UCITS) to assess their compliance with their obligation to submit annual and interim financial reports.

4.1.3.2 Supervisory measures

In the cases where CySEC found that CIFs did not comply with their legal obligations, it proceeded with imposing supervisory measures. In 2019, CySEC imposed an administrative fine on one CIF and reached a settlement with two (2) CIFs. Furthermore, it suspended the operation of four (4) CIFs and made a significant number of representations and drew the attention to weaknesses that needed to be corrected by CIFs.

In the cases where CySEC found that AIFMs did not comply with their legal obligations, it proceeded to impose administrative fines. More specifically, the Department fined one AIFM and gave it a deadline to comply by suggesting corrective measures. At the same time, it issued a number of circulars in 2019, highlighting the weaknesses that were spotted during inspections, good and bad practices, as well as recommendations for full compliance.

4.2 Anti-Money Laundering Department

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

Charalambos Paraskeva,

Head of Anti-Money Laundering Department

4.2.1 Duties/Competencies

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

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

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

4.2.2 Objectives for 2020

The Anti-Money Laundering Department has set the following priorities for 2020:

- Completion of the Trust Registry, as stipulated by the 4th European Directive (EU) 2015/849 on preventing money laundering and terrorist financing, and which is amended by Directive (EU) 2018/843 (5th European Directive). The project entails the creation, management and supervision of this Registry, which will keep information about the ultimate beneficial owners of express trusts and other legal arrangements with a structure or function similar to trusts.
- Amendment of the CySEC Directive on the Prevention of Money Laundering and Terrorist Financing, in order to harmonise with the 5th European Directive.
- Implementation of the annual schedule for onsite and desk-based inspections for 2020, based on the “RBS-F” results on the risks of regulated entities.
- Planning and implementation of an Action Plan, which will be based on the findings/results of the EU Committee of Experts on Evaluation of Anti-Money Laundering Measures (Moneyval) assessment report on Cyprus, to be published in February 2020.
- Participation in two additional Cyprus assessments for 2020 through the submission of specific questionnaires, and active participation in meetings with the visiting assessors. Specifically, Cyprus will be assessed between 26-28 February on the implementation of the UN Convention against Corruption, and on the implementation of the European Council’s 4th AML European Directive between 3-5 March.

4.2.3 Department's Operations

4.2.3.1 5th AML EU Directive

As part of harmonising with the 5th European Directive (EU) 2015/849 on the prevention of the use of the financial system for purposes of money laundering or terrorist financing, CySEC cooperated with the respective supervisory authorities of Cyprus and participated in meetings which were specifically established for the study and the adoption of the Directive. These amendments are expected to be incorporated in the relevant Cypriot Legislation in 2020.

4.2.3.2 Register of Trusts

Furthermore, CySEC has undertaken the creation, management and supervision of the Trust Registry, which is provided for in the 4th European AML Directive (Section 31), and in article 61B of the AML Law (N188(I)/2007) (Section 61B).

The obligation to maintain information on express trusts and other types of legal arrangements, with a structure or operation similar to trusts in a central Trust Registry, will, inter alia, improve transparency.

In order to fulfil its relevant obligation, CySEC decided to assign the project to external consultants/partners. According to the 4th European Directive, the Trust Registry must be established in 2020, while all respective central registries of member states must be integrated in the European Central platform in 2021.

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

CySEC, in cooperation with the respective supervisory authorities of Cyprus and contributions from the private sector, conducted an assessment of threats and weaknesses faced by the country in matters of money laundering and terrorism financing. This assessment was based on the provisions of international standards, as set by the Financial Action Task Force (FATF), as well as on the 4th European Directive of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing. This assessment was conducted based on the internationally accepted and recognised methodology of the World Bank, which helps identify any deficiencies in the regulatory framework that is implemented for the prevention of AML and terrorist financing. It also contributes to increasing the effectiveness of the procedures followed by all stakeholders whether they are governmental, supervisory or private actors, ultimately aiming at the adoption of corrective measures.

The National Risk Assessment concluded with the preparation of a Report, which includes, inter alia, recommendations for improvements. Specifically, the aim of the competent authorities is for the implementation of the Action Plans, which have been included in the Report, as well as the monitoring of their implementation by the Anti-Money Laundering and Terrorist Financing Advisory Authority (established under Article 56 of Law 188(I)/2007).

As such, during 2019 CySEC implemented the measures/actions included in the Action Plan for addressing the vulnerabilities identified in the Report, while the regulated entities have been informed of the above through a relevant Circular.

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

Cyprus' regulatory and supervisory framework for the prevention of money laundering and terrorist financing is subject to evaluation by the EU Committee of Experts on Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, known as Moneyval.

Moneyval launched the 5th round of Cyprus' evaluation in June 2018 in order to examine and evaluate Cyprus' compliance with international standards on combating money laundering and terrorist financing, as well as its effectiveness.

In view of this assessment, Moneyval visited Cyprus in May 2019 and held individual meetings with, inter alia, the relevant supervisory and other Authorities, including CySEC, as well as the responsible entities (private sector), making recommendations regarding necessary improvements to their systems and procedures.

Cyprus' draft evaluation report by Moneyval was discussed at the Moneyval Plenary Session in December 2019, with the final evaluation report expected to be published in February 2020. Based on the content of the report, an Action Plan for CySEC will be established with implementation timeframes, which will be part of CySEC's Strategic Planning and will be based on the findings/results of the Moneyval assessment report.

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

In 2019, OECD's Global Forum visited Cyprus and held individual meetings with, inter alia, the relevant supervisory and other Authorities, including CySEC, as well as the responsible entities from the private sector. Their aim was to assess Cyprus' compliance with standards on transparency and exchange of information for tax purposes. In the context of the assessment, CySEC filled in the relevant questionnaire following the Global Forum (2016) methodology, in which CySEC had actively participated. The assessment results are expected within 2020.

4.2.3.6 Monitoring the Compliance of Regulated Entities

In 2019, the Department continued monitoring the compliance of the Regulated Entities with their legal obligations, either by conducting on-site inspections at their offices or remotely (desk-based), by examining documents that must be submitted to CySEC in accordance with the law.

4.2.3.7 Conduct of inspections

In the reference year, the Anti-Money Laundering Department carried out 17 scheduled onsite inspections, to assess the adequacy and suitability of the relevant measures and procedures that are implemented by the regulated entities, for the prevention of money laundering and terrorism financing. More specifically, it carried out:

- Five (5) onsite inspections at CIFs
- Nine (9) onsite inspections at ASPs
- Three (3) onsite inspections at Managers of Undertakings for Collective Investment

4.2.3.8 Conduct of remote supervision

In relation to remote supervision, the Department carried out the following actions:

- An inspection of the annual reports on the prevention of money laundering, including the relevant minutes of the board of directors, which were submitted by the CIFs, ASPs and Managers of Undertakings for Collective Investment. The reports mainly concern the policy, practices, measures, procedures and control mechanisms that are implemented to prevent money laundering and terrorism financing.

- Collection and evaluation of specific data and information from CIFs, ASPs and Managers of Undertakings for Collective Investment on matters of compliance with their continued obligations in line with the Law 188(I)/2007 and the relevant CySEC Directive.
- Inspection of the monthly prudential reports on significant cash transactions by CIFs and ASPs.

In the cases where CySEC determined there was non-compliance or weaknesses and/or omissions that were not in line with the provisions of the Law 188(I)/2007 and the relevant CySEC Directive on Anti-Money Laundering and Terrorist Financing, it decided to:

- Impose an administrative fine on one CIF
- Indicate a series of measures to a number of CIFs and ASPs to correct their internal procedures, regulations and practices, with the aim of ensuring their full compliance with their legal obligations. The regulated entities are obliged to take these measures within a predetermined deadline by CySEC, after which CySEC will check their compliance anew, either through onsite inspections or remotely.

In 2019, CySEC prepared and published 14 Circulars relating to preventing money laundering and terrorist financing, some of which concerned CySEC's findings following the evaluation of the Annual Reports submitted by regulated entities and the onsite inspections carried out by CySEC.

4.2.3.9 Cooperation with other supervisory authorities / committees of Cyprus

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

Moreover, CySEC participates in the Advisory Authority for Combating Money Laundering and Terrorist Financing that has been established under section 56 of the Law 188(I)/2007, whose responsibilities include coordinating the competent Public services and private sector agencies to identify, evaluate, understand and counter threats from money laundering and terrorist financing. Additionally, the Advisory Authority has a duty to inform the Council of Ministers about the measures that are being taken and the general policy that is being followed to prevent money laundering and terrorist financing.

4.3 Issuers Department

“The Issuers Department closely monitors developments and issues which concern companies whose transferable securities are listed on a regulated market for trading (issuers), both at the level of legislation and on the basis of Public Statements / Guidelines issued by ESMA, adjusting the Department’s procedures accordingly, as well as the monitoring of Issuers’ compliance.”

Koulla Theocharous

Head of Issuers Department

4.3.1 Issuers Department

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

4.3.2 Objectives for 2020

In 2020, the Issuers Department will intensify monitoring issuers and other liable persons’ compliance with their continuous obligations, as defined in the current legislation. Additionally, it will particularly focus on informing issuers about issues identified throughout the monitoring of their compliance, or which have arisen from ESMA recommendations, as well as informing them about the new obligation of preparing their financial statements in accordance with the European Single Electronic Format.

Importance will also be afforded to the implementation of the new European Regulation on Prospectuses, which entered into full force on 21 July 2019, as well as to intensifying evaluations of the issuers’ financial statements, in order to assess their compliance with International Financial Reporting Standards.

The Department will focus, inter alia, on the composition of an Audit Committee for Issuers and its compliance with the provisions of the relevant legislation.

4.3.3 Issuers Department Operations

4.3.3.1 Market Supervision and Monitoring

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

In 2019, Officers of the Issuers Department continued to regularly monitor announcements by Issuers concerning the issue/offer of securities or the introduction of securities to a regulated market, in order to determine their compliance with the relevant legislation as regards their obligation to issue a Prospectus or a Supplementary Prospectus or whether they were exempted from the Law.

Furthermore, the Issuers Department continued to regularly monitor the notifications of approved

prospectuses from the competent Authorities of other member states, which mainly concern public offers of transferable securities in the Republic, of Issuers established in member states other than Cyprus. The relevant notifications were posted on CySEC's website. During 2019, CySEC received notifications from the competent authorities of other member states for 9 Prospectuses and 21 Supplementary Prospectuses.

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

Monitoring the implementation of the Public Takeover Bids Law of 2007

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

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

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

CySEC continued to also monitor and evaluate notifications submitted to CySEC, in relation to the important participation of shareholders or other liable persons in Issuers, for matters of compliance with the above Law.

■ Annual Financial Report

Annual Financial Report for the financial year 2017

While reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for the financial year 2017, CySEC proceeded to investigate nine cases concerning a potential violation of article 9(1) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market), due to their failure to publish an Annual Financial Report within the deadline specified by Law, and/or article 37(2) (a) of the same Law regarding failure to submit the report to CySEC.

It also investigated one other case concerning a possible violation of article 9(3)(c) of the same Law, as the Annual Financial Report for 2017 by the specific Issuer did not include a Statement by the Board of Director Members and other responsible parties for the Financial Statements (Consolidated and parent).

The review of the cases was completed in 2019 and CySEC decided to impose administrative sanctions on six Issuers, as follows:

- Administrative fine for five Issuers for violation of article 9(1) of the relevant Law.
- Administrative fine for one Issuer for violation of article 9(3)(c) of the relevant Law.

In the other four cases, CySEC decided to not impose administrative fines on Issuers for violation of article 9(1) but instead drew their attention to the provisions of the Law.

Annual Financial Report for the financial year 2018

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

9(1) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market), due to their failure to publish an Annual Financial Report within the deadline specified by Law, and/or article 37(2) (a) of the same Law, regarding failure to submit the report to CySEC. This review continued in 2020.

As part of the specific investigation, CySEC also sent letters to a number of Issuers, who presented minor shortcomings or omissions in the publication of their Annual Financial Report for 2018, drawing their attention to the issues that were spotted as well as the provisions of the relevant law.

■ Interim Financial Report

Interim Financial Report for the first half of the financial year 2018

While reviewing the compliance of Issuers with regard to their obligation to publish their Interim Financial Report for the first half of the financial year 2018, CySEC proceeded to investigate two cases of a possible violation of article 10(1) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market), due to failure to publish an Interim Financial Report within the deadline specified by Law, and article 37(2)(a) of the same Law regarding failure to submit the report to CySEC. It also investigated one other case concerning a possible violation of article 10(3)(b) of the same Law, as the Interim Financial Report for the first half of 2018 by the specific Issuer did not include an Interim Management Report.

The review of the cases was completed in 2019 and CySEC decided to impose administrative fines on three Issuers, as follows:

- Administrative fine for two Issuers for violation of article 10(1) of the relevant Law.
- Administrative fine for one Issuer for violation of article 10(3)(b) of the relevant Law.

As part of the specific investigation, CySEC also sent letters to a number of Issuers, who presented minor shortcomings or omissions in the publication of their Interim Financial Report for the first half of the financial year 2018, drawing their attention to the issues that were spotted as well as the provisions of the relevant law.

Assessment of the content of the Interim Management Reports of Issuers for the first half of the financial year 2018

In 2019, CySEC reviewed the compliance of Issuers as regards the content of their Interim Management Reports for the first half of the financial year 2018, which were included in the Issuers' published Interim Financial Reports for the specific period, as required by article 10(3) of the Transparency Requirements Law (Securities Admitted to Trading on a Regulated Market) of 2007.

As part of the review, CySEC had requested a number of Issuers, who presented minor shortcomings or omissions in the content of their Interim Management Report for the first half of the financial year 2018, to proceed with a supplementary/corrective announcement, and/or sent letters drawing their attention to the issues that were spotted as well as the provisions of the relevant law.

As part of the specific review, CySEC also proceeded with publishing a circular reminding the Issuers to implement the Guidelines of the European Securities and Markets Authority (ESMA), in regards to Alternative Performance Metrics.

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

In 2019, CySEC also began monitoring the compliance of Issuers in regards to their obligation to publish an Interim Financial Report for the first half of the financial year 2019, as well as their compliance as regards the content of their Interim Management Reports for the first half of the financial year 2019, which are included in the published Interim Financial Reports of Issuers for the specific period. The specific review continued in 2020.

■ Content of financial information

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

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

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

The selection of the financial statements for assessment in 2018, was made on a sample basis as described above. The annual and/or interim financial statements of 10 Issuers were selected in total for assessment. In some cases, an overall assessment was made in relation to their compliance with IFRS, while in others, a focused/thematic review was conducted in relation to a specific accounting treatment or for the purposes of the common European priorities for the supervision of the financial statements for the year 2018, as defined by the European Supervisory Authorities in cooperation with ESMA. CySEC also continued examining certain financial statements for the year 2017 and/or the six-month period ending 30 June 2018, which were selected for assessment in 2018.

Where deemed necessary, the results of these assessments were sent by CySEC to the companies in question, in order for them to provide relevant explanations before a decision was made by CySEC. Additionally, in the cases where the sample was selected according to the common European priorities, the results of the assessment were also sent to ESMA. In some cases, following the completion of the assessment, the companies were asked to take corrective measures in their next financial statement publications. Some of the financial statements that were selected, are being assessed in 2020.

Monitoring the implementation of the Auditors Law of 2007 in relation to the Audit Committee

CySEC continued to monitor the compliance of Issuers with Article 78 of the Auditors Law of 2017 in regards to the establishment of an Audit Committee by the Issuers. The ensuing assessment found that all Issuers have proceeded with establishing an Audit Committee. Nonetheless, CySEC carries out scheduled inspections, on a sample basis, to determine whether the composition of the Committees is in accordance with the provisions of the relevant Law.

Circulars

A number of circulars and announcements was also issued to Issuers, aiming to draw their attention to various issues that were spotted or that they should take into consideration in order to comply with their continuous obligations or when compiling their financial information.

4.3.3.2 Authorisation and Approval

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

On 21 July 2019, "Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC" came into full effect. This regulation lays down requirements for the drawing up, approval and distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a Member State. Following a notification by the Minister of Finance on 5 July 2019, CySEC was assigned as the competent authority to perform the duties provided in Regulation 2017/1129, and ensure its implementation.

As a result, the procedures CySEC follows to examine prospectuses were adjusted accordingly. It also assisted issuers or their advisers who had applied to have their prospectus approved, to adjust their applications in line with the requirements of the new Regulation.

In 2019, CySEC received two applications for approval of Prospectus for a public offer and/or admission of securities to the organised market, under applicable law. CySEC examined these applications, as well as two other applications that were submitted in 2018, and approved two Prospectuses.

CySEC did not receive any requests for approval of a Supplementary Prospectus in 2019.

One of the above approved Prospectuses was shared, at the issuer's request, with the competent supervisory authorities of the two EU host member states, where the public offering of these securities was to take place.

Transfer of competency for Prospectus approval

In 2019, one issuer whose member state of origin is the Republic of Cyprus based on the Public Offer and Prospectus Law, applied to CySEC to transfer the competency of approving its Prospectus to the competent supervisory authority of another EU member state. CySEC examined the application and decided, pursuant to Article 26(8) of the Public Offer and Prospectus Law, to transfer the competency of approving the specific Prospectus by the specific Issuer to the competent authority of another member state, based on the relevant applications, given that this competent authority had consented to the transfer.

In 2019, CySEC did not receive any requests from another supervisory authority to transfer the competency of approving a Prospectus to CySEC.

Public Takeover Bid Documents

In 2019, two Public Offer Documents were submitted to CySEC following a notice by the Offeror for a mandatory public offer for the acquisition of 100% of the securities of the corresponding number of issuers with securities listed on the CSE.

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

In 2019, CySEC also received a public takeover bid document involving a Cypriot company, whose securities were listed for trading on the regulated market of another member state, regarding matters that had to do with Cypriot legislation and fell under CySEC's mandate. CySEC examined the Document and delivered its comments on it to the Offeror.

Exemptions from the obligation to conduct a Public Takeover Bid

In 2019, eight applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined the relevant applications, as well as two applications that were submitted in 2018, and issued a decision (of approval or rejection) for eight of them, while the examination of two applications was completed in 2020.

CySEC also examined applications from three acquirers to extend the deadline they were given to comply with the terms they were determined by CySEC, when granting an exception to the obligation to make a public offer to the shareholders of the respective number of issuers. CySEC approved all three applications.

Applications to exercise squeeze-out right

In 2019, CySEC received two applications by Offerors to exercise their right to squeeze-out the remaining shares of the offeree companies, which had not been acquired as part of the Public Takeover Bid to the shareholders of the offeree companies. CySEC examined and approved the applications.

Delisting/suspension of trading

In 2019, CySEC examined and approved one request of the CSE Board to authorise its decision to delist the securities of an Issuer from CSE's regulated markets. CySEC approved the decision of the CSE Board, given that the conditions for the smooth operation of the stock market with the issuer's securities had expired and important continuing obligations were not being kept.

It also approved the decision of the CSE Board to continue to suspend trading of the securities of 14 Issuers on the CSE-regulated market. In addition, for 12 of the aforementioned Issuers, taking into consideration that the CSE did not have the authority to suspend trading of their securities for a further period of time, CySEC decided based on the authority it is provided with by article 70(2)(ic) of the Investment Services and Activities and Regulated Markets Law of 2017, to ask the CSE Board to suspend trading of the securities of the specific Issuers on the regulated CSE market, until they comply with their continuing obligations, or until a specific date set by CySEC, as it decided that the smooth functioning of the market was not being ensured.

4.3.3.3 Upgrade of the regulatory and supervisory framework

In 2019, the Department continued to pinpoint matters where the various laws that fall under the Department's competency needed to be amended, while it submitted comments to the Legal Department on the following matters:

- Amendment of the Public Offer and Prospectus Law, for the purpose of exercising discretion, as granted to the European Union member states in Article 3(2) of the European Union act entitled: "Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC". The amended law came into effect on 19 April 2019.
- Other amendments to the Public Offer and Prospectus Law, brought on by changes that came with the new European Regulation on Prospectuses.

Additionally, the Department examined the amending Draft law on Corporate Law, aimed at harmonisation with Directive 2017/828 of the European Parliament and the Council, amending directive 2007/36/EC on encouraging the long-term active participation of shareholders. It went on to submit its comments to the Registrar of Companies and Official Receiver on matters that fell within CySEC's mandate.

4.3.3.4 Participation in various groups in Cyprus and abroad

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

4.4. Market Surveillance and Investigations Department

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

Alkis Pierides

Head of Market Surveillance and Investigations Department

4.4.1 Duties / competencies

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

More specifically, the Department's is responsible for:

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

4.4.2 Objectives for 2020

The Market Surveillance and Investigations Department intends to conduct around 15 onsite ad hoc inspections in 2020, focusing on cases that have to do with CIF customers' money and complaints received about companies providing investment services without CySEC's authorisation.

4.4.3 Department operations

4.4.3.1 Investigations and fines

The Market Surveillance and Investigations Department carried out six onsite ad hoc inspections on CIFs in 2019, after receiving complaints, for potential violations of the law, while it completed eight investigations into CIFs, Issuers and ASPs in the same year.

Up until the end of 2019, 33 investigations were underway at various entities for possible violations of the law, following complaints that were received, as well as one investigation relating to a natural person in the banking sector.

In 2019, CySEC fined a number of CIFs and revoked an ASP's licence for cases that were investigated by the Investigations Department.

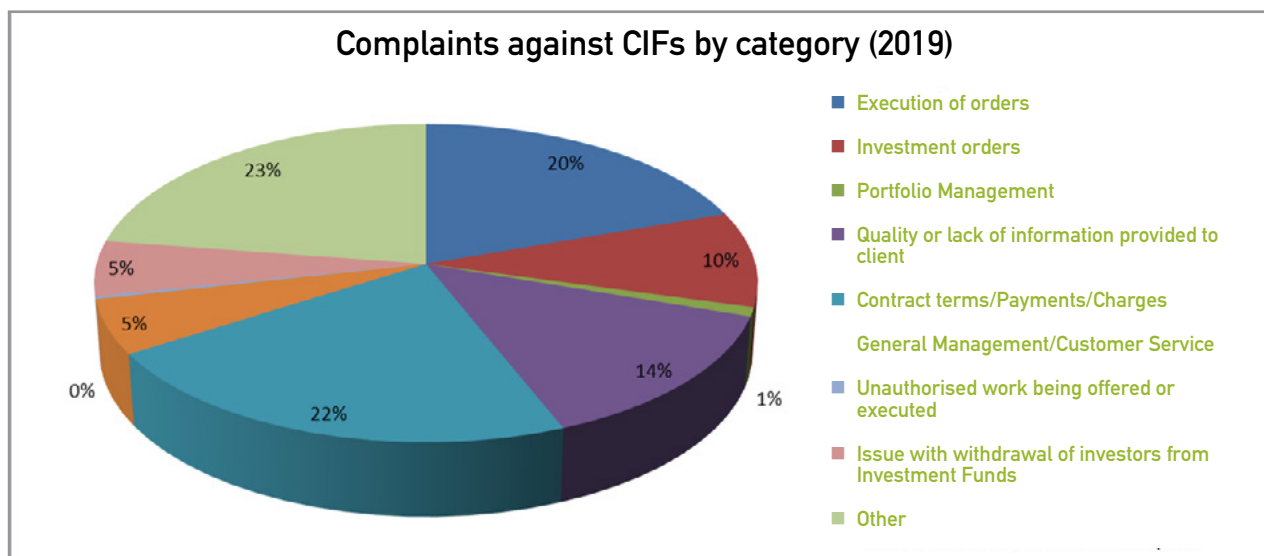
4.4.3.2 Investigating complaints by investors

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

4.4.3.2.1 CIF

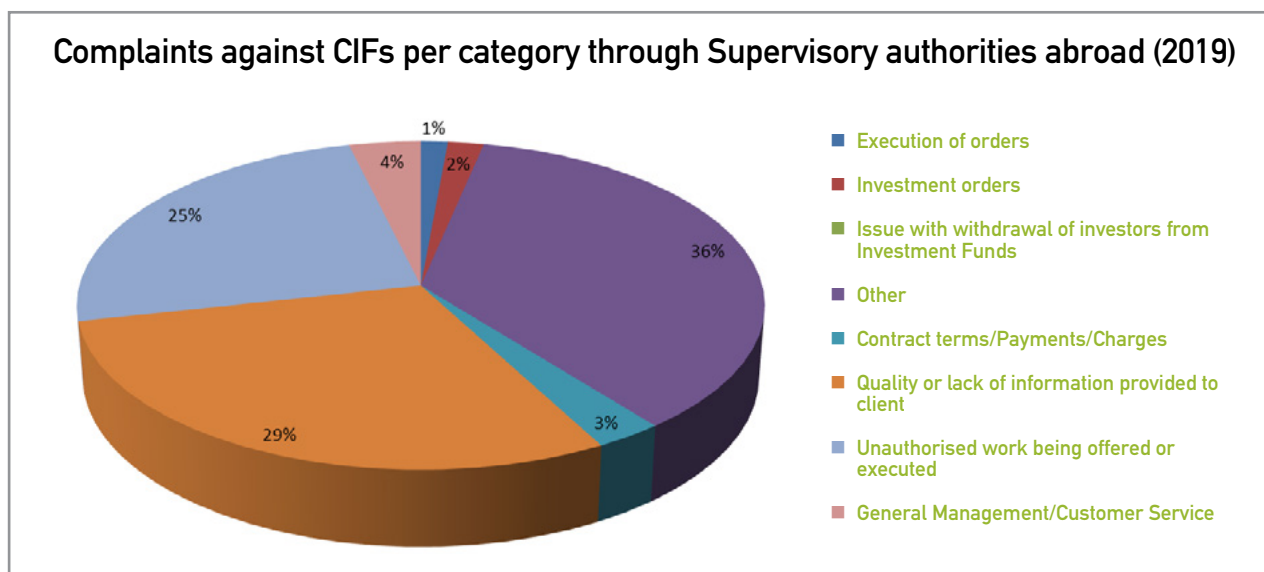
Investor complaints submitted via CIFs

In 2019, a total of 1,870 investor complaints were submitted to CySEC by CIFs regarding various issues. After investigating these complaints and according to specific criteria, the Investigations Department carried out a number of onsite inspections.



Investor complaints submitted through Supervisory Authorities abroad

In 2019, CySEC received 232 complaints against CIFs from supervisory authorities abroad, regarding a number of matters. After investigating the complaints, in the cases where there were potential violations, the Department submitted Memos to the CySEC Board.



Complaints submitted to CySEC by investors

In 2019, investors filed a total of 184 personal complaints, directly with CySEC.

Complaints against companies that may have provided investment services illegally

In 2019, a total of 268 complaints were filed by investors against companies that they claimed provided investment services illegally. To investigate these cases, the Market Surveillance and Investigations Department:

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

In extent, CySEC issued an announcement on 23 December 2019, informing investors and the broad public that the websites included in the list below were not operated by CIFs that hold a licence to provide investment services.

UNAUTHORISED WEBSITES

1	21stfxoptions.com	29	bitoptionstrade247.com
2	247btclub.com	30	bitransax.com
3	247firstinvest.com	31	bloombex-options.com
4	247smartfx.com	32	bogo-finance.com
5	24bitx.com	33	boomxchange.com
6	24cryptofxtrade.com	34	brightfinance.co
7	24liveoption.com	35	caliburcapital.net
8	24primeoption.com	36	capitallevel.com
9	24traderush.com	37	capitalswissfx.com
10	acetradeoptions.com	38	capitaltech24.com
11	amelok.com	39	capitaoptions.com
12	ampglobalfx.com	40	caratcapital.com
13	apextradeoption.com	41	cardinalfx.trade
14	app.qbitsmegaprofit.co	42	centralspottradingltd.com
15	atfxtrade.com	43	classicfx24trade.com
16	autotradingbinary.com	44	coinboost247.com
17	avafinancials.com	45	coinkast.io
18	avexcapital.com	46	Coinoptionstrade.com
19	bigliquidity.com	47	concept4x.com
20	binancecapitaloptions.com	48	conventusgroup.com
21	binaryswiss.com	49	crm-forex.com
22	binarytradeoption.com	50	cryptfxtm.com
23	binarytradeplus.com	51	cryptocapitalfx.com
24	Binatex.com	52	cryptotradecentr.com
25	binomo.com	53	crytofxetra247.com
26	bitfxmarket.com	54	ctrust.co
27	bitgoldenfx.com	55	efexa1000.com
28	bitoptionfx.com	56	elite-fxmarket.com

UNAUTHORISED WEBSITES

57	emarkettrade.com	103	lincensetrade.com
58	en.investup.cc	104	lite-options.com
59	epoxtrade.com	105	marketseu.com
60	exmsolution.com	106	marketsswiss.com
61	expatfxtrade.com	107	markets-x.com
62	expertfxtrade.com	108	meritkapital.net
63	expertooption.forex	109	metafinancetrade.com
64	falconfxoption.com	110	monecor.eu
65	fenix-funds.com	111	naga-markets.online
66	financereserve.com	112	nervicfxtrade.com
67	finanzexp.de	113	newtradefx.com
68	finexics.io	114	nigmafinance.org
69	fin-target.com	115	nlp.optionbit.com
70	fmtrader.com	116	optionexpert.net
71	ftradition.com	117	otmfx.com
72	fxbulls.com	118	parifxtrade.com
73	fxc-c.com	119	pfcapfx.com
74	fxcryptocoin.com	120	pipmaster.org
75	fxcryptofair.com	121	prcbrokers.com
76	fxg.market	122	prc-brokers.com
77	fxgmfx.com	123	primaryfxmarkets.com
78	fxgrowcapital.com	124	primustrades.com
79	fxoptiontrade247.com	125	procloudoptions.online
80	fxpb.us	126	rbinary.com
81	fx-premium.com	127	reliable-trade.com
82	globaleverestfx.com	128	reliabletradeoptions.com
83	go24invest.com	129	reset-invest.com
84	gocapitalfx.com	130	richmondsfinance.com
85	goptions.com	131	rielinvestment.com
86	growthandlegacyukfx.com	132	royalfinance24.com
87	gtm.fxaddress.com	133	royal-foex.hk
88	hfx.com	134	royalfxpro.eu
89	icfxmarkets.com	135	safeoptions24.com
90	ic-marketsfx.eu	136	sbotrading.com
91	iforex300.com	137	scmconsulting.net
92	insta-trading.com	138	smartoptionfx.com
93	intensefxtrade.com	139	solidinvest.co
94	invest-absolute.com	140	sunbirdfx.com
95	investcapitalmarket.com	141	swisskapital.eu
96	investrader.net	142	themarketsguide.com
97	just2trade.live	143	thetrueoption.com
98	justproforex.com	144	topoption360.com
99	kepercoin.com	145	tqrtrade.com
100	keyoncapital.com	146	trade12.com
101	lab-finance.com	147	tradesopen.com
102	librafg.com	148	u-i-group.com

UNAUTHORISED WEBSITES

149	unitedoptions.com	194	www.eurotradeinvestmentsrgb.com
150	urbanfxtrade.com	195	www.everfx.uk
151	vmc-global.com	196	www.evrolife-association.com
152	worldwidecapitalfx.com	197	www.exbino.com
153	www.10markets.com	198	www.finmarket.trade
154	www.247optiontrade.com/	199	www.finpari.com
155	www.247tradeoption.com	200	www.forexcoin.org
156	www.500option.com	201	www.ftrade.com
157	www.55profit.com	202	www.fx-inter.com
158	www.5markets.com	203	www.fxonus.com
159	www.aaooption.com	204	www.g4trader.com
160	www.afghanbawar.org.af	205	www.gntfx.com
161	www.albatrosgt.com	206	www.goldenratioassetmanagement.com
162	www.algobanque.com	207	www.gotooption.com
163	www.alliance-options.com	208	www.gtoptions.com
164	www.apollotradexcoexcurrency.com	209	www.hedefonline.com
165	www.ArumProCapitalLtd.com	210	www.highoption.com
166	www.b4binary.com	211	www.iforex24.com
167	www.banco-capital.com	212	www.imperialoptions.com
168	www.beeoptions.com	213	www.insideoption.com
169	www.bforex.com	214	www.ivoryoption.com
170	www.bigoption.com	215	www.jennocrypto.com
171	www.binaring.com	216	www.jetfore.com
172	www.binary8.com	217	www.jfdmtech.com
173	www.binarybrokerz.com	218	www.ksftrade.com
174	www.binaryfn.com	219	www.lbinary.com
175	www.binaryroom365.com	220	www.lottmarket.com
176	www.binary-slot.com	221	www.marketsdl.com
177	www.binaryuno.com	222	www.marketsrally.com
178	www.bmpoption.com	223	www.maxoptions.com
179	www.boson-alfa.com	224	www.meritkapital.com.cn
180	www.briskliquidity.nz	225	www.mrtmarkets.com
181	www.brokerofficial.com	226	www.mustoption.com
182	www.brokeroption.com/it/	227	www.netotrade.com
183	www.bsdooption.com	228	www.nextoption.com
184	www.carlton-church.net	229	www.no1options.com
185	www.cfd1000.com	230	www.noafx.com
186	www.citrades.com	231	www.onetwotrade.com
187	www.CMliveExperts.com	232	www.option500.com
188	www.cyprusinvestmentllc.com	233	www.optionbit.com
189	www.daily-trades.com	234	www.option-bit.com
190	www.eclipse-finance.com	235	www.optionstarsglobal.com
191	www.ecncapital.com	236	www.optionsxo.com
192	www.edgedalefinance.com	237	www.oracle-options.com
193	www.empireoption.com	238	www.pacificoption.com

UNAUTHORISED WEBSITES

239	www.plusfinancials.com	258	www.trade-24.com
240	www.plusoption.com	259	www.tradeberrybank.com
241	www.plustocks.com	260	www.Tradersking.com
242	www.porterfinance.com	261	www.tradextra.com
243	www.prcforex.com	262	www.tradingbanks.com
244	www.prestige.fm	263	www.tradorax.com
245	www.primebrokerz.com	264	www.ubinary.com
246	www.pwrtrade.com	265	www.ubkfx.com
247	www.rtgtrading.com	266	www.ukoptions.com
248	www.safeklik.com	267	www.utrader.com
249	www.safe-option.com	268	www.vipoptions.com
250	www.scala.trade	269	www.vncbrokers.com
251	www.SecuredOptions.com	270	www.vtgfx.com
252	www.stm-fx.com	271	www.whaleoptions.com
253	www.swissfxpro.com	272	www.wikioption.com
254	www.tadawulinvestments.com	273	www.winoptions247.com
255	www.thetrueoption.com	274	www.worldbinaryoption.com
256	www.titantrade.com	275	www.worldtrustinvest.com
257	www.touchtrades.com	276	zenithoptions.net

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

4.4.3.3 Submission of data to the Law Office of the Republic

Pursuant to article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where a possible infringement may at first sight constitute a criminal offense, CySEC compiles a findings or facts report and submits it along with all the data it has at its disposal to the Attorney-general of the Republic. In 2019, CySEC referred seven (7) such cases to the Attorney-general of the Republic, to decide whether any criminal offences were committed by companies or natural persons.

4.4.3.4 Cooperation with other Supervisory Authorities for the Investigation of Cases

In 2019, following 133 requests by other supervisory authorities to provide assistance, CySEC gathered information that concerned legal and natural entities, as provided in Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), on behalf of foreign supervisory authorities. Of the 133 requests for data collection, 20 involved lifting banking secrecy.

4.5 Risk Management and Statistics Department

“Risk Management is a key part of supervisory authorities’ work. CySEC’s work is supported by the timely identification and correct assessment of the relevant trends and risks that govern the securities market’s operation, and guides CySEC in defining the priorities of its supervisory activities.”

Marinella Georgiadou

Head of Risk Management and Statistics Department

4.5.1 Duties/competencies

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

4.5.2 Objectives for 2020

Acknowledging the significance of systematic and methodical risk management at CySEC, the RMSD will proceed in 2020 with looking into the creation of an Enterprise Risk Management Framework – The ERM-F – based on which CySEC will prepare its own Risk Management Report. The Framework will take into consideration and assess all the risks, whether these are coming from abroad or from CySEC’s domestic environment and will contribute to embedding a single culture in the Commission for handling risks at all levels.

In addition, aware of the need to create a comprehensive Strategy for CySEC’s data, the Department will carry out a study in 2020 into the creation of a Data Governance Framework, which will be based on international practices and standards, and will be in line with CySEC’s strategic goals relating to data.

Furthermore, it will continue to upgrade and update the Risk Based Supervision Framework (RBS-F), in line with developments, whether these concern the institutional framework, or new and/or changing market risks.

The Department will also look into whether there are needs for new/additional data required in order to recognise and understand CySEC’s risks, as well as other statistical data for all CySEC-regulated entities, and will proceed to collect and analyse them. Furthermore, in the context of informing investors, regulated entities and other stakeholders, the Department will prepare a series of Statistical Bulletins on an annual or quarterly basis, with the main market statistics/indices.

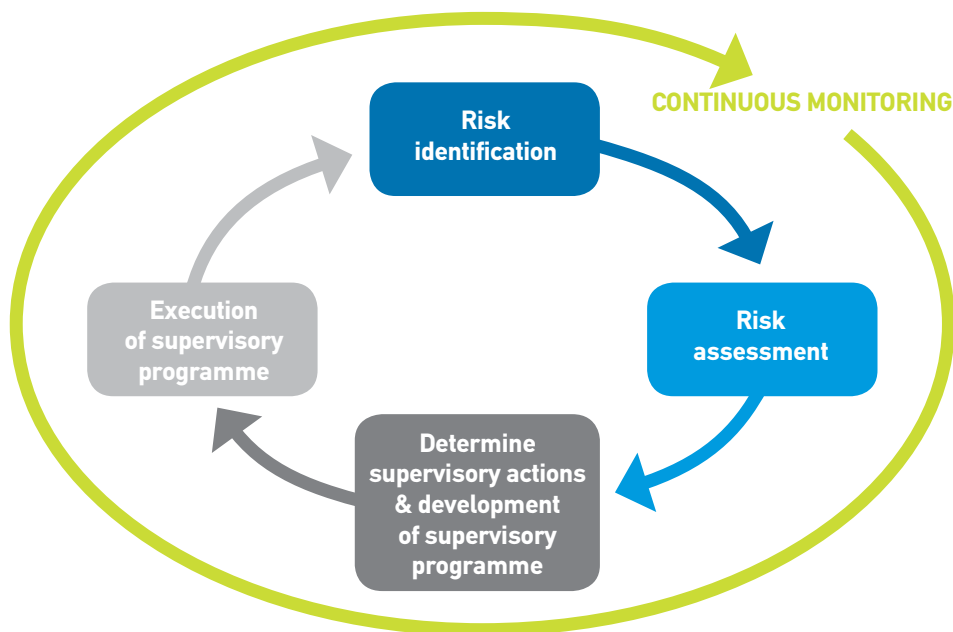
In addition, the RMSD will continue to monitor developments in innovation and technology, as well as the risk/opportunities that arise as a result.

4.5.3 Operations of the Risk Management and Statistics Department

4.5.3.1 Risk Based Supervision Framework, RBS-F

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

The RBS-F is implemented for CIFs, ASPs, Collective Investment Management Companies and Issuers, on an annual and regular basis. The RMSD has taken the role of coordinating the RBS-F's implementation. When implementing the framework, the Risk Cycle is followed, as described in the diagram below, which was developed based on international risk management practices.



Based on information gathered from the regulated entities, the RMSD completed their assessment in 2019 and classified them under one of the four categories (High, Medium-High, Medium-Low and Low-Risk). Based on the results of the risk assessments, the Supervision, AML and Issuers Departments are preparing their annual supervision action plans, with the aim of dealing with the risks.

The RMSD monitors all the developments surrounding the regulated entities' environment (financial, legal, business and international) with a view to keep the RBS-F constantly up to date and relevant, so as to ensure the proper management of risks of regulated entities. To this end, it completed the GAP Analysis of the changes that were required for the CIFs' framework, due to CySEC's adoption and implementation of the European Directive MiFID II and European Regulation MiFIR. After completing the analysis, the RMSD proceeded to implement the changes, which concerned – inter alia – a revision of the data collection forms, preparation of new circulars and manual, as well as amendment of the calculation and calibration tool.

Also in 2019, the CIFs, ASPs and Collective Investment Management Companies were assessed under the new model for matters pertaining to AML/CFT, after the amendment that was made taking into account European Directive 2015/849 (also known as the Fourth AML Directive) and the Joint Guidelines of the European Supervisory Authorities 2016 72, known as the AML Risk Based Supervision Guidelines. Based on the above, for the first time ever, the AML/CFT risk was separated from the other risk categories (Governance, Conduct and Prudential).

Additionally, for AML/CFT purposes, the results of the Cyprus' first AML/CFT National Assessment (2018 National ML/TF Risk Assessment of Cyprus) were incorporated in the model.

The Executive Committee for the RBS-F is also updated about the revised framework, so it can decide on any actions required to achieve this goal. The RMSD took on the role of coordinating and organising the meetings held by the Executive Committee for the RBS-F, which convened a total of three times in 2019.

4.5.3.2 Preparation of Quarterly Systemic Risk Survey

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

4.5.3.3 Statistical Analysis and Surveys

The RMSD gathers a plethora of data and information from the regulated entities, as part of assessing their risks but also for further statistical analysis, preparation of reports and specialised surveys, as well as statistical bulletins. In 2019, the Department proceeded with the following:

- Preparation of the QST-ASP form, which is addressed at Administrative Service Providers. This information is gathered on a quarterly basis and the first collection of data took place in the first quarter of 2019.
- Preparation of the VOT-CIF form, which is directed at Cyprus Investment Firms.
- Processing forms, preparation and publication of relevant circulars, FAQs on CySEC's website for the electronic submission of data by regulated entities.
- Ongoing communication with the regulated entities to answer queries, provide clarifications and deal with various issues that come up when the regulated entities are filling in the forms or submitting forms to the Transaction Reporting System.
- Gathering all the regulated entities' data for 2018, to assess their risks under the RBS-F, as well as gathering information from the Regulated Entities on a quarterly basis. Ratification and statistical analysis of the data that is gathered from the regulated entities through the various data collection forms.
- Preparation of statistical reports as regards requests from other supervisory authorities pertaining to specific companies that provide services to their respective countries.
- Creation and upgrading of infrastructure/tools and statistical models, which are used to analyse its data.

4.5.3.4 Statistical Bulletins

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

Second Annual Statistical Bulletin

In 2019, the Department published the second Annual Statistical Bulletin, which includes basic statistical data for all CySEC-regulated entities for the years 2015-2018, with special emphasis on 2018. Furthermore, the second Annual Statistical Bulletin was enriched with data on Management Companies and Undertakings of Collective Investments for 2018, according to the quarterly data collection form. The publication of such statistical bulletins/publications gives stakeholders a good understanding of the size of the market that is under CySEC's supervision.

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

In 2019, CySEC adopted the publication of the quarterly statistical bulletins in the collective investments sector, which analyse the most important findings for the sector. The bulletins are published on CySEC's website and are one of its main tools for informing the public on Cyprus' collective investment sector. In 2019, CySEC published data for the quarters ending 30/09/2018, 31/12/2018, 31/03/2019, 30/06/2019 and 30/09/2019.

4.5.3.5 Participation in various groups in Cyprus and abroad

Senior Supervisors' Forum (Forum on risk-based supervision of the investment firm sector)

The Department participated in the Senior Supervisors' Forum, the aim of which is for supervisory authorities to share experiences on the Risk-Based Approach to Supervision (RBA), particularly when it comes to Investment Firms. The adoption of a Risk-Based Approach for supervision purposes has a significant impact on the supervisory activities of National Competent Authorities (NCAs). The risk-assessment methodology that was adopted by the various supervisory authorities, was identified by the Forum as a matter of primary significance for supervisory convergence.

Furthermore, it participated in the Committee for Economic & Markets Analysis, the CEMA-AIFMD Task Force and the CEMA EMIR Task Force.

Participation in the Moneyval assessment

In cooperation with other CySEC departments, the RMSD was actively involved in the entire process for Cyprus' assessment under the Fifth Round Mutual Evaluation Report by Moneyval, of the Council of Europe. Ahead of Moneyval's onsite evaluation of CySEC, the Department gathered all the necessary data from the regulated entities and prepared analyses and presentations, while it actively participated in the entire onsite evaluation process, the study and correction of Moneyval's preliminary reports, as well as in the meetings with Moneyval abroad.

Cyprus' National Strategy on Blockchain

Under the framework of the Cyprus' National Strategy for Blockchain, CySEC has set up an internal working group. The Department is represented in this group by two officers.

Participation in the Ministry of Finance Sub-Committee on Financial Applications and in the Ministry of Finance Sub-Committee on Technology and Applications

The Department also participated in the Ministry of Finance's Sub-Committee on Financial Applications, whose aim is to investigate the potential use of DLT technology in the financial sector, as well as the Sub-Committee on Technology and Applications, which was established under the national strategy for developing Blockchain technology. The sub-committee, which will also see the participation of state services, will examine pilot applications.

Horizon 2020

Through the RMSD, CySEC participated in the project entitled "FinTech: A Financial Technology training platform", which has received financing by Horizon 2020. A number of European universities and various supervisory authorities participate in the programme. It is a clearly academic programme aiming to hold a series of non-profit-making lessons/seminars in the fields of Big Data Analytics, Artificial Intelligence and Blockchain. Over the past year, one Suptech workshop was held for CySEC's personnel.

4.6 IT and Operations Department

“CySEC attaches great significance to its improvement and modernisation through substantively simplifying and automating its operations. The Department’s strategy focuses on CySEC’s constantly-changing operational needs, by finding solutions through IT Projects, taking into serious consideration the long-term impact these will have on the Commission.”

Yiannis Kallis

Head of IT and Operations Department

4.6.1 Duties/competencies

The IT and Operations Department is responsible for managing and upgrading the CySEC infrastructure of IT systems, its website and internal network, as well as other matters relating to the adoption of modern technologies. The main goal is to ensure effectiveness, data-management safety and uninterrupted communication when CySEC is executing its duties, as well increase productivity and reduce costs. The Department can be contacted via the email: information.technology@cysec.gov.cy

4.6.2 Objectives for 2020

In 2020, the Department will proceed to transfer, store and process the Big Data it receives on Cloud. This technological upgrade will enrich the generated business knowledge required for more effective and direct supervision, so that CySEC is in a position to further reinforce its prudential policy when it comes to investor protection.

Furthermore, it will promote the procedure to create a specialised system for the electronic submission of forms for operating licences and other substantial changes, such as the automation of the procedure to submit requests for the provision of cross-border services. At the same time, it will move ahead with the procedure to develop a system that will keep an electronic record of all the statistical data of the Authorisations Department for the requests it receives and processes.

4.6.3 Department operations

4.6.3.1 Infrastructure Upgrade Projects

Corporate Content System (eOASIS), Web Portal and TRS System

In 2019, there was a steep increase in the inflow of documents that are stored on the Corporate Content System (eOASIS), as quite a few document/form categories were added to the electronic form submission system.

By submitting their forms through the submission systems, the regulated entities have the ability to find out whether their form was submitted successfully, which in turn ensures the timeframes are kept, when there are deadlines.

The submission systems also support the digital signature that is required for the majority of documents and ensures that the documents have not been altered in any way. Furthermore, it ensures the swifter execution of operations as well as a proper workflow.

Transaction Reporting System in line with MiFID II

In 2019, the Transaction Reporting System for CIFs expanded significantly to comply with the new MiFID II Legislation. The general provisions of the Legislation oblige CIFs that carry out transactions in financial

instruments to provide complete and precise data on these transactions. In 2019, additional Approved Reporting Mechanisms were connected with CySEC's systems, which report details of transactions on behalf of their CIF clients.

Processing and reporting system for European Market Infrastructure Regulation (EMIR) - TRACE

Throughout 2019, the EMIR data processing and reporting system was fully operational. Among other things, the system introduces automatic data from ESMA's TRACE hub, as well as from the Transaction Depositories. This data is processed and entered into the system's database. In addition, it updates the data of the database, in line with any daily and weekly changes, while with the support of the Business Intelligence system by SAS, it generates reports based on data aggregation.

4.6.3.2 Risk Based Supervision Framework

In 2019, an in-depth investigation was carried out with the aim of preparing a specific strategy to replace the RBS-F system, in cooperation with the Statistics Department.

4.6.3.3 Corporate data of Fund Managers

In February 2020, CySEC expanded the digital archive of according to data, which is available on CySEC's website, with the data of Fund Managers. Managers can now view all the data they have digitally submitted to CySEC and instantly make any additions/changes. This improves the transparency of information and enables CySEC to continuously monitor company changes.

4.6.3.4 Data safety and protection

CySEC monitors the new trends, but also data and needs arising from technological and other advancements, to better protect itself, but also its regulated entities and other stakeholders or organisations.

In 2019, the procedures for the full compliance of the Securities and Exchange Commission with the General Data Protection Regulation (GDPR) (EU) 2016/679 progressed.

Furthermore, in 2019, the procedure for the first phase of adopting the Cypriot standard CYS ISO 37001:2018 "System to Manage and Prevent Bribery" was completed. It is supported by the international standard ISO 37001:2016. The aim of the System is to pinpoint and prevent the risk of bribery and reinforce inspections aimed at combatting bribery that are already being implemented by organisations.



**ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
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