

PRESS RELEASE

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Cyprus capital market remains on an upward trajectory

Digital transformation still a top priority for CySEC

The Cyprus capital market keeps on growing at a steady pace, despite a difficult financial environment and developments with the legislative framework, pointed out Mrs Demetra Kalogerou, Chairwoman of the Cyprus Securities and Exchange Commission. Mrs Kalogerou presented CySEC's work in 2020 as well as its objectives for 2021, at a Press Conference on Wednesday, 17 March 2021.

Specifically, Mrs Kalogerou said that in 2020, the Commission continued to examine applications for the licensing of new regulated entities without any interruption. A total of 88 entities were approved, 69 of which are active in collective investments, 14 in the provision of investment services and 5 in the provision of administrative services. Currently, CySEC has 779 entities under its supervision, a number that is up by 4.42% compared to 2019, during which it supervised 746 entities.

As it comes to the sector's growth, the CySEC Chairwoman said a new regulatory category, entitled 'Mini-Managers', came under its supervision last year, while a new investment product, Crowdfunding, was launched following the implementation of the relevant laws. It should be noted that CySEC has already received its first application for the licensing of a Mini Manager as well as a crowdfunding platform.

Technological upgrade

In statements, Mrs Kalogerou also spoke of the efforts to modernise the Commission, stressing that "the continuous upgrade and simplification of CySEC's operations and procedures, is still our priority, in order to turn Cyprus into one of the safest, most reliable and attractive investment destinations". To this end, CySEC launched two of its most important projects in 2020, to design a data governance framework that aims at the optimal organisation of the Commission's huge database and create a framework for the timely identification, proper assessment and management of potential dangers/risks connected with the operation of the Commission itself (Risk Assessment Framework). Both projects are expected to be finalised in the second quarter of 2021.

Moreover, in addition to CIFs, the option to digitally submit company data was also extended to Funds Managers, while its extension to ASPs is also under review. In addition, the Commission has moved ahead with creating an electronic platform for the digital submission of applications, starting from licensing applications of Collective Investment Funds, in order to simplify such procedures.

In 2021, CySEC will move forward with the creation of a digital registry for Crypto Assets Services Providers, as stipulated in the Amending Law on AML/CFT which was passed in February, while the establishment of a system for the operation of a Central Trusts Registry is expected by the end of the year. The Registry will retain information in relation to the real beneficial owners of express trusts and relevant legal entities based in the Republic.

CySEC's main goal in 2021, is to develop procedures and a methodology to conduct data-driven supervision, which will allow it to identify any irregularities and risks in the market at an early stage, while it is looking into the possibility to transform the Innovation Hub into a Regulatory Sandbox. In this case, innovative products or services will be provided as part of a controlled environment, on a trial basis and to a limited scale.

Fines and other measures

In 2020, CySEC imposed a series of administrative penalties and other measures. Specifically, it imposed a total of €3.19m in administrative fines, €2.02m of which were linked to CIFs. It also suspended the operating licence of 8 CIFs, revoked the operating licence of 3 CIFs and notified more than 93 regulated entities to take certain measures, within a specific timeframe after identifying weaknesses and/or omissions as part of its oversight checks.

In 2021, CySEC will remain committed to boosting its supervisory role so as to exercise effective supervision and help regulated entities comply with their regulatory obligations, thereby improving its preventive policy.

New laws

Modernising the regulatory framework which governs the capital market, remains high on the list of CySEC's priorities. As Mrs Kalogerou pointed out, "there will be significant changes to the legislative and regulatory framework that governs the Sector in 2021. One of the most important changes will be the new framework for prudential regulation that exclusively concerns IFR/IFDs, which will come into force next June. Based on the new framework for prudential regulation, IFR/IFDs will be classified based on their activities, systemic importance, size and connections, while new, higher requirements will be introduced for the provision of a licence of operation.

Another significant development that will change the investment sector and specifically the collective investment fund sector, is the implementation of the package of Regulations on sustainable investments, which takes into account the Paris Agreement aimed at tackling climate change and the EU's action plan in relation to financing sustainable growth. The package is comprised of three Regulations. The Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services (SFDR) entered into force on 10 March 2021. More details are available on the CySEC's website.

In statements, Mrs Kalogerou said that "at CySEC, we help asset managers go through these options, while through the Innovation Hub, we will actively support businesses and businesspeople who develop green FinTech solutions. As part of its mandate, CySEC actively

supports new FinTech-based products, services and infrastructure projects, especially those that can contribute to the financing of the real economy”.

As she stressed, “especially in periods of crisis, the capital market is a key driver of growth, given that the necessary conditions are also in place, such as ensuring the sector’s trustworthiness. At CySEC, reinforcing investor protection remains our highest priority”.

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