



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION



ANNUAL
REPORT | 2018



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ANNUAL REPORT | 2018

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ABBREVIATIONS

AIFMD:	Alternative Investment Fund Managers Directive
AIFMs:	Alternative Investment Fund Managers
AIFs:	Alternative Investment Funds
ASPs:	Administrative Service Providers
CFIA:	Cyprus Financial Investor Association
CIFs:	Cyprus Investment Firms
CIPA:	Cyprus Investment Promotion Agency
CRAs:	Credit Rating Agencies
CSE:	Cyprus Stock Exchange
CSSDA:	Co-operative Societies' Supervision and Development Authority
CySEC:	Cyprus Securities and Exchange Commission
EBA:	European Banking Authority
EIOPA:	European Insurance and Occupational Pensions Authority
ESMA:	European Securities and Markets Authority
ESRB:	European Systemic Risk Board
EU:	European Union
FO:	The Financial Ombudsman of the Republic of Cyprus
ICF:	Investors' Compensation Fund
ICPAC:	Institute of Certified Public Accountants of Cyprus
IFs:	Investment Firms
IOSCO:	International Organization of Securities Commissions
MC:	Management Companies
MOKAS:	Unit for Combating Money Laundering
MTF:	Multilateral Trading Facility
PREU:	Permanent Representation of the Republic of Cyprus to the EU
UCITS:	Undertakings for Collective Investments in Transferable Securities
UNSC:	United Nations Security Council

1 CHAIRWOMAN'S STATEMENT

The 2018 annual report of the Cyprus Securities and Exchange Commission (CySEC) provides a brief snapshot of the most significant developments that affected the Cypriot securities market throughout the year, such as substantial regulatory changes – both on a European Union as well as national level – the creation and activation of the CySEC Innovation Hub aiming to pique the entities' interest in employing innovative financial technologies; the introduction of a new category of entities to the Cypriot securities market, that of listed AIFs; and the European Securities and Markets Authority (ESMA) first-ever use of its product intervention power to take temporary measures with EU-wide application.

More specifically, from the beginning of 2018, investment firms and supervisory authorities across Europe were faced with the challenge of implementing the most important European Directive for Financial Markets, MiFID II, which came into effect and replaced MiFD I. MiFD II boosts investor protection and further improves the operation of financial markets, making them more effective, resilient and transparent.

This legislation also provides the national supervisory Authorities and ESMA with intervention powers for products made available by private investors. Based on the above powers, ESMA activated for the first time ever intervention measures against binary options products (banning trading, distributing or selling to private investors) and restrictions on trading, distributing and/or selling CFDs. These measures are an important step towards enhancing investor protection in the European Union.

There were also significant changes in the institutional framework for the prevention of money laundering in 2018, through the adoption and implementation of the 4th European Directive, while more changes will be introduced and incorporated very soon, under the 5th European Directive.

Because of these important laws, CySEC focused its efforts in 2018 on monitoring the compliance of regulated entities. The Departments of Supervision and Prevention of Money Laundering and Financing of Terrorism carried out 87 planned onsite inspections at CIFs, ASPs and AIFMs, over 600 desk-based thematic inspections as well as a series of checks on documents that were submitted to CySEC by the regulated entities.

The Departments' supervisory programmes were based on the Risk Based Supervision Framework, which in 2018 took into consideration new risks that arose from factors such as changes to the new laws that came into effect and the market environment.

Overall, the regulated entities were compliant and made an effort to adopt the provisions of MiFID II. However, some issues were identified with regards to the interpretation of the new legislative framework and its implementation, which require CySEC's guidance.

Furthermore, the results of the onsite inspections for the prevention of money laundering and financing of terrorism showed improvements in the internal systems, checks and procedures that are implemented by regulated entities.

The Market Research and Supervision Department carried out 8 entries and searches on CIFs for possible violations of the law, completing 16 checks on regulated entities.

As it comes to issuers' compliance with their obligations to periodically disclose information, further improvement was observed in 2018 compared with the previous year, based on the Law on Transparency Requirements; though there was a number of issuers who did not comply.



In addition, the assessment of the financial results of issuers according to the International Financial Reporting Standards and article 78 of the Auditors' Law of 2017, regarding their obligation to establish an Audit Committee, continued on a sampling basis with the use of the Risk Based Supervision Tool. The Issuers Department's check revealed that all issuers have proceeded with establishing an Audit Committee.

Overall, over the past six years, CySEC has imposed fines totalling €25.5 million on its regulated entities. More specifically, it carried out 16 separate investigations, which resulted in administrative fines totalling €18.5 million, not only on Companies but also on executive and non-executive members of their boards of directors. According to CySEC's findings, the violations had to do with market and transparency abuse, incorrect references and misleading information both in their bulletins as well as their financial results, and offences that affected the companies' prosperity.

Moreover, it relayed a number of findings to the Attorney General of the Republic for investigation into possible criminal offences. As you may already know, some of these cases have already been brought to justice.

As part of its supervision of IFs, ASPs and AIFMs, over the past six years, CySEC has imposed fines or reached settlements totalling around €7 million. Furthermore, CySEC suspended the operations of 20 investment firms and proceeded to revoke the licences of over 10 companies. Eight natural entities were prohibited from operating in the financial sector for a period of up to 10 years, depending on the case.

As a result of the abovementioned investigations and supervisory checks, the administrative sanctions that were imposed in 2018 on regulated entities and their senior executives reached somewhere near €7.5 million. Of those, €6.8 million were imposed on issuers and the remaining €700,000 on other supervised entities, with the majority concerning fines on CIFs.

Additionally, it sent three letters to the Attorney General of the Republic to investigate the possibility of criminal offences.

Regulated entities are obliged to adopt these measures within the deadline they have been given, and once this expires, CySEC will check anew to ensure they have complied.

Throughout the year, CySEC prepared and published a series of circulars, supervision programmes and other documents relating to policy matters, while it also participated in committees inside and outside of Cyprus for matters relating to CySEC's sector of activity.

In 2019, all of CySEC's competent Departments will continue to monitor the compliance of its regulated entities with their legal obligations and carry out thematic inspections.

One of CySEC's main objectives continues to be the growth and progress of Cyprus' securities market. Its supervisory powers have grown significantly over the past six years and have included new groups of regulated entities, including collective investments, mutual fund managers and administrative service providers. From 2011 until 2018, the sector's growth has exceeded 169%. Between 2017 and 2018 there was an increase of about 5%. In 2018, CySEC continued to examine applications that were submitted, approving 58 entities, of which 32 were collective investments, 18 investment service providers and 8 administrative service providers.

I would like to note that the rate of submission of new applications to acquire a CIF licence has stabilised over the past two years, despite its continuous upward trend. This is both due to the measures that were imposed by CySEC in 2016, as part of the private investors protection framework against the promotion of complex investment projects, and the implementation of the new institutional framework in 2018 that governs investment services, known as MiFD II, which is stricter than the previous regime and provides the supervisory Authorities with the ability to have an interventional role in the investment products offered by IFs. The specific institutional framework significantly increases the cost of licensing procedures and the subsequent operation of a CIF. The reduction is also due to the temporary measures that were imposed by ESMA across the EU to ban the promotion of binary options and introduce a series of restrictions on the marketing of derivative trading products (CFDs), such as forex, to private investors.

In order to deal with the consequences of the above measures, which are expected to lead to the further shrinkage of the number of entities providing investment services, CySEC, within the scope of its powers, is looking at ways to contribute to the development of new investment products and markets in Cyprus. These include the development of the collective investments sector and the promotion of bills for innovative products and services through new technologies, as well as through the method of Crowdfunding.

To this end, CySEC established the Innovation Hub in September 2018, which aims to explore the development and uses of the developments in Financial Technology (FinTech) and Regulatory Technology (RegTech), such as blockchain, virtual currencies, Crypto Exchanges and DLT. The aim of this Hub is to identify needs for future legislative and supervisory priorities, and to ensure that investor protection is not being undermined.

The Innovation Hub offers regulated and non-regulated entities that provide innovative services or products access to CySEC for assistance in fully understanding how to implement the regulatory requirements. All the relevant information and special communication forms are uploaded to the specially-designed section on CySEC's website.

CySEC also participated in the Ad-hoc Committee that was set up following a Council of Ministers decision to formulate the national strategy on distributed ledger technology (DLT), as well as other projects with different stakeholders in Cyprus and abroad.

The modernisation of the regulatory framework governing the securities market is high on CySEC's list of priorities. Among other things, a new Law was published in 2018 that amends the Cyprus Securities and Exchange Commission Law of 2009-2016, which includes the increase of the CySEC Board's members from three to five, in order to make the establishment of an Audit Committee possible. Furthermore, CySEC acquired the power to impose administrative fines that are provided in European Union acts, for which it was appointed as the competent Authority based on a Ministry of Finance notification.

Additionally, the Alternative Investment Firms Law was published, introducing, among other, listed AIFs to the national institutional framework, who will no longer be licensed by CySEC but supervised through their manager, as they will always be subject to management by the supervised manager. We are in the process of harmonising our national legislation with the 5th Anti-Money Laundering Directive, which will come into effect in January 2020.

One of the most important changes that will be introduced with the 5th Directive is the extension of its scope of implementation on virtual currency platforms and virtual wallet providers. CySEC issued a consultation document in February of this year, in which CySEC, taking into consideration the recommendations of the Financial Action Task Force (FATF), proposes gold-plating the AMLD5 Directive during its transposition into national legislation for the specific market, i.e. going beyond requirements. Specifically, the exchange of crypto-assets, their transfer and the provision of financial services relating to an offer by an issuer and/or the sale of a crypto-asset, will be subject to the provisions of the law for preventing and combating money laundering and the financing of terrorism (AML/CFT).

In CySEC's opinion, this extension is necessary as it deals more comprehensively with the risks arising from cryptographic activities.

Meanwhile, the procedure to establish a Central Register of Trusts in the Republic is moving ahead. CySEC was assigned the creation of the Register, and was appointed as the competent Authority to create, maintain and operate the Register, as well as to prepare the relevant Regulations to regulate it.

Furthermore, following market consultations, CySEC has prepared a new directive to replace the framework governing the Operation of the Investor Compensation Fund. Special emphasis is given to the new trends and new state of affairs and needs arising from technological and other advancements, in order to improve its operations and eradicate bureaucracy by upgrading its electronic systems.

In 2018, the procedures began and experts were hired for the adoption of the European Union Regulation 2016/679, broadly known as the General Data Protection Regulation (GDPR) and the Cypriot standard CYS ISO 37001:2018 –

System for Managing and Combatting Bribery, as well as the definition of guidelines relating to cybersecurity.

As it comes to CySEC's effort to improve the compliance of employees at the regulated entities with the institutional framework and their continuous professional training, CySEC organised and carried out 30 seminars in Nicosia and Limassol in 2018. These included a specialised seminar during which foreign experts analysed the most important provisions of the new law on Markets in Financial Instruments (MIFID II).

Special emphasis was also given to providing investors with information, focusing on the new legal framework that governs investment services. The special section addressed to investors on CySEC's website is updated regularly with informative material, advice and warnings that are issued by CySEC itself, or by the supervisory authorities of other countries. In 2018, CySEC regularly published informative articles in newspapers as well as financial magazines and websites, for the investing public.

As part of CySEC's goal for the constant development of the securities market, the Chairwoman and Vice Chairman participated as speakers in important conferences that were organised in Cyprus and abroad.

Concluding, I would like to stress that the number, size and type of regulated entities, as well as the complexity of their structure and operations, are being constantly broadened, multiplying the volume of the supervisory work that CySEC has to carry out. Therefore, only with adequate supervision can we ensure the credibility of the market, which is a basic precondition to attract new investors and in turn ensure the further growth of the economy while strengthening of Cyprus' position as an international financial centre.

For this reason, it is imperative that CySEC continues to have the necessary powers at its disposal and to be further reinforced with the necessary resources, so that it can be in a position to effectively fulfil its very important role as the country's supervisory Authority.

We will continue to work intensively in 2019 as well as the years to come, on the basis of our strategic planning, focusing on strengthening CySEC's supervisory and regulatory role. As in 2018, emphasis will be given to establishing good corporate governance and an ethical culture in the regulated entities, which will reflect the basic principles of integrity, transparency and accountability.

Demetra Kalogerou

Chairwoman of the Cyprus Securities and Exchange Commission

Innovation Encouragement

In September 2018 CySEC created the Innovation Hub. Our goal was the expansion of the development and the uses of Financial Technology (FinTech) and Regulative Technology (RegTech).
With the Innovation Hub, regulated and non-regulated entities have access to CySEC for a better understanding of the application of regulatory requirements in new products and innovations.

European Directive MiFID II

In 2018, the European Directive MiFID II was implemented, which revises and strengthens the legislative framework for investors' protection and the good functioning of the financial markets. CySEC is responsible for ensuring that its regulated entities comply with the Directive.

Regulated Inspections

In 2018, we focused on the regulated entities' compliance, and the implementation of intervention measures for binary options / products and CFDs. Specifically, CySEC performed:

- **57** on-the-spot checks on 43 CIFs
- **370** thematic distance checks on **173** CIFs
- **17** on-the-spot checks on CIFs for AML
- **9** on-the-spot checks on ASPs for AML
- **8** admissions and inspections on CIFs, ASPs and issuers
- **4** on-the-spot checks on AIFMDs for AML



Contemporary Risk-Based Compliance Tools

In 2018, we acknowledged new risks and the inclusion of new parameters to the RBS-F database and eGRC software.

According to the risk profile, references are being prepared in order for the annual compliance action plans to be composed.

Our goal is to act preventatively, to ensure the correct function of the market.



Participation in projects and committees

- Participation in the Ad-hoc Committee, which was created by decision of the Council of Ministers, and is related to the formulation of Distributed Ledger Technologies (DLT).
- Participation in the BARAC project, which has as a main goal to investigate the possible uses of Blockchain in the automation of the compliance regulation of the regulated entities with their liabilities, using algorithms.
- Participation in the project "FinTech: A Financial Technology training platform", an academic programme funded by Horizon 2020.
- Participation in ESMA and IOSCO committees

Development and progress

In December 2018, CySEC had under its supervision:

- **248** Cypriot Investment Firms
- **160** Administrative Services Providers
- Cyprus Stock Exchange (CSE)
- **65** Cypriot Investment Firms listed in CSE's regulated market
- **13** Cypriot Investment Firms listed in the regulated markets of other countries.
- **174** UCIs and Collective Investment Managers



Fines and other disciplinary measures

As a result of the checks and inspections, administrative sanctions of almost €7.5 million were imposed:

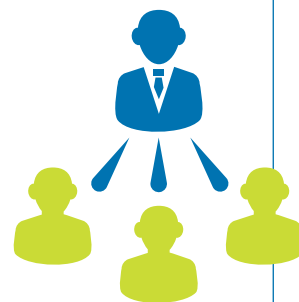
- **€6,8 million** on issuers
- **€700.000** on the rest of regulated entities, mostly CIFs
- Suspension of operation for **3** CIFs



Education of market participants and CySEC's staff

Having the full responsibility for the preparation and the organisation of exams for individuals who work or would like to work in positions relative to investments, CySEC held:

- **30** seminars in Nicosia and Limassol, which were attended by **1,100** individuals
- **120** exams
- MiFID II specialized seminar for the administrative councillors and the Compliance Head Officers of CIFs



Local and International Affairs

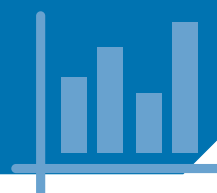
- Signing of Memorandum of Cooperation with Cyprus Public Audit Oversight Board
- Signing of Memorandum of Cooperation with the Supervisory Authority of Lebanon
- Signing of Memorandum of Understanding and Cooperation with the Supervisory Authorities of Qatar and Abu Dhabi, in order to support the compliance of the regulated entities with the European Directive for AIFMDs.
- CySEC's participation as a member in the Mediterranean Partnership of Securities Regulators.



Statistics

Published in 2018 for the first time:

- The Annual Statistical Bulletins for 2015-2017
- Quarterly Statistical Reports for the Collective Investment Sector



New legislation

The basic new legislations for 2018 are:

- The Cyprus Securities and Exchange Commission (Amending) Law of 2009
- The Law that includes regulated AIFs which are going to be supervised through their supervisor, in the national institutional framework
- The Act regarding the regulation of Investor Compensation Funds' operation



CySEC's relocation

CySEC's relocation to a new building was completed. The building addresses the organisation's current and future needs. The new building offers improved infrastructure and new, more productive working ways.



Infrastructure Support and Improvement

As a result of the huge importance given to our improvement, we completed a technological upgrade, by developing or reforming our electronic systems. Moreover, we cooperated with experts on internet security, for the better protection of our data.

THE COMMISSION

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The Cyprus Securities and Exchange Commission (CySEC) is a public independent Supervisory Authority responsible for the supervision of the investment services market in transferable securities and of the transactions in transferable securities carried out in the Republic of Cyprus and of the securities market sector. It also supervises the firms offering administrative services which do not fall under the supervision of ICPAC and the Cyprus Bar Association. CySEC was established in accordance with section 5 of the Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a legal entity of public Law. CySEC's operation is governed by the Law that Regulates the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Matters (L73(I)/2009), as amended.

2.1 Vision, Mission and Strategic Objectives

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

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

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

(i) Continuous reform of the regulatory and supervisory framework of the Cypriot securities market, based on EU Directives and Regulations and international practice

The implementation of this strategic objective shall ensure the high degree of investor protection and the smooth operation of the market as well as the harmonisation of the legal framework of the Cypriot securities market with the European acquis.

(ii) Full compliance of the regulated entities with their obligations in accordance with the relevant regulatory framework

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

(iii) Contribution in the continuous development of the investors' educational system

With the implementation of this strategic objective, the level of investment knowledge of investors and their ability to take the proper investment decisions will be improved.

(iv) Contribution to the promotion and attraction of new, robust and dynamic financial organisations

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

(v) Continuous improvement and modernisation of CySEC's operations

The implementation of this strategic objective shall lead to the increased efficiency, effectiveness and transparency of CySEC's operations and procedures and aims to reduce the bureaucracy and time required to execute specific operations.

2.2 Roles and Responsibilities

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

To be able to operate properly, effectively and efficiently, and to ensure, inter alia, the protection of investors, a securities market needs to have detailed rules regarding its operation and, in general, an appropriate and complete legal framework. This framework governs the operation of the market and all those that operate therein, for example, the Issuers of securities (public companies), IFs, investment funds, as well as the investors themselves. CySEC has been appointed to supervise compliance with those rules and the legal framework in general. It is responsible to monitor the market and take pre-emptive measures and expeditious remedies so as to achieve the legal goals and objectives.

CySEC's main competencies and responsibilities are defined in Section 25 of the Law Regulating the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Issues (L73(I)/2009) and may be summarised as follows:

- To examine applications and grant operating permits to the entities under its supervision, as well as, suspend and revoke the relevant permits;
- 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 conduct audits of the entities under its supervision in order to ensure their compliance with the legislation that governs their operation;
- To conduct investigations that are necessary for the exercise of the competencies assigned to it by law and on behalf of other foreign Competent Authorities;
- To require and collect necessary or useful information for the exercise of the competencies assigned to it by law and demand 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 contrary to the relevant legislation;
- To apply to a competent court to issue an order to block or charge or freeze assets or to prevent the alienation of assets or a transaction in assets;
- To issue Directives and Decisions with normative content;
- To cooperate and exchange information and documents with other public authorities of the Republic, Competent Supervisory Authorities abroad and other organisations.

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

- The Public Offer and Prospectus Laws of 2005-2018;
- The Laws on Insider Trading and Market Manipulation (Market Abuse) of 2005 - 2013;
- The Takeover Laws of 2007-2015;
- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Laws of 2007-2017;
- The Law Regulating Firms Providing Administrative Services and Related Matters of 2012.

2.3 Management and Structure

2.3.1 Board

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

On 31 May 2019, the CySEC Board was comprised of the following persons:

CySEC Board as of 31 May 2019		
Name	Position	Date of Appointment
Demetra Kalogerou	Chairwoman	15 September 2011
Andreas Andreou	Vice-Chairman	28 September 2011
Anastasia Anastasiades	Member	14 July 2016
Nicole Phinopoulou	Member	02 November 2016 – 9 October 2018
John Georgoulas**	Member	24 February 2017
Theodoros Theodoulou	Member	10 October 2018
Evanthia Tsolaki	Member	23 January 2019
George Pitros	Member	23 January 2019

Chairwoman | Demetra Kalogerou

Mrs. Kalogerou (BSc, MSc, MPhil) is the Chairwoman of the Securities and Exchange Commission since September 2011. CySEC's vision is to establish the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment, and its mission is to exercise effective supervision to ensure investor protection and the healthy development of the securities market.

Also, as of November 2012, Mrs. Kalogerou is a member of the Cyprus Public Audit Oversight Board, which has been established for the oversight of auditors and audit firms. Furthermore, from September 2013 until June 2014, Mrs. Kalogerou has been a member of the tripartite Resolution Authority, along with the Minister of Finance and the Governor of the Central Bank of Cyprus, which supervised the implementation of the resolution of financial institutions in Cyprus.

Mrs. Kalogerou previously held the position of Senior Officer at the Cyprus Stock Exchange and she has more than 15 years of experience in the financial sector, overall. Her duties as a Senior Officer at the CSE included the supervision of transactions in transferable securities and the various CSE markets, monitoring the compliance of listed public companies with their continuous obligations, the research and development of new products, as well as the promotion of financial markets.

As a result of the above responsibilities and primarily her leadership of the Cyprus Securities and Exchange Commission, Mrs. Kalogerou has developed in-depth knowledge on all aspects of the securities market and has acquired extensive experience in matters relating to the smooth and orderly development of the securities markets and investor protection.

Vice-Chairman | Andreas Andreou

Mr. Andreou has been CySEC's Vice-Chairman since September 2011. He has extensive work experience in both the legal and the wider financial sector. Prior to his appointment to the CySEC Board, he was the Head of the Legal Department and Secretary of the Board of a major investment services company. He has also served as General Counsel in an investment management company, as well as in other companies of the same Group. Previously, he practiced the legal profession for many years. As a representative of CySEC, Mr. Andreou participates, inter alia, in meetings of the IOSCO and the ESRB each year. Mr. Andreou holds a Law degree and a postgraduate degree in European and International Commercial Law from the University of Leicester. He is a founding member of the Cyprus Association of Directors and he has been a member of the Cyprus Bar Association since 1996. He also holds the Barrister title, a member of Lincoln's Inn in London. He participated in dozens of local and international conferences on economy, while he was the keynote speaker in many of them.

Member | Anastasia Anastassiades

Mrs. Anastasiades is a member of the UK's Investment Actuarial Institute (specialising in investments), a member of Aon Hewitt's World Investment Advisory Group and has more than 23 years of experience in the sector.

She is the head of Aon Hewitt's investment advisory services in Cyprus, Greece and the wider region for pension funds, social security funds and insurance companies. Advisory services include designing investment strategies using Asset Liability Modelling (ALM) techniques and supporting other investment matters, such as implementing strategies and selecting and monitoring fund managers.

She has recently headed the ALM of the Pension Funds Fund of Major Semi-Governmental Organizations, as well as the ALM of the Bahrain Social Insurance Fund (\$10 billion), also supporting the implementation of these strategies. Other services include the determination of the Governance Manual for Large Pension Funds, including the Risk Management Manual. Previously, she was a Structurer for BNP Paribas Investment Bank in London, where she helped institutional investors develop risk-based investment strategies for risk mitigation and better risk/return allocation. She also served as a senior investment adviser to PSolve Investment Consultants in London, where, apart from investment advice, she led a research team of hedge fund managers. She worked at the Financial Services Authority in the United Kingdom in the risk assessment team of insurance companies and other financial companies. She also worked at the Government Actuary's Department in London as an actuary.

She is a graduate of the London School of Economics & Political Sciences in Actuarial Sciences.

Member | John Georgoulas

John Georgoulas has over 15 years of experience in Corporate Governance, Finance, Strategic Planning and Public Administration issues acquired in Greece and Cyprus.

Since January 2019, he is the Chief Advisor of the Economist Events in Southeast Europe and from 2010 to the end of 2018 he was the General Manager of the Economist Events in Cyprus, which organises two important meetings every year in the fields of Finance, Public Administration and Energy, and the General Manager for Cyprus at "The Economist – The World..." editions of Cyprus and Greece. He was a senior adviser to the Chairman of the Paraskevaides Group and Director at the International Presidential Business Advisory Council, which was an advisory body to the President of the Republic. He is the spokesperson of the Global Entrepreneurship Network (GEN) in Cyprus and was a member of the Board of Directors of G.Paraskevaides (Holding) Ltd. He is a certified corporate governance officer with Banking expertise from INSEAD. He has an MBA, BSc in Business Information Systems and Higher Education in Computer Sciences.

He is an IVLP graduate from the United States Department of State for Entrepreneurship and Business Management and President of ACY001's American Hellenic Progressive Educational Association (AHEPA) in Cyprus. He is also a member of the Consultative Committee of the European University, member of the Board of Directors of the Friends of Shriners Hospital for Children, the Consultant for Cyprus at Industry Disruptors and co-organiser of the World Entrepreneurship Week.

Member | Theodoros Theodoulou

Theodoros Theodoulou graduated from Nottingham Business School with a BA (Hons) First Class in Finance, Accounting and Management. He then joined Moore Stephens LLP in London where he became a qualified member of the Institute of Chartered Accountants in England and Wales (ICAEW). During his career at Moore Stephens he specialised in auditing companies mainly operating in shipping and commodities trading.

In 2013, he joined ITH Ioannou & Theodoulou Ltd in Cyprus where he is the Director of the firm's Audit and Assurance Department. The audit portfolio he is dealing with currently at ITH involves a variety of industries – from local SMEs to international Groups of companies.

In terms of advisory services, he has been involved in financial due diligence for mergers and acquisitions, advising clients with regards to cash flow budgets/forecasts and performing limited scope reviews on financial information for debt restructurings/new loan requirements of companies. He is also involved in projects inefficiencies in operational processes. Furthermore, he is an expert in UEFA/FIFA financial fair play compliance.

Member | Evanthia Tsolaki

Evanthia Tsolaki is a member of the Cyprus Bar Association and a lawyer in the Law Firm of George L. Sawides & Co LLC since 1999. She mainly practises Civil Litigation and Dispute Resolution law focusing primarily on Financial, Corporate and Commercial Disputes.

She holds a law degree from the Law School of the National and Kapodistrian University of Athens and an MSc in Business Administration (MBA) from the Open University of Cyprus.

She has served as a member of the Municipal Council of Limassol and as a member of the Sewerage Board of Limassol-Amathus for three consecutive terms (2002-2016). She was also a member of the Administrative Committee of the Pensions and Gratuities Fund of the Employees of the Sewerage Board of Limassol-Amathus. Ms. Tsolaki is also an active participant in voluntary and charitable organisations and activities.

Member | George Pitros

George Pitros is a Lawyer and Accredited Mediator. He holds a BA (Hons) in Business and Management, an MSc in Construction Project Management, a Postgraduate Diploma in Surveying and is also a professional member of the Royal Institution of Chartered Surveyors (MRICS).

In 2015, he joined the law firm Demetrakis Sawides & Co LLC and among other things, has been dealing with matters relating to corporate and commercial law, corporate governance, mergers and acquisitions, management and promotion of investments and assets, implementation and compliance with financial rules, tax law, administrative law, immigration advisory, real estate and property management, matters relating to competition law, as well as mediation services.

He has extensive experience in real estate and investment promotion matters, while since 2017 he has being a PhD candidate in Law in the field of property law and public interest.

*(**) During the drafting of the current annual report, specifically in July 2019, Mr. Spyros Ierotheou was hired as a Member of the Board of CySEC, to replace Mr. John Georgoulas who had submitted his resignation.*

Member | Spyros Ierotheou

Spyros Ierotheou is a lawyer and a member of the Cyprus Bar Association since 1997. He holds a Law degree from the University of Sheffield, UK, and a Master's Degree in European and Comparative Law from the University of Maastricht. He has worked in the European Union Law Section of the Law Office of the Republic, in the Office of the Commissioner for State Aid Control, and since 2006 is a partner in the law firm of Ierotheou, Kamperis & Co. LLC. Mr. Ierotheou has dealt with court cases related to corporate and commercial issues of the securities market and financial instruments. Since May 2017, he is a Fellow of the Chartered Institute of Arbitrators.

2.3.2 Structure

Based on an evaluation of its needs, as well as its strategic planning, CySEC proceeded to an internal restructuring.

The new internal structure includes the creation of four Directorates, a Policy Department and various sub-departments, in line with the requirements of CySEC's operations and responsibilities and according to the expectations for its future development. Due to the increase in CySEC's work, its new structure foresees a significant increase in staff, particularly with regard to the Supervision and Authorisations Departments. For the more efficient operation of CySEC and better division of work, interim promotion positions for Officer A have been approved. The new grade is deemed necessary due to the increase in staff and the modernisation of the Supervisory Authority on the basis of how the market has changed. The new structure was approved by the CySEC Board in October 2017.

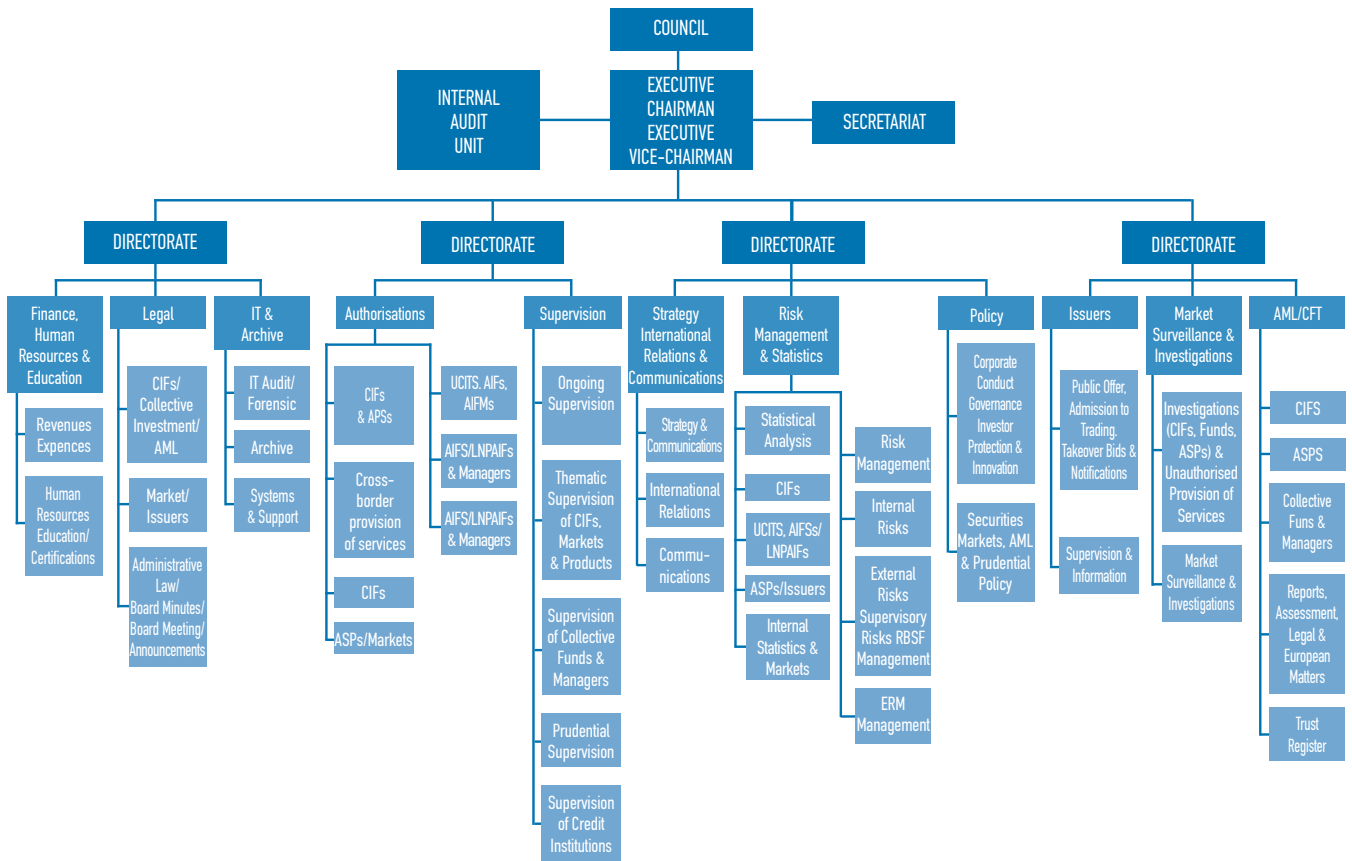
Since October 2017, when the new organisation chart was adopted, CySEC was comprised of eleven Departments (2016: 10), as follows:

- Strategy, International Relations and Communications Department
- Legal Department
- IT and Operations Department
- Authorisations Department
- Supervision Department
- Risk Management and Statistics Department
- Issuers Department
- Market Surveillance and Investigations Department
- Finance, Human Resources and Education Department
- AML - CFT Department, and the
- Policy Department.

CySEC also operates an Internal Audit Unit.

As part of its objective to implement a sound organisational structure based on its needs, CySEC will proceed in 2018 with promoting 16 Officers to the Officer A grade and 2 Assistant Clerical Officers to the Clerical Officer grade.

CySEC aims to diversify its internal structure on the basis of recruiting additional staff and in line with the new changes and adjustments that will be deemed necessary in the process. The following diagram outlines the configuration of the CySEC Departments over the next 4 years.



2.3.3 Departments

Strategy, International Relations and Communications Department

The Department of Strategy, International Relations and Communications is responsible for CySEC's strategic planning, the internal and external communication and promotion of its work, international relations, the education of the public on securities market issues and investment services in transferable securities, and the support of the Chair and the Vice-Chair on the above issues. In particular, the tasks of the Strategy and International Relations Department primarily include supporting the Chair and Vice-Chair on matters of strategy and policy. For example helping them with their involvement in the monitoring and evaluation of developments in the securities market and the institutional framework and submission of suggestions to the Chair for the formulation of a strategy and the strategic objectives at CySEC, in light of market developments, monitoring the progress of implementation of the Strategic Plan of CySEC and informing the Chair and Vice-Chair at regular intervals, as well as supporting them, in order to better coordinate the work of CySEC and its relations with other Cyprus Authorities and bodies. It also handles internal and external communications issues, including suggestions on communication policy issues, editing of publications, coordinating the organisation of communication activities, strategic conferences and other events and monitoring the domestic and international daily press and developments at European and international level. In addition, it is responsible for investor education initiatives, as well as international relations, including communication with competent supervisory authorities and foreign organisations, negotiation and conclusion of Memoranda of Understanding with competent supervisors overseas and monitoring the work of ESMA, the ESRB and IOSCO and the Mediterranean Partnership of Securities Regulators. In addition, is responsible for agreeing to Memoranda with other Authorities and stakeholder organisations in Cyprus, while it is also responsible, to a large extent, for local cooperation. At the same time, the Department of Strategy, International Relations and Communication is responsible for the coordination and representation of CySEC in Cyprus and abroad. This includes, inter alia, cooperation with government departments

and other competent Authorities in Cyprus' financial sector, the representation of CySEC in the ESMA Review Panel, the ESRB, as well as the Mediterranean Partnership of Securities Regulators and the Informal High-Level Committee of the Supervisory Authorities of the Financial Sector.

Policy Department

The Policy Department is expected to manage policy issues and create an integrated framework of guidelines and best practices that supervised organisations can easily refer to and follow. Furthermore, it will be possible for CySEC to handle in due course the policy issues that arise in the dynamic environment in which the supervised entities operate, which is influenced by the innovation and financial technology (FinTech) that dominate the modern era.

Issuers Department

The Issuers Department is mainly responsible for monitoring the compliance of companies from Cyprus, whose shares are listed in a regulated market, with their continuous legal obligations, the examination of applications for prospectus approval for a public offer of transferable securities and their listing in a regulated market in accordance with the Public Offer and Prospectus Law. The Department is also responsible for monitoring the implementation of the Public Offer and Prospectus Law by the aforementioned entities, the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed in a regulated market, 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).

Authorisations Department

The Authorisations Department is responsible for examining applications for granting authorisation to entities that are regulated by CySEC. Also, the Department is responsible for monitoring the substantial changes in regulated entities. In this context, the Department also examines applications with regards to changes in their authorisation, changes in their ownership structure and changes in their directors. Furthermore, the Department is responsible for monitoring the cross-border activity of regulated entities, whether carried out through the freedom to provide services or through the establishment of a branch. For this purpose, it shall share the notifications of regulated entities with the competent supervisory authorities of the other EU Member States concerning the provision of services or activities and the marketing or management of collective investment undertakings (UCITS or AIFs).

Supervision Department

The Supervision Department's duties include the ongoing supervision of entities authorised by CySEC in relation to their legal obligations. In particular, it monitors the compliance of CIFs, their branches and their tied agents with their regulatory and regulatory obligations in providing investment services, including their compliance with capital adequacy requirements. The Supervision Department also monitors the compliance of the Cyprus Stock Exchange and the securities repository with its ongoing obligations. Furthermore, it monitors the compliance of the Management Companies of Collective Investment Funds, their branches and the distribution network of the collective investment funds with their legal obligations.

The Supervision Department is divided into 4 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

Additionally, the Department is supported by an Officer dealing with issues of wider interest and the regulatory/supervisory framework as well as by secretarial support.

Market Surveillance and Investigations Department

The Department of Market Surveillance and Investigations is primarily responsible for investigating complaints submitted to CySEC, the conduct of investigations on its own initiative, the conduct of investigations on behalf of a

foreign Supervisory Authority, and the issuance of warnings about companies providing investment services in the Republic without being authorised by CySEC.

Anti-Money Laundering Department

The duties of the AML Department mainly include the monitoring, evaluation and supervision of the implementation of the provisions of the Anti-Money Laundering Law of 2007 (L.188 (I)/2007) and the CySEC Directive on the Prevention of Money Laundering and Financing of Terrorism by CySEC-regulated entities. Among other things, the Department monitors and supervises the compliance of regulated entities with their ongoing obligations, with regular on-site and desk-based inspections and audits, in order to assess the adequacy and suitability of the relevant measures and procedures applied. In addition, it issues and publishes guidelines and circulars to regulated entities on matters concerning the prevention of money laundering and financing of terrorism.

Risk Management and Statistics Department

The Department of Risk Management and Statistics is responsible for embedding risk management in all CySEC functions, handling the Risk Based Supervision Framework (RBS-F), and conducting statistical analyses to assist the supervisory role and strategic objectives of CySEC.

The main tasks of the Department are to:

- Adopt the best practices and risk management procedures throughout the organisation and implement a common culture to address the risks.
- Achieve the implementation, continuous monitoring, updating and upgrading of the Risk Based Supervision Framework (RBS-F).
- Ensure that all significant risks (internal and external) related to CySEC and the environment in which it operates are recognised, evaluated and managed at all levels of the organisation.
- Strengthen the Second Line of Defence at CySEC.
- Collect and analyse data relevant to all categories of CySEC's regulated entities required for risk identification, assessment and comprehension. In addition, to carry out statistical analyses/studies and draft internal and external Statistical Analyses/Bulletins.

Legal Department

The duties of the Legal Department include, mainly, 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 streamline it, while 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 file, 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.

Finance, Human Resources and Education Department

The duties of the Finance, Human Resources and Education Department mainly include preparing the budget, monitoring the revenue and controlling CySEC's costs, announcing and awarding public contracts, maintaining the Personnel Regulations, training personnel and certified persons, staffing, filling vacancies and other tasks such as keeping the books and records of the Provident Fund and the Welfare Fund of CySEC's staff. The Department also deals with other current issues such as the management of equipment and building facilities. Furthermore, the Department maintains the Public Registry of Certified Members, as well as conducts examinations for the certification of persons employed by Investment Firms, Credit Institutions, Management Companies and Variable Capital Investment Companies.

IT and Operations Department

The IT and Operations Department focuses on CySEC's operational needs, which are constantly changing according to the provisions of the new legislations and the resulting increase in CySEC's obligations. The Department is

responsible for the provision of infrastructure, automation, governance and upgrading the organisation's IT systems. Moreover, it is responsible for CySEC's website and internal network, as well as other matters relating to the adoption of contemporary information and communication technologies. The Department's goal is to ensure effectiveness, data security, smooth communication in the execution of CySEC's competencies as well as the increase of its productivity and cost-effectiveness.

Internal Audit Unit

The Internal Audit Unit's mission is to improve the operations of CySEC, providing objective and risk-based assurance, advice and insight. Internal audit is an independent and objective assuring and consulting activity designed to add value and improve the organisation's operations. It helps the organisation achieve its objectives, adopting a systematic professional approach to the evaluation, and improve the effectiveness of risk management processes, internal control systems and governance.

2.3.4 Personnel

As of the end of 2018, CySEC employed 8 Senior Officers (2017 – 8), 16 Officers A' (2017 – 0), 51 Officers (2017 – 70), 2 Clerical Officers (2017 – 0) and 20 Assistant Clerical Officers (2017 – 21). During the year, 3 Officers left CySEC. CySEC's personnel by Department is presented in the following table.

Departments/ Duties	Senior Officers	Officers A'	Officers	Clerical Officers	Assistant Clerical Officers	Office Assistants	Total
Financial Services, Personnel and Education	1	1	4	0	3	1	10
Legal	1	2	0	0	1	0	4
IT & Archive	0	1	3	1	2	0	7
Authorisations	1	2	8	0	2	0	13
Supervision	1	4	12	0	2	0	19
Strategy, International Relations and Communications	1	1	1	0	2	0	5
Risk Management and Statistics	0	1	4	0	1	0	6
Policy	0	0	2	0	0	0	2
Issuers	1	1	4	0	2	0	8
Market Surveillance and Investigations	1	2	5	0	2	0	10
AML	0	1	7	0	2	0	10
Internal Audit Unit	1	0	1	0	1	0	3
Chair Support/ Reception	0	0	0	1	0	0	1
Total	8	16	51	2	20	1	98

As of the end of 2018, an Officer of the Legal Department was seconded to the Permanent Representation of Cyprus to the European Union for the monitoring and handling of matters related to CySEC's responsibilities, and other issues in the various Committees dealing with financial services and other technical issues.

At the end of 2018, and as part of the requirement to increase CySEC's personnel, a number of CSE Officers have been seconded to CySEC under the special Memorandum of Cooperation that was signed between CySEC and the CSE in 2012. The CSE Officers were appointed to the CySEC Departments as follows:

Departments/ Duties	Officers	Assistant Clerical Officers	Total
Financial Services, Personnel and Education	1	0	1
IT and Archive	0	1	1
Authorisations	0	1	1
Total	1	2	3

Moreover, an officer of the Strategy, International Relations and Communications department, was seconded to the Office of Electronic Communications & Postal Regulations (OCECPR) on 1 August 2018, according to the secondment of employees of the Civil Service and Public Law Organisations Law of 2017 (L47(I)17).

2.4 Brief Historic Overview

1996 – 2000

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

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

2001 – July 2009

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

CySEC is a legal person under public law and is responsible for the supervision of the securities market, ensuring its smooth operation and steady growth, as well as monitoring the transactions in transferable securities carried out in the Republic of Cyprus. Currently, CySEC is an independent public supervisory Authority and is one of the four Authorities supervising the financial sector of Cyprus, together with the Central Bank of Cyprus, the Audit Service of Cooperative Institutions, and the Supervisory Authority of Professional Pension Funds. In accordance with the new Law, CySEC is governed by a five-member Council, where the Chair and Vice-Chair provide their services on a full-time and exclusive basis.

July 2009 – Today

On 10 July 2009, the new Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) came into force replacing the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 to

2007. On 23 May 2014, the Cyprus Securities and Exchange Commission (Amending) Law of 2014 (L. 65(I)/2014) which shall be read with the Cyprus Securities and Exchange Commission Laws of 2009 and 2012, as amended, and shall be referred as 'The Cyprus Securities and Exchange Commission Laws of 2009 to 2014', was published.

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

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

YEAR ASSESSMENT

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3.1 Regulated Entities

CySEC is responsible for the supervision of the operations and the compliance of entities that are under its supervision and to ensure their compliance with the applicable legislation. The categories of CySEC-regulated entities are listed in the table below (Table 1)

Table 1: Entities regulated by CySEC

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

At the end of 2018, CySEC regulated 662 entities. Also, throughout 2018 the submission of applications to CySEC from Cyprus and abroad for the licensing of new regulated entities continued unabated. At the end of the year, 82 applications were under examination. This interest undoubtedly shows that Cyprus continues to have substantial advantages and to be an attractive investment destination. In addition to hindering unemployment by employing high-level staff, renting office space, purchasing services and strengthening the tourism industry in the country, this organisation also significantly contributes to increase state revenues through the submission of significant taxes. The categories of entities that were under the supervisory remit of CySEC at the end of 2018 and the number of applications are presented in the table below (Table 2).

¹ Beyond the exempted persons, which according to the Law Regulating Companies Providing Administrative Services and Related Matters of 2012, include (a) lawyer and/or a limited liability company (LLC) according to the Lawyers Law, a general partnership or limited partnership whose general partners are lawyers or a limited liability company (LLC) and a subsidiary company, owned directly or indirectly, by any of the above, which is regulated by the Board of the Cyprus Bar Association in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law (b) a member of the Institute of Certified Public Accountants of Cyprus (ICPAC), a general or limited partnership or a limited liability company whose majority of general partners and directors are members of ICPAC, and a subsidiary company, owned directly or indirectly, by any of the above, which is regulated by the Board of ICPAC in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

Table 2: CySEC-regulated entities

	Regulated Entities	Authorised 31/12/2018	Authorised 31/12/2017	Authorised 31/12/2016	New applications under review 31/12/2018
A					
A1	Cyprus Investment Firms	248	235	214	27
A2	Administrative Service Providers	160	164	167	8
	Subtotal	408	399	381	35
B	Markets				
B1	Cyprus Stock Exchange (CSE)	1	1	1	0
B2	Multilateral Trading Facility	1	1	1	0
	Subtotal	2	2	2	0
C	Issuers				
C1	Issuers trading in CSE	65	73	81	0
C2	Issuers trading in markets abroad	13	13	12	0
	Subtotal	78	86	93	0
D	Management Companies and Collective Investment Funds				
D1	UCITS Management Companies AIFMs	4	4	5	0
D2	External Licenced Alternative Investment Fund Managers AIFMs	23	16	12	5
D3	Registered AIFs (Self-managed) AIFs – Below the threshold	1	1	1	0
D4	Licensed AIFs (Self-managed)	1	1	0	0
D5	Licensed AIFLNP (Self-managed)	62	55	37	15
D6	Special Purpose Companies Externally Managed Funds	9	9	6	2
D7	UCITS	9	7	5	0
D8	AIFs (Externally managed)	27	16	9	19
D9	AIFLNP (Externally managed)	38	36	27	6
	Subtotal	174	145	102	47
	Total	662	632	578	82

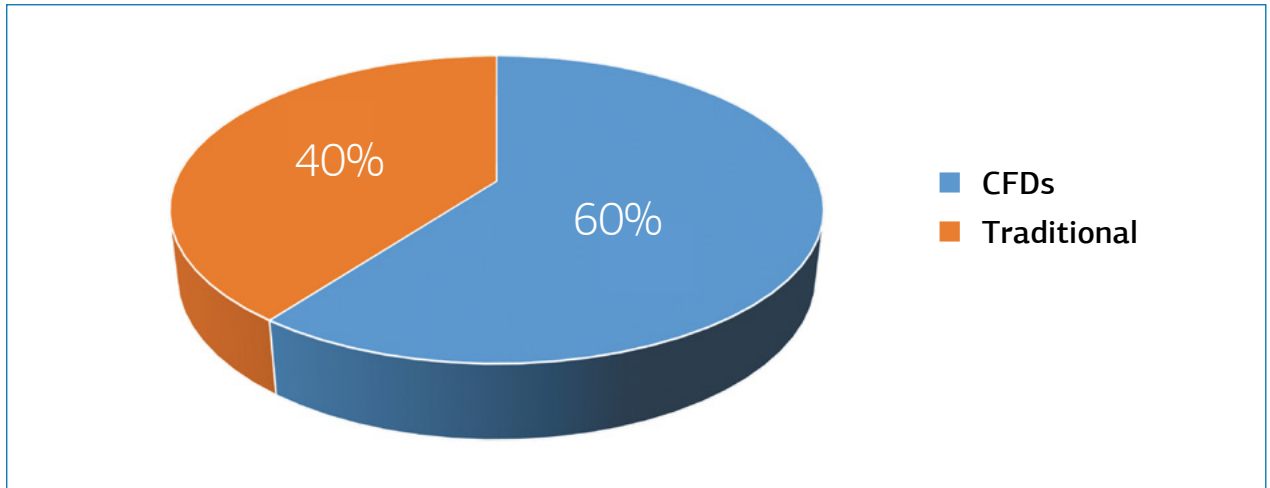
Applications submitted to CySEC by Investment Firms and Administrative Service Providers in 2018 recorded a 30% drop compared to 2017. As it comes to CIFs, this was mainly due to the implementation of the European Regulation MIFID II, which has brought substantial changes in the way companies operate as well as the implementation of the Product Intervention Measures of the European Securities and Markets Authority (ESMA) for CFDs which have restricted compound financial instruments.

As it comes to ASPs, the reduction was expected as most applications had been submitted in 2013, with the enforcement of the Regulation on Administrative Service Providers and related legal matters.

Concerning Collective Investments, there's a steady flow of applications for the provision of a license for Alternative Investment Funds, while interest for UCITS remains limited.

Chart 1 below lists the CIFs by type of financial products they offered in 2017, as well as data from the rest of the regulated entities which were subsequently collected, after the preparation of that year's Annual Report.

Chart 1: CIFs by type of financial products they offer



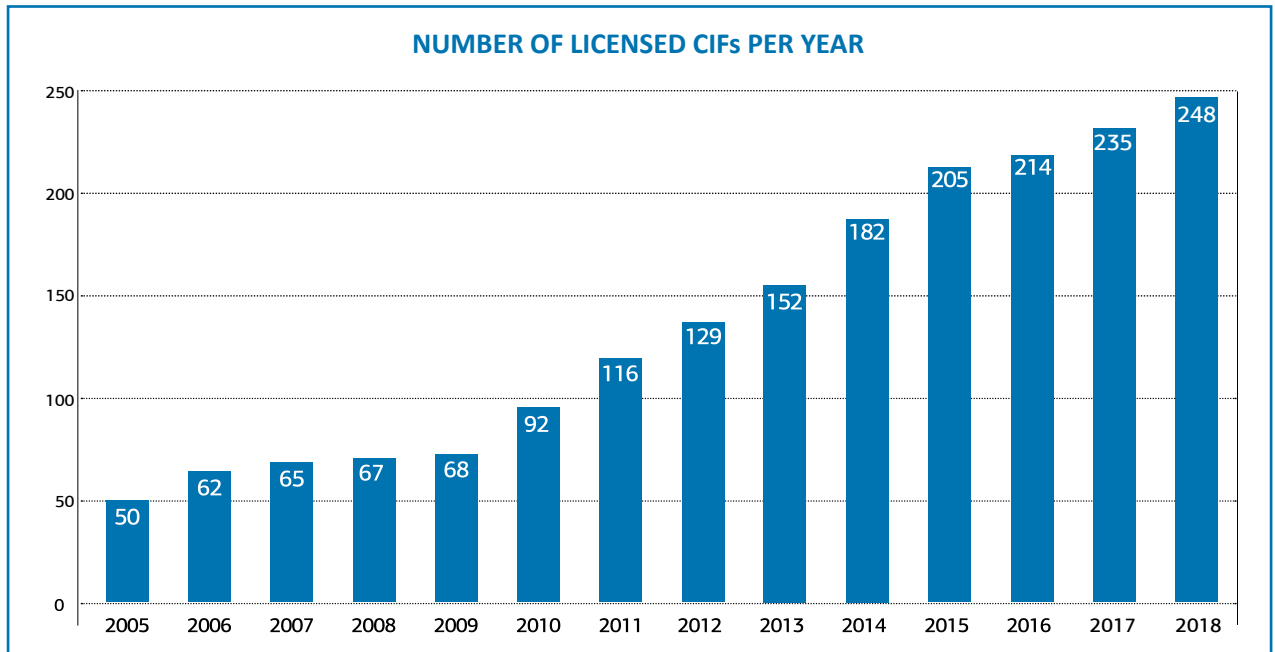
It should be noted that in 2018, CySEC granted authorisations to 9 AIFMs, 17 AIFs and 12 newly established AIFLNPs. The number of licenses issued by CySEC in 2018 are presented in Table 3.

Table 3: Number of licenses granted by CySEC

Entity	Licenses granted
ASP	8
CIF	18
AIFM	9
UCITS	1
AIF	17
AIFLNP	12

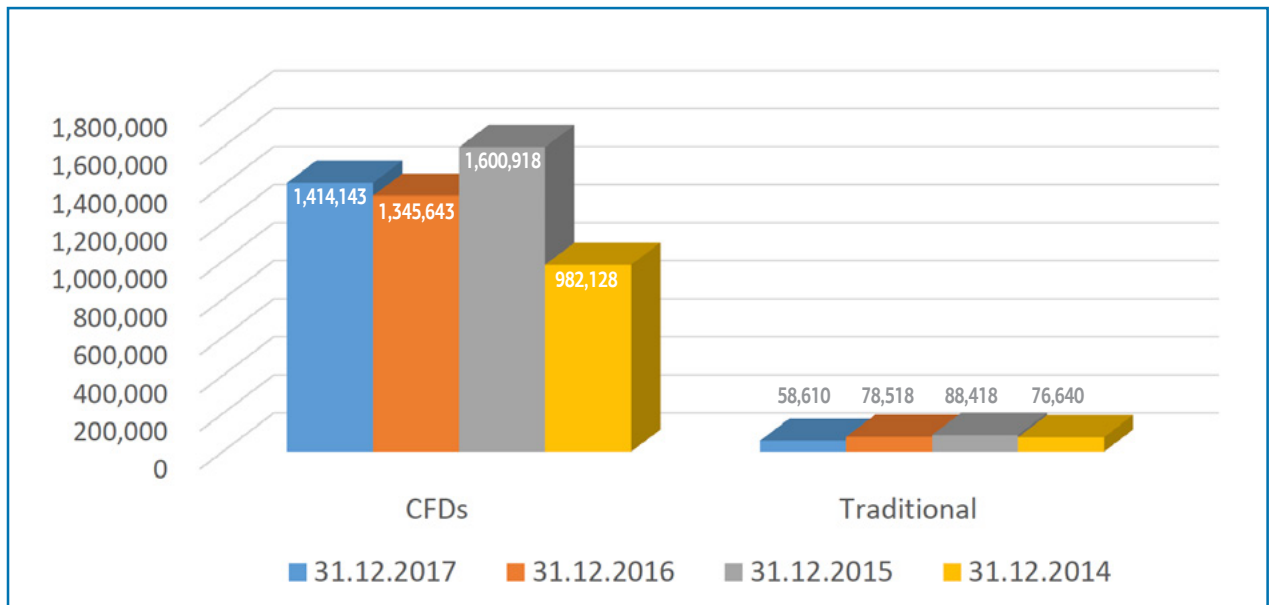
As a result of the interest observed in the start-up of new companies providing investment services in Cyprus, there has been a steady increase in the number of licensed CIFs in recent years, as shown in Chart 2. Between 2017 and 2018 there has been an annual increase of 5.53%.

Chart 2: Number of licensed CIFs per year



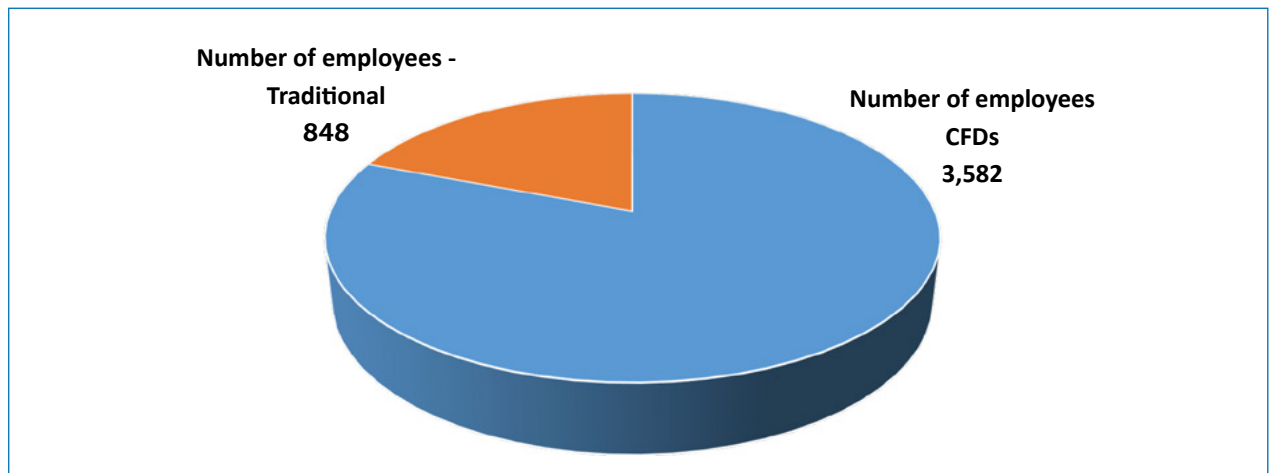
CySEC's data also indicates an increase in the number of the entities' clients. Chart 3 below shows the number of CIF clients by category in 2017 compared to 2016, 2015 and 2014, as well as data from the rest of the regulated entities which were collected after the preparation of that year's Annual Report.

Chart 3: CIF clients by category



It should also be noted that the continuous increase in the number of licensed CIFs and their activities in recent years has contributed to the employment of highly educated staff. This is also reflected in Chart 4, which shows the number of people working in CIFs at the end of 2017.

Chart 4: CIF employees per category



With the Alternative Investment Fund Managers Law and the Alternative Investment Funds Law coming into force, in 2013 and 2014 respectively, and the completion of the framework governing the sector of collective asset management in the Republic of Cyprus, the scope of operations of the regulated entities was extended.

Specifically, in addition to the investment services they provide under the CIF Law, CIFs under the supervision of CySEC may also manage alternative investment funds, provided that the total assets under their management do not exceed the limits set by the AIFM Law. In particular, the following limits have been determined:

- Up to €100 million with leverage or up to €500 million without the use of leverage.
- They do not have the right to redeem their units, a right that can be exercised during the period of 5 years following the date of the initial investment in each AIF.
- Based on the data kept by CySEC, 15 CIFs managed Alternative Investment Funds and/or Alternative Investment Funds of a Limited Number of Persons in 2018. Their total assets under management amounted to €221.244.639.
- The total number of foreign harmonised UCITS that hold shares in the Republic for 2018 decreased in relation to 2017. During the year under review, 4 foreign harmonised UCITS (umbrella scheme) from 3 Member States were registered to market their units in the Republic. (Table 4).

Table 4: Foreign Harmonised UCITS

Number of foreign harmonised UCITS:	2018	2017
Single scheme UCITS	0	0
Umbrella scheme UCITS	26	31
Total	26	31

Foreign UCITS mainly came from Luxembourg and Ireland in 2018 (Table 5).

Table 5: Foreign UCITS Home Country

Foreign UCITS Home Country	2018	2017
Number of Harmonised UCITS		
Luxembourg	22	22
Ireland	3	8 ²
France	1	0
Total	26	30

The total number of sub-funds under UCITS umbrella schemes in 2018 has dropped to 336 (2017 – 348) (Table 6).

Table 6: UCITS sub-funds

Total number of sub-funds under umbrella schemes	2018	2017
Harmonised UCITS	336	348
Total	336	348

The number of Representatives registered with CySEC in 2018 remained the same at 13 compared to 2017.

The number of UCITS Management Firms registered in an EU member-state other than the Republic of Cyprus that offer cross-border services in Cyprus, has increased compared to 2017, as shown in Table 7 below.

Table 7: UCITS Management Company Home Member-States

UCITS Management Company Home Member-States	2018	2017
France	5	5
Luxembourg	5	3
Liechtenstein	1	1
Greece	6	5
Italy	1	0
Ireland	1	0
UK	1	1
Total	20	15

CySEC has licensed and supervises one EuVECA (European Venture Capital Fund), which complies with the relevant European Regulation in relation to European Venture Capital Funds and can be marketed in other EU Member States. The investment objective of the specific fund is to invest in small and medium-sized enterprises in Cyprus.

Additionally, CySEC supervises the sole licensed regulated market operating in the Republic of Cyprus, the Cyprus Stock Exchange (CSE). CySEC also supervises the CSE as a Multilateral Trading Facility (MTF). The number of firms with transferable securities issued and traded on the CSE, whose home member-state is the Republic of Cyprus and are under CySEC's supervision, were 65 at the end of 2018 (2017 - 73).

2 Correction of 2017 Annual Report

A total of 160 Administrative Service Providers (ASPs) were also under CySEC supervision at the end of 2018 (2017 - 164). The number was slightly reduced compared to 2017, due to a small number of ASPs resigning. The following charts show the course of the sector through the number of firms and their employees in the last few years.

Chart 5: Administrative Service Providers

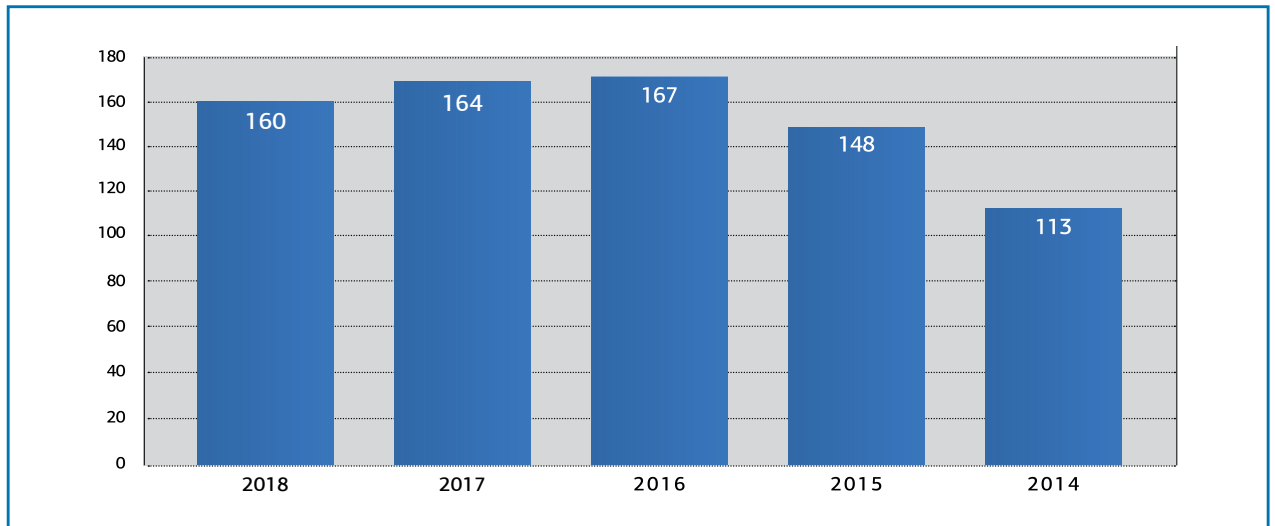
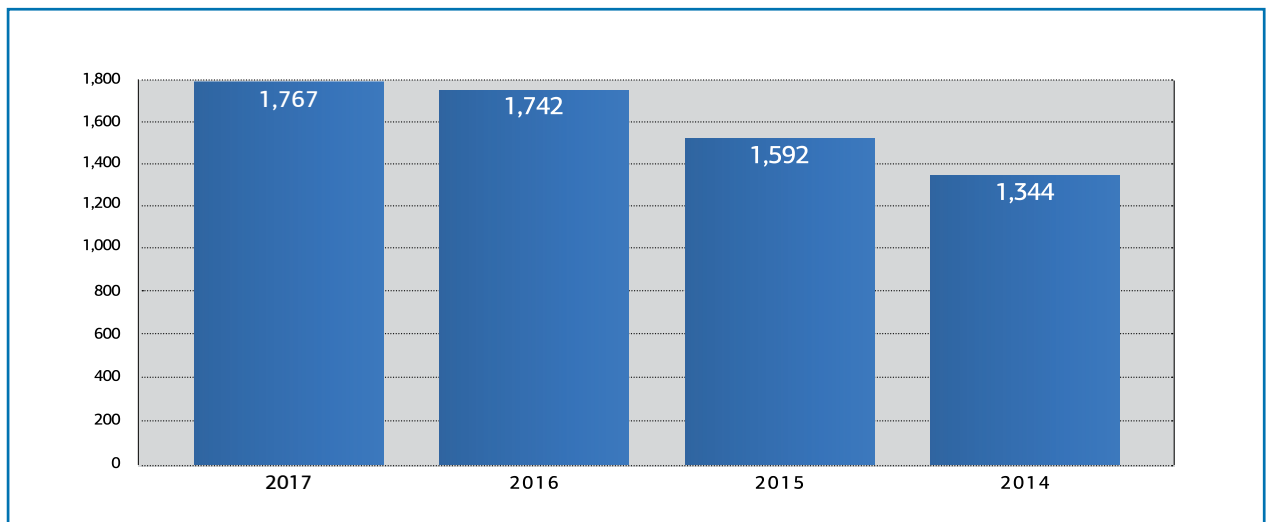
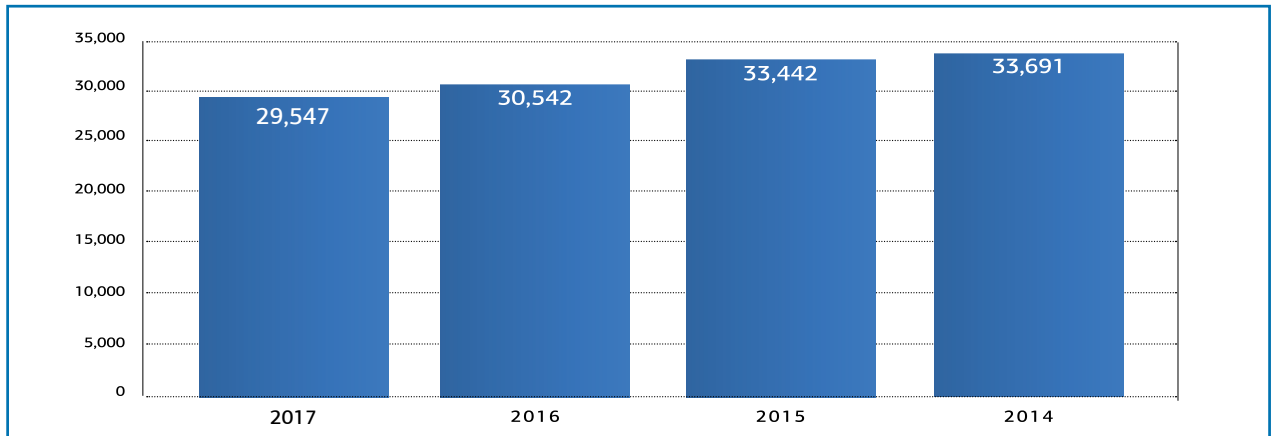


Chart 6: Number of ASP employees



According to data available to CySEC, the number of ASP clients in 2017 was 29,547, recording a small decrease compared to 30,542 in 2016.

Chart 7: Number of ASP clients



3.2 Market Trends

In 2018, the Cypriot economy recorded a 3.9% growth rate. “The economic growth of Cyprus is expected to remain strong, driven by domestic demand, but downside risks are on the rise”, according to the European Commission Spring Economic Forecast. GDP is projected to grow by 3.1% in 2019 and 2.7% in 2020, while unemployment will drop from 8.4% in 2018 to 6.7% in 2019 and 5.9% in 2020.

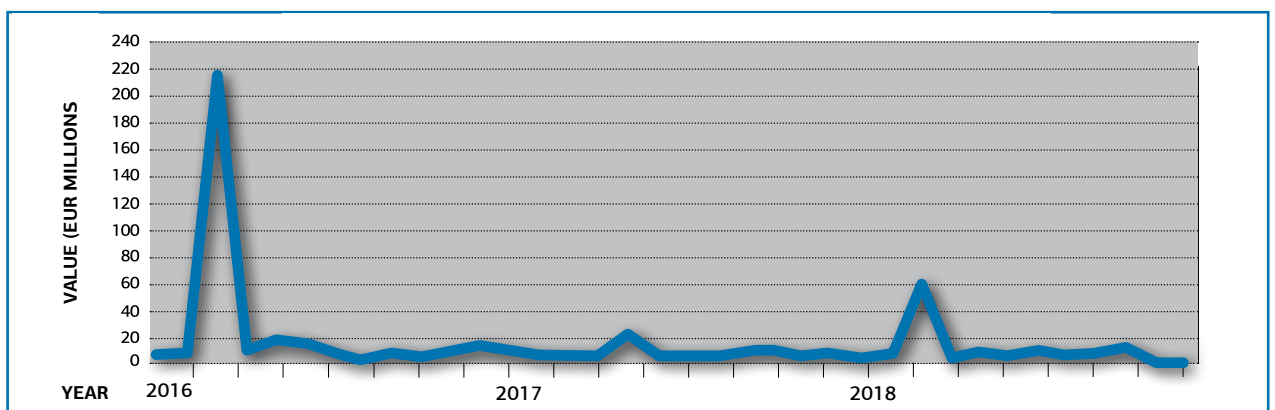
The country’s public debt is expected to drop from 102% in 2018, to 96.4% in 2019 and 98.9% in 2020, while the -4.8% deficit recorded in 2018 will be turned into a 3.0% surplus in 2019 and 2.8% in 2020 without any policy changes.

The European Commission warns over negative risks for financial perspectives pertaining to “the uncertainties concerning the macroeconomic outlook, the effects of court decisions on previous measures relating to public sector wages and the possible shortage of public healthcare providers in the early years of the national health insurance system.”

The total volume of CSE transactions increased compared to the previous year. Specifically, the total volume of CSE transactions in 2018, amounted to €132 million compared to €83.59 million in 2017, recording an 58% annual increase approximately.

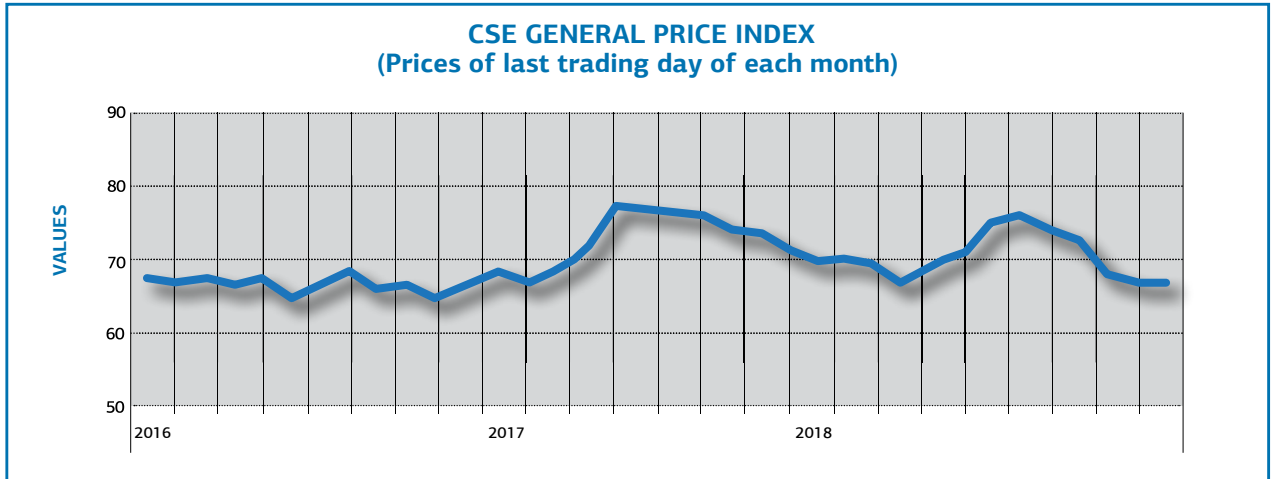
The average daily trading volume in 2018 amounted to €0.5 million, compared to €0.3 million in the previous year. The chart below shows the monthly total volume of CSE transactions over the last three years (Chart 8).

Chart 8: Volume of Monthly Transactions on the CSE



The CSE General Price Index closed at 66.77 units, recording an annual drop of 3.93%. Its highest point during the year stood at 76.38 units on 20 July 2018, while the lowest stood at 64.48 units on 13 December 2018 (Chart 9).

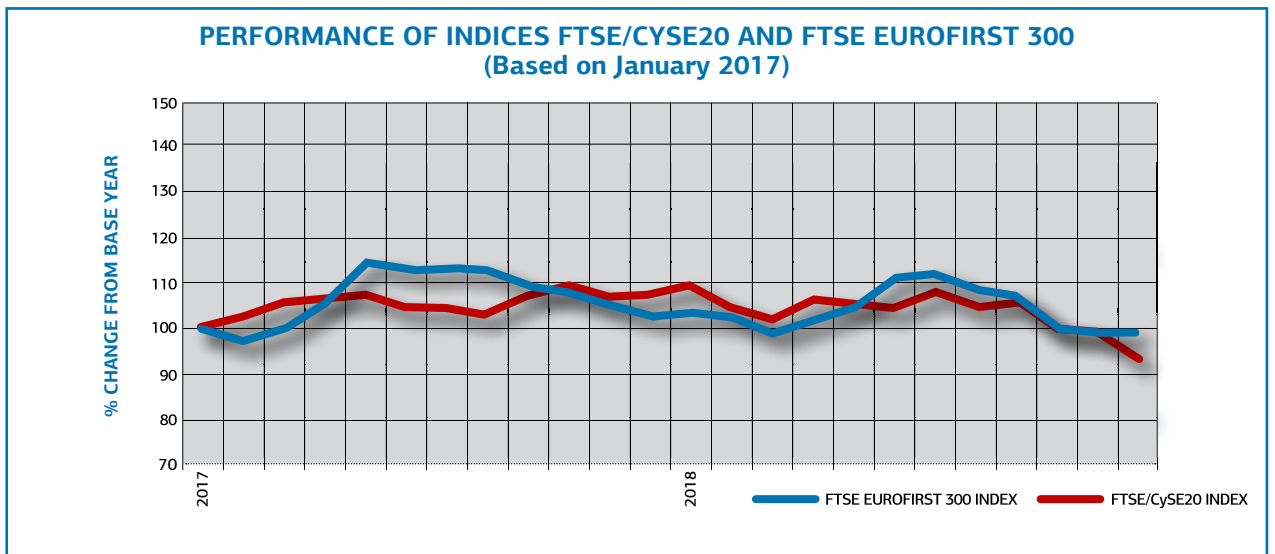
Chart 9: CSE General Price Index



At the end of the year, the Stock Market value was maintained at €2.3 billion. The total capitalisation of all CSE markets in 2018 rose to €6.1 billion, compared to €4 billion of the previous year, recording a 52.5% increase.

The FTSE/CySE20 index, which is comprised by an indicative sample of 20 shares from the Cyprus stock market, recorded 3.52% drop in one year. The fluctuation in the FTSE/CySE20 throughout 2018 was smaller than the fluctuation of the European Index FTSE EuroFirst 300, which reflects the performance of 300 companies in Europe with the largest capitalisation. The FTSE EuroFirst 300 index recorded a 13.03% drop between December 2017 and December 2018. The following Chart (Chart 10) indicates the fluctuations of the two abovementioned indices over the past two years.

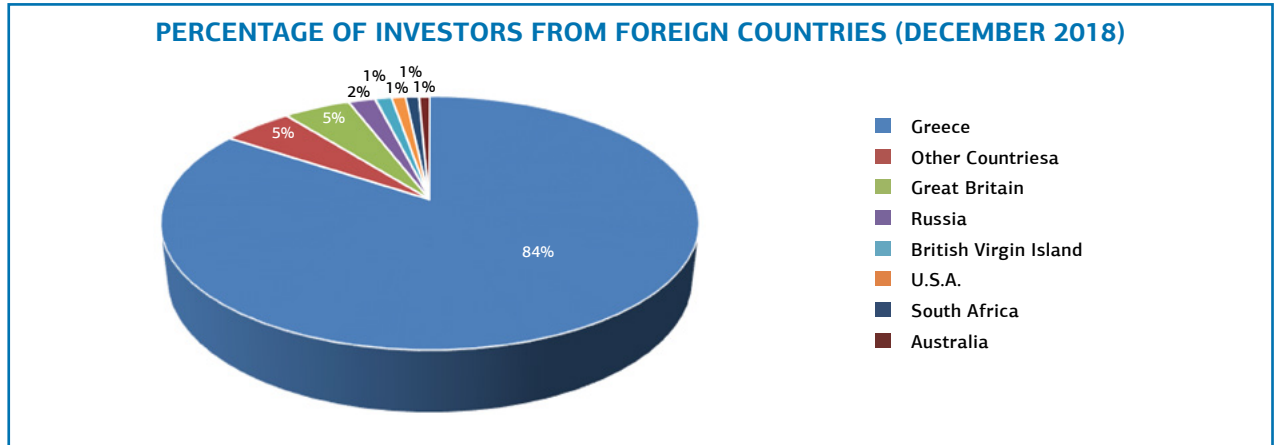
Chart 10: Performance of Indices FTSE/CYSE20 and FTSE EuroFirst 300



The number of transactions during 2018 in the CSE dropped to 24,164, compared to 26,796 transactions in 2017, thereby recording a 9.82% drop.

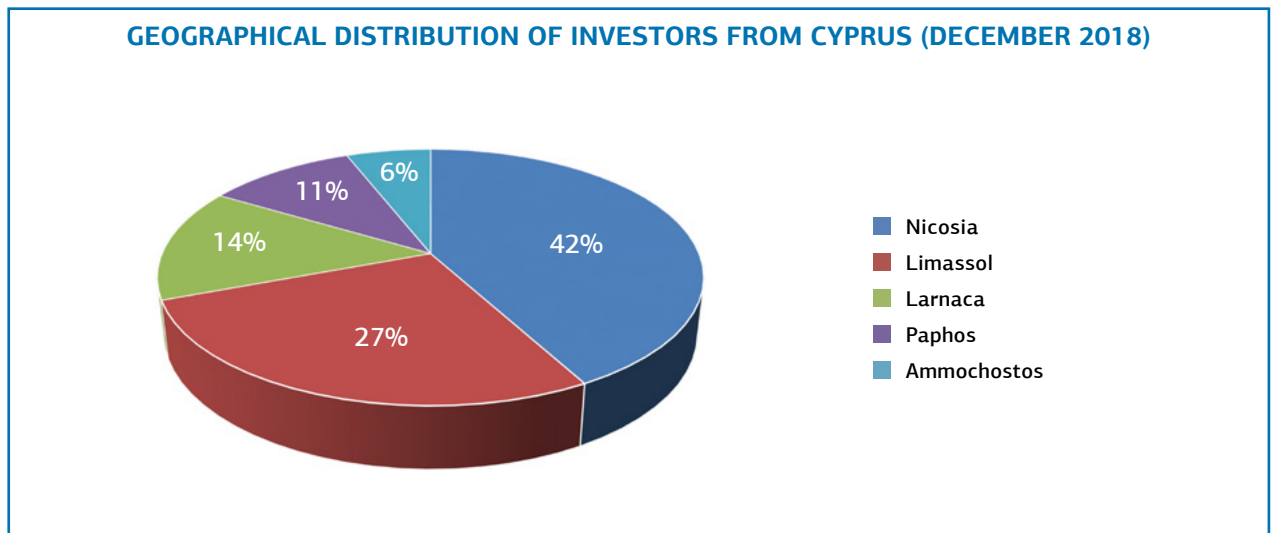
The participation of foreign investors in the stock market capitalisation at the end of December 2018 stood at 16.27% of the total stock market capitalisation, compared to 21.01% at the end of December 2017. Foreign investors came from various countries, such as Greece, Russia, the United Kingdom, Ukraine, USA, Australia, and South Africa (Chart 11).

Chart 11: Percentage of investors from foreign countries (December 2018)



As it comes to investors from Cyprus, the overwhelming majority (42.05%) reside in Nicosia and 27.21% in Limassol (Chart 12).

Chart 12: Geographical distribution of investors from Cyprus (December 2018)



3.3 Important Changes and Projects

Regulatory Framework

CySEC makes continuous efforts to improve, upgrade and modernise the regulatory framework governing the securities market, so as to ensure the protection of investors and the smooth functioning and growth of the market. In particular, CySEC continues to place emphasis on upgrading the regulatory framework, ensuring that Cyprus remains fully harmonised with the new EU Markets in Financial Instruments Directive (MiFID II) and the AML Directive.

Risk-Based Supervision Framework

The implementation of the new Investment Services legislation (MiFID II) on 1 January 2018, and the subsequent implementation of the amended legislation to prevent and combat money laundering over the past year, resulted in significant changes to the Risk Based Supervision Framework. The changes were implemented based on the results of the relevant Gap Analysis study carried out in collaboration with external consultants.

As it is well known, this framework which has been designed and created over the last four years by the Risk and Statistics Department, is a new approach to financial sector supervision, and is in line with the models used by Supervisors around the world.

In addition, a Gap Analysis study was launched in 2018, between those included in the RBS-F Supervisory Framework and those that need to be included, based on the changes brought by CySEC's adoption and implementation of the European Directive MiFID II and the European Regulation MiFIR. The implementation of the necessary changes to the RBS-F Supervision Framework, due to the implementation of MiFID II/MiFIR, and on the basis of the results of the Gap Analysis study, is expected to take place in early 2019.

In 2018, new risks were identified, arising from factors such as changes in the legislation and market environment, the calibration of the evaluation model and the necessary adjustments made in the risk categories affected. The configuration of new risks and the inclusion of new parameters in the data collection forms, based on RBS-F data and the eGRC software, which is used for RBS-F purposes, so as to ensure that the data reflect the risk evaluation parameters that have been established ('Data fitness/calibration').

Based on the regulated entities' risk profile, various Risk Reports are prepared which form the basis for the annual supervisory action plans of the relevant departments, aiming to address the risks emerging from the different categories of regulated entities, based on their risk profile (Risk Mitigation). In relation to CIFs, ASPs and Management Companies, monitoring the compliance of companies classified as high risk will be ongoing and will entail annual on-the-spot investigations and audits of documents related to their obligations. For CIFs, ASPs and Management Companies categorised as medium- to high-risk, there will be continuous monitoring and on-the-spot investigations and audits on relevant documents related to all their obligations, over a two- to five-year period.

The remaining companies which are classified as medium-low-risk and low-risk will be subject to thematic supervision, including audits on documents related to their obligations and on-the-spot checks in companies that have weaknesses related to their compliance with the law. As it comes to the category of Issuers, it should be noted that CySEC's supervision relates to managing risks emanating from the non-compliance of the Issuers' audited financial statements with International Financial Reporting Standards. To this end, in line with what we have mentioned for the other categories of regulated entities, the RBS-F supervisory framework provides a full yearly review of the financial statements of those Issuers classified as high-risk, while for the remaining risk categories (medium to high-risk) it stipulates, either full or thematic investigation of their financial statements in a two-year period. For medium-low- and low-risk categories it suggests the thematic investigation of their financial statements in a 5-year period, respectively. Certainly, any new information that emerges relating to regulated entities throughout the year, could possibly change the supervisory priorities.

CySEC's purpose is to operate proactively, preventing any risks. It also aims to operate fairly, in order to ensure the proper functioning of the market and take decisions that reflect the importance it attaches to the protection of investors.

European Directive on preventing the abuse of the financial system for money laundering and terrorism purposes

The 4th European AML Directive, (EU) 2015/849, was published in June 2015, in the Official Journal of the European Union and repeals the 3rd European AML Directive, Directive 2005/60/EC. It aims to prevent the use of the European Union's financial system for money laundering and financing of terrorism purposes.

As part of integrating this European Directive into Cypriot legislation, CySEC cooperated with the respective supervisory authorities of Cyprus and participated in the Ad-hoc transposition group, which was specifically established for the study and the adoption of the 4th European Directive on the prevention of money laundering and terrorist financing.

It should also be noted that the European Commission submitted a bill to amend the Directive 2015/849, aiming to, inter alia, extend its scope, to cover digital exchange platforms and digital wallets, as well as strengthen the powers of financial intelligence units and facilitate cooperation between them.

CySEC was actively involved in the examination of the proposed amendment to Directive 2015/849, both by submitting comments and by participating in the meetings of the Financial Services Working Group of the EU Council for the revision of this Directive. The Official Journal of the EU published EU Directive 2018/843 on 19 June 2018, amending EU Directive 2015/849. These amendments are expected to be incorporated in the relevant Cypriot Legislation by January 2020.

Trust Registry according to EU Directive 2015/849 and Law 188(I)/2007

Furthermore, as part of the harmonisation with the above European Directive, CySEC has undertaken the creation, management and supervision of the Trust Registry, which is foreseen in the 4th European AML Directive (Section 31), and in the AML Law (N188(I)/2007) (Section 61B). According to the European Directive, the ultimate objective of this Registry is, inter alia, to improve transparency as it creates an 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.

In order to fulfil its relevant obligation, CySEC decided to assign the project to external consultants/partners.

It should be noted that, according to the European Directive, the Trust Registry must be established before 10 March 2020. Furthermore, the respective central registries of member states must be integrated in the European Central platform by 10 March 2021.

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

According to the International Standards on combating money laundering and terrorist financing of the Financial Action Task Force (FATF), each country is required to identify risks for these purposes and take action to address them. This exercise, based on the internationally accepted and recognised methodology of the World Bank, 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 either they are governmental, supervisory and private actors, ultimately aiming at the adoption of corrective measures.

The National Risk Assessment aims to assess the risks associated with money laundering and terrorist financing (AML/CFT) at the national level. Beyond CySEC, all the relevant stakeholders in Cyprus participated in this project, such as for example other domestic supervisory authorities, MOKAS, the Police as well as representatives of the private sector.

7 working groups were created and CySEC participates in the following two:

- Group 4 – Securities Sector, for CIFs and Undertakings for Collective Investments
- Group 7 – DNFBPs (Designated Non-Financial Businesses and Professions), for ASPs

The report and action plan for the securities sector, as well as the report and action plan for the ASP sector included in DNFBPs, were finalised in 2018.

The National Risk Assessment concluded with the preparation of a report, which includes, inter alia, recommendations for improvements. On 13 November 2018, following a recommendation from the Anti-Money Laundering and Terrorist Financing Advisory Authority (established under Article 56 of Law 188(I)/2007), the Council of Ministers decided to publish a summary Report of the National Risk Assessment in order to be transparent as well as inform all the interested parties.

The results of the National Risk Assessment, which have been included in the Report, served as the basis for the preparation of an Action Plan, which includes measures/actions to correct the vulnerabilities identified and reported in the Report. Implementation of those measures/actions by the competent supervisory authorities to address the identified vulnerabilities has already begun and the regulated entities have been informed of the above through a relevant Circular.

Evaluation of Cyprus by the 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, widely known as Moneyval.

Moneyval launched the 5th round of evaluation of Cyprus 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, making recommendations to the competent authorities as it comes to necessary improvements to their systems and procedures.

In view of this assessment, Moneyval visited Cyprus in May 2019, and held individual meetings with, inter alia, the relevant supervisory and other Authorities, as well as the responsible entities (private sector). Cyprus' draft evaluation report by Moneyval is expected to be discussed at the MoneyVal Plenary Session in December 2019.

Compliance of regulated entities

At the same time, and always with a view to protect the investing public, CySEC intensified and strengthened supervision of the market and its participants in various ways. In particular, the Supervision Department has created four groups:

CIF Continuous Supervision Group:

The CIF Continuous Supervision Team is responsible for the continuous monitoring of the compliance of high-risk and moderate-high-risk CIFs with their obligations as stipulated in the laws on the Provision of Investment Services and Activities of Regulated markets (MiFID II), Securities Financing Transactions (SFTs), strengthening Securities Settlement and Central Securities Depositories (CSDs), as well as laws related to OTC derivatives, Central Counterparties and Trade Repositories (EMIR), and the Key Information Documents for Packaged Retail and Insurance-based Investment Products for Private Investors (PRIIPs). Furthermore, the Continuous Supervision Team is responsible for monitoring the CSE's securities repository with its ongoing obligations.

CIF, Markets and Products Thematic Supervision Group:

The CIF, Markets and Products Thematic Supervision Group monitors all market participants so as to identify potential universal risks that may pose a threat for customers or the integrity of the market itself with a view to take preventive measures. Furthermore, the CIF, Markets and Products Thematic Supervision Group is responsible for the continuous monitoring of the compliance of medium- to low-risk and low-risk CIFs as well as the CSE with their legal obligations as stipulated in the laws on the provision of investment services, the exercise of investment activities and the operation of regulated markets (MiFID II), Securities Financing Transactions (SFTs), OTC derivatives, Central Counterparties and Trade Repositories (EMIR), and the Key Information Documents for Packaged Retail and Insurance-based Investment Products for Private Investors (PRIIPs).

The Prudential Supervision Group

The Prudential Supervision Group monitors the compliance of all CIFs with their continuing obligations regarding prudential and macro-prudential supervision, the safeguarding of the assets of CIF's clients and the recovery plans of CIFs.

Continuous Supervision of Funds and Managers Group:

The Continuous Supervision of Funds and Managers Group is responsible for the continuous monitoring of the Collective Investment Fund Management Companies, their branches and the distribution network of the collective investment funds. Collective Investment Fund Management Companies include both UCITS Managing Companies and Alternative Investment Managers, as well as Funds themselves.

On the basis of the supervisory programme that was established for 2018, the Supervision Department's Groups carried out investigations for the compliance of CySEC-regulated entities.

As a result, CySEC imposed administrative sanctions on CIFs amounting to €130,000. It also suspended or revoked 3 CIF authorisations, which presented significant problems or severe infringements. In addition, CySEC has instructed these supervisors to take a series of corrective measures to improve their internal procedures, regulations and practices, in order to fully comply with their regulatory obligations. More details on the investigations and sanctions can be found in Chapter 4.2 Supervision and Market Surveillance.

CySEC also afforded importance to cases of companies/persons who provided investment services illegally, i.e. without having the relevant license so that they would be subject to CySEC's supervision. In cases where a company has been found to be providing investment services in Cyprus or abroad without a CIF license, CySEC, following an investigation, issues an urgent notice to the investing public.

As it comes to the Issuers of Securities Trading in a Regulated Market, in 2018 there was further improvement in their compliance with their periodic reporting obligations under the Transparency Requirements Law. However, there were certain Issuers who didn't fully comply.

CySEC has investigated several cases of possible violations of the above issues.

Moreover, the evaluation of the financial statements of Issuers for their compliance with International Financial Reporting Standards, continued in 2018 on a sample basis.

CySEC issued a number of circulars and announcements to Issuers, drawing their attention to various issues identified or issues that should be taken into account in order to comply with their ongoing obligations or when they are drafting their financial disclosures.

CySEC also continued monitoring the Issuers' compliance with Section 78 of the Auditors Law 2017, regarding the establishment of an Audit Committee. The audit found that all Issuers have complied.

Over the course of the year, CySEC examined and approved the decision of the CSE Board to continue to suspend trading in three Issuers with securities listed on a regulated market. In two of those cases, as well as in another

case, CySEC itself requested the suspension of the trading of the Issuers' securities, as it considered that the orderly functioning of the market was not ensured. Also, CySEC approved the decision of the CSE to delist the securities of four companies from the CSE, due to their non-compliance with their continuous obligations.

In 2018, CySEC received four applications for approval of Prospectuses under the Public Offer and Prospectus Law. CySEC examined these applications, as well as two applications that had been submitted in 2017, and approved the Prospectuses of three of them. The examination of two applications was completed in January 2019, while one application was withdrawn by the Issuer. Also, in one of the above cases the application to CySEC was for the approval of a Supplementary Prospectus, which was approved.

In 2018, CySEC also examined and approved two Public Offer Documents which were submitted following a relevant announcement by the Offerors, for the acquisition of 100% of the securities of two Issuers with securities listed in the CSE. CySEC also examined 10 applications for exemption from the takeover bid, and issued a decision (approval or rejection) on eight of them, while the examination of two applications continued in 2019.

Investor Compensation Fund

Following consultation with stakeholders, CySEC has prepared a new directive to replace the framework governing the operation of the Investor Compensation Fund. The Directive is being finalised and expected to be published shortly along with a policy statement explaining the changes that are to come.

Also, in the framework of transposing MiFID II into national law, CySEC is preparing, in cooperation with the Ministry of Finance and the Central Bank of Cyprus, a bill for the regulation of the operation of Investors' Compensation Fund (ICF), which re-transposes the new EU Directive 97/9/EC into national law. The bill is currently being finalised at the Ministry of Finance.

Other developments

In 2018, CySEC organised and held 30 seminars in Nicosia and Limassol. The seminars were attended by around 1,100 individuals, most of which are professionals of the sector and are registered, or wish to be registered in CySEC's Public Register of Certified Persons. The seminars analysed, inter alia, the new legal framework on Market Abuse and Transparency, as well as the framework on the Prevention of Money Laundering. In addition, they analysed the new Collective Investment Schemes Law and the Recovery and Consolidation Laws.

It should be noted, that in early 2018, CySEC organised specialised seminars for the executive directors and chief compliance officers of CIFs, which analysed the new MiFID II law enforced in January last year. During the seminar, foreign experts analysed the most important provision of the new legal framework and participants had the opportunity to ask questions and resolve queries.

120 exams were conducted in 2018 and about 1,200 individuals registered to take the exams. 87.4% of interested individuals had registered to take the advanced exam and 12.6% took the basic exam. Only 355 candidates were successful.

As of 31/12/2018, 2,918 individuals were registered in CySEC's public register.

According to the certification framework for individuals who are or would be willing to work in the investment services sector, individuals who have passed the CySEC Certification Examinations and are included in the Public Register of Certified Persons must complete certain training hours every year.

3.4 Most important goals for 2019

The most important goals set by CySEC for implementation in 2019, were mainly related to further strengthening market surveillance, completing investigations relating to the banking sector and promoting bills that will encourage market growth and progress, in line with legislative developments at the European level.

Department of Strategy, International Relations and Communications

In 2019, the Department of Strategy, International Relations and Communications will continue to play its role in the strategic planning of CySEC, its internal and external communications and the promotion of its work, its international cooperation as well as the promotion of public awareness on matters relating to the securities markets and the support of the CySEC Chair and Vice-Chair on the above matters. Specifically, among other things, an important goal for the Department in 2019, is to reach a Memorandum of Understanding and Cooperation with the Supervisory Authority of Ukraine, as well as a Memorandum of Understanding and Cooperation with the Central Bank of the Russian Federation arising from the AIFMD. In addition, it will organise meetings with the Supervisory Authorities of Albania and Nigeria.

Supervision Department

As it comes to the supervision of CIFs, the Supervision Department plans to proceed with the following:

- Monitor compliance of high- and medium to high-risk CIFs with their legal obligations, by conducting checks.
- Monitor compliance of a sample of medium to low- and low-risk CIFs with their specific legal obligations, by conducting checks.
 - Conduct thematic investigations on a sample of CIFs, regardless of their risk categorisation in relation to the following obligations/requirements:
 - product governance requirements, including PRIIPs KID requirements
 - appropriateness and suitability requirements,
 - information addressed to clients' requirements, including marketing communications,
 - transaction reporting requirements,
 - transparency requirements including the RTS27 and RTS28 requirements
 - inducements and remunerations requirements,
 - costs and charges requirements
 - best execution requirements,
 - governance requirements,
- Monitor compliance with the EMIR requirements.
- Monitor compliance with capital adequacy requirements. Emphasis will be placed on the clients' funds requirements, risk management requirements, Pillar I and II requirements (ICAAP) and Pillar III requirements.
- Study and upgrade the regulatory and supervisory framework governing the operation of CIFs and, in particular, prepare a bill on capital requirements as well as instructions and circulars relating to the regulatory requirements governing the operation of CIFs.
- Actively participate in committees, in Cyprus and abroad; wherever the regulatory framework governing CIFs is defined.
- Automate/Improve departmental operations/procedures in order to achieve more effective supervision.

For the supervision of Collective Investment Fund Managers, the Supervision Department plans to proceed with the following:

- Monitor their compliance with their statutory obligations, with particular emphasis on organisational requirements, delegation of function requirements, assets under management requirements – calculation, valuation and liquidity requirements.
- Investigate and upgrade the regulatory and supervisory framework governing the operation of collective investment undertakings managers.
- Issue guidelines to help the regulated entities comply with their statutory obligations, including the preparation of a Directive on Capital Requirements.
- Actively participate in committees, in Cyprus and abroad, where the regulatory framework governing these supervised entities is defined.
- Automate departmental operations/procedures for more effective supervision.

AML Department

In 2019, the AML Department will proceed with the implementation of the “Trust Registry” project, which is stipulated in the 4th European Directive (EU) 2015/849 on combating money laundering and terrorist financing. The project entails the creation, management and supervision of this Registry. It will also proceed to amend the CySEC Directive on the Prevention of Money Laundering and Financing of Terrorism, in order to achieve harmonisation with the 4th European AML Directive and will issue various circulars in order to explain and define proper implementation by the regulated entities.

The AML Department will also proceed with the implementation of the RBS-F-based Annual Audit Program (onsite and desk-based), prepare for CySEC’s assessment by the Evaluation Committee of the Council of Europe (Moneyval) tasked to assess AML measures. It will proceed with the appropriate planning so as to apply and implement the Action Plans included in the National Risk Assessment (NRA) Report on the securities sector and the ASPs sector.

Issuers Department

In 2019, the Issuers Department will focus, inter alia, on intensifying checks and monitoring Issuers’ compliance with their continuous obligations, as well as the compliance of their financial statements with International Financial Reporting Standards. It also aims to provide Issuers with more regular information on identified issues by monitoring their compliance with their ongoing obligations. The Department will also inform Issuers about the recommendations/guidelines issued by ESMA committees, via circulars and announcements. Furthermore, it will focus on the composition of an Audit Committee for Issuers and its compliance with the provisions of the relevant legislation. Importance will also be afforded to the implementation of the new regulation of the European Parliament and of the Council on Prospectuses, which was published in June 2017, and will fully enter into force in July 2019.

Policy Department

In 2019, the Policy Department will focus on the following:

- The creation of more detailed national regulations on safeguarding client funds.
- The creation and adoption of national product intervention measures with regards to the provision of investment services in Contract for Differences (CFDs) and Binary Options.
- The creation of a national crowdfunding framework.

- The review of CySEC's policy on restrictions on RAIF's investment policy.
- The provision of expertise in drafting legislation on the regulation of management services providers in collective investment organisations.
- The issuance of guidelines relating to Cybersecurity and outsourcing to cloud.
- The work of the Innovation Hub.
- The creation of regulations to strengthen CIF governance.
- The completion and adoption of the revised framework governing ICF operation.

Legal Department

The introduction of regulations for AIFs mini-managers, the re-release of the CySEC's Directive on the prevention and combating of money laundering following the harmonisation of the national legislation with the 4th European Directive are also expected in 2019. Moreover, a bill transposing EU Regulation 2017/1129, on the Prospectus to be published for the public offering of securities or the introduction of securities to be traded in a regulated market will also be promoted as will the repeal of Directive 2003/71/EC. Also, a series of Directives will be prepared following the new legislation on AIFs.

Management and Statistics Department

Supervisory Framework based on RBS-F Risk Assessment

In early 2019, the Risk Management and Statistics Department is expected to implement changes required in the RBS-F supervisory framework, as a result of the application of the provisions of MiFID II/MiFIR, based on the findings of the relevant Gap Analysis study. The implementation of the changes will entail, among other:

- updating the data collection forms,
- the preparation of new circulars,
- the relevant upgrade of RBS-F Reports software,
- the relevant upgrade of the Calibration Tool,
- the relevant upgrade and update of the RBS-F Manual and Procedures,
- the relative upgrade and update of the Practical Guide found on our website.

One of the projects that will be completed in 2019, is the study for the amendment to the current RBS-F framework, which is put forward by Management Companies. The need for this amendment has emerged due to the growth of the Management Company market over the past years, due to the various changes to the governing legal framework, as well as due to the introduction of different new types of managers.

Statistical Publication

In 2019, the RMSD will look into whether there is a need for new/additional data for the identification, risk assessment, as well as other statistical data for all of CySEC-regulated entities, and will collect and analyse it. The data collected and analysed by RMSD, will be regularly redetermined, reflecting CySEC's needs and the growth of the market and the regulated entities. The RMSD aims to collect analyse data/information relating to all categories of CySEC-regulated entities, and manage this data so as to meet CySEC's information needs in a timely and reliable manner.

In the framework of informing investors, regulated entities and other stakeholders, RMSD will prepare a series of Statistical Bulletins on an annual or quarterly basis with the main market statistics/indices.

Participation in European and International Committees

In 2019, we will continue to participate in the meetings of CEMA, which is expected to convene 4 times.

In 2019, RMSD will start participating in the following CEMA Task Forces:

- AIFMD Task Force
- MIFID II Task Force
- EMIR Task Force

Additionally, in 2019, we will start participating in the meetings of the ATC committee of the ESRB, which is expected to convene 4 times.

We will continue to remotely monitor the work of IOSCO Fintech Network and participate in the Financial Applications Subcommittee and the Technology and Applications Subcommittee of the Ministry of Finance.

Innovation

The RMSD will continue monitoring the following projects, relating to innovation, in 2019:

- Horizon 2020
- AD-Hoc DLT Committee

Authorisations Department

The department aims to achieve the following in 2019:

- Re-distribution of work within the groups of the Department per activity. In this framework, a team will be created to conduct interviews on the suitability of persons involved in the management of regulated organisations and people in key positions.
- Automation of the application process, the submission of requests for cross-border services and the submission of information required by Annex IV of Regulation 231/2013 and their transmission to ESMA.
- Continuous monitoring of developments in the Alternative Investment Managers Fund Law, so as to institutionalise the “under the bounds” category of licensed managers or otherwise known “mini managers”, as well as the legislation regulating the operation of companies’ services related to the management of Alternative Investment Funds.
- Adoption of new Directives and Circulars for the effective implementation of the new Law on Alternative Investment Funds (L.124(I)/2018), including registered AIFs.

IT and Archive Department

In 2019 and the immediate years to follow, the department will carry out various IT projects related to new legislation at European level, which provides for the submission of information and data by the regulated entities to the Supervisory Authorities. Meanwhile, CySEC plans to develop and adopt various systems to automate its operations. One example is the automation of all major operations related to authorisations through CySEC’s website, in a user-friendly manner. Moreover, the regulated entities will be able to submit documents and applications to CySEC, and modify their information directly.

Market Surveillance and Investigations Department

The Market Surveillance and Investigations Department intends to conduct around 15 Entries and Surveys in

2019, focusing on CIF complaints and complaints about companies providing investment activities without CySEC's authorisation.

Department of Finance, Human Resources and Education

The substantial increase in staff, changes to the structure of the Organisation and changes in the market, required changes in CySEC's pricing policy. The Finance, Human Resources and Education Department in cooperation with other CySEC departments has completed the study on the changes to CySEC's pricing policy for CIFs, which has been approved. New pricing policies are expected to be also launched for other sectors in 2019.

It is expected that AML Certification exams will begin in 2019. CySEC will maintain a relevant register in accordance with the Directive for the Certification of Persons and the Certification Registers (R.A.D. 44/2019).

In addition, the hiring process for new Officers and Assistant Clerical Officers is also scheduled to begin in 2019, as will the process to fill all the vacant posts by promotion.

Due to the increase of staff in the department, efforts are being made to better organise the operations by preparing manuals and recording procedures in a more clear manner.

Press Conference

At a press conference held in March 2019, CySEC's Chairwoman presented the developments in the field and the work that was completed in 2018, as well as the priorities that were set for 2019 according to CySEC's Strategic Plan.





OPERATIONS OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION

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CySEC's main operations include, among others:

- Monitoring the compliance of companies with securities listed on the CSE or on other regulated markets whose home member state is the Republic of Cyprus, with their continuous obligations in general and specifically with those that relate to the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007, as applicable, (e.g. the publication of annual and interim financial reports), the timely and complete publication of essential information, issues that arise from the Securities and Stock Exchange Laws and Regulations, corporate governance issues etc;
- Monitoring the compliance of CIFs, their branches and their tied agents with their obligations as specified in the applicable law.
- Monitoring the compliance of Collective Investment Management Firms, their branches and the network of collective investment undertakings with their legal obligations.
- Monitoring the compliance of the CSE and the securities repository with their ongoing obligations.
- Approving prospectuses for public offer of transferable securities or admission to trading on a regulated market and monitoring the application of the Public Offer and Prospectus Law;
- Supervising public takeover bids and monitoring the application of the Takeover Bids Law of 2007;
- Examining applications for the authorisation of CIFs or IFs from third countries for the establishment of a branch in the Republic and monitoring their compliance with the provisions of the legislation that governs their operation;
- Examining applications for authorisation of regulated markets and monitoring their compliance with the provisions of the legislation that governs their operation;
- Examining applications for authorisation of CRAs and monitoring their compliance with the provisions of the legislation that governs their operation;
- Exercising the competencies of CySEC derived from the Law for the Prevention and Suppression of Money Laundering;
- Examining applications for the authorisation of UCITS, UCITS Management Companies, or UCITS management companies from third countries;
- Examining notifications for the cross-border provision of services and the establishment of a branch by UCITS management companies of other EU member states in the Republic;
- Examining notifications and applications for the marketing of foreign UCITS through Agents in the Republic;
- Conducting investigations in relation to cases concerning, inter alia, CIFs or companies with securities listed on the CSE/a regulated market;
- Monitoring the stock market and the transactions;
- Monitoring and implementing legal provisions in relation to the actions of entities that hold confidential information as well as market manipulation activities (market abuse).
- Reviewing or even reforming the legislation that governs the securities market and conducting research for the preparation and submission of laws;
- Researching, preparing and issuing Directives pursuant to the applicable Law of CySEC and the securities market in general;
- Administrative issues that relate to the functioning of CySEC;
- Conducting studies on issues that concern CySEC and the securities market in general;
- Training investors on matters relating to the securities market;
- Participating in committees and technical committees at national and European level that relate with CySEC's competencies.

4.1 Authorisation and Approval

4.1.1 Applications

The applications submitted to CySEC during 2018 for examination are summarised in the following table (Table 8):

Table 8: Applications submitted to CySEC in 2018

Submitted Applications	2018	2017
CIF Authorisation	22	31
CIF Authorisation Extension	96	69
Free provision of services by CIF	276	90
Establishment of CIF branch	15	7
Tied agent registration	29	29
CIF Representation Offices	2	8
Termination of CIF authorisation	14	15
CRA Registration	0	0
ASP	9	12
Authorisation of Cypriot UCITS Management Company	0	0
Cypriot UCITS Licence	0	1
AIFMD	5	6
AIF and LNPAIF Licence	40 (19 AIF, 21 LNPAIF)	53 (15 AIF, 38 LNPAIF)

4.1.1.1 Applications for CIF authorisation

During 2018, CySEC received 22 new applications for a CIF Authorisation (2017 – 31 new applications). CySEC granted 18 CIF licences (2017 – 37 licences). During 2018, 9 CIF licence applications were terminated. One application was rejected by CySEC and 8 were withdrawn by the applicants.

4.1.1.2 Applications for CIF authorisation extension

In 2018, CySEC examined 27 applications for the extension of CIF operating licences for the provision of additional investment and/or related services and/or financial instruments.

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

In 2018, CySEC examined 276 applications by CIFs for the free provision of services in other EU member states and/or third countries (2017 – 90 applications) and 15 applications by CIFs to establish a branch in other EU member states and/or third countries (2017 – 7 applications). Furthermore, CySEC received 373 notifications from IFs in other EU member states for the free provision of services in the Republic. In 2018, CySEC received 2 notifications from IFs in other EU member states (2017 – 1) to establish a branch in the Republic.

4.1.1.4 Applications for CIF and IF tied agent registration

In 2018, CySEC examined 4 applications for the registration of a tied agent in the public registry run by CySEC, who are established in the Republic and acting on behalf of CIFs (3 applications) and IFs (1 application) (2017 – 6). Also, CySEC forwarded 26 notifications for the registration of tied agents of CIFs in other member states.

4.1.1.5 Applications/notifications for CIF Representation Offices

In 2018, CySEC examined 2 applications for CIF representation offices in other EU member states (2017 – 8).

4.1.1.6 Applications/notifications for other CIF data changes

In 2018, CySEC examined a considerable number of applications for the approval of changes, mainly concerning alterations to the organisational chart, the organisational structure, the internal operations manual, the activities, and the operational model of CIFs. In the case that the above changes were deemed by CySEC as non-compliant with the relevant legislation, their implementation was not allowed.

4.1.1.7 Termination of CIF authorisation

In 2018, the licences of 6 CIFs were withdrawn (2017 – 13) due to voluntary renouncement and 2 were revoked by CySEC.

4.1.1.8 Applications for CRA registration

No applications were received for the registration of CRAs in 2018, just as in 2017, due to the fact that this competency has been transferred to ESMA, according to European Regulation 513/2011 of 11 May 2011.

4.1.1.9 Applications by Administrative Service Providers (ASPs)

In 2018, CySEC received 9 applications by ASPs. CySEC granted operating licences to 8 Administrative Service Providers.

4.1.1.10 Applications for Cypriot UCITS Management Companies

As was the case in 2017, no new applications for licensing of Cypriot UCITS Management Companies were submitted to CySEC in 2018.

4.1.1.11 Applications for Cypriot UCITS

No new applications for UCITS were submitted to CySEC in 2018.

4.1.1.12 Applications for Alternative Investment Fund Managers (AIFMs)

In 2018, CySEC received 5 new applications for Alternative Investment Fund Managers. CySEC granted 9 operating licences.

4.1.1.13 Applications for Alternative Investment Funds (AIFs) and AIFs with Limited Number of Persons (LNPAIFs)

In 2018, CySEC received 40 applications for AIFs and LNPAIFs as well as 1 application for an AIFM. CySEC authorised 17 new AIF applications and 12 new LNPAIF applications.

4.1.2 Prospectuses and other applications related to Public Takeover Bids

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

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

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

In 2018, CySEC received four applications (2017 – 6) for the approval of Prospectuses for public offer and/or the listing of securities on a regulated market within the context of the Public Offer and Prospectus Law. CySEC examined the applications in question, as well as two applications that were submitted in 2017, and it approved the Prospectuses of three of those (2017 – 3). The examination of the two applications was completed in January 2018, while one application was withdrawn by the issuer.

Within the year, CySEC received one application for the approval of a Supplementary Prospectus, within the context of the Law. CySEC examined and approved the Supplementary Prospectus (2017 – 2 approvals).

4.1.2.2 Transfer of competency for Prospectus approval

In 2018, CySEC received 3 requests by issuers (2017 – 4), whose home member state based on the Public Offer and Prospectus Law is the Republic of Cyprus, for the transfer of competency for Prospectus approval to the competent Authority of another EU member state. CySEC examined the requests and decided, pursuant to Article 26(8) of the Public Offering and Prospectus Law, to transfer the competency for approving the Prospectuses of these 3 Issuers (2017 – 4 approvals) to the competent supervisory Authority of the other EU member state, given that the Authorities gave their consent for the transfer.

In 2018, CySEC did not receive any requests from another supervisory Authority (2017 – 0) for the transfer of the competency for Prospectus approval to CySEC.

4.1.2.3 Public Takeover Bid Documents

In accordance with the Public Takeover Bids Law for the acquisition of securities of companies and other related issues, CySEC is the competent authority for the supervision of the Public Takeover Bid in the event that the company under acquisition has a registered office in the Republic of Cyprus and its securities are listed and traded on a regulated market in the Republic. Furthermore, CySEC is the competent Authority responsible for Public Takeover Bids with securities that are not listed and traded on a regulated market in the member state where the company is registered, under certain conditions determined in the Law. The relevant Law harmonises the European Directive 2004/25/EC in relation to public takeover bids and the scope of its application according to the relevant Directive.

The aim of examining Public Offer Documents is to monitor their compliance with the general principles governing each public offer and the conditions as defined in the Public Take Over Bids Law, and checking the completeness of the information provided, in the context of the relevant Law and CySEC Directive DI41-

2007-03 in relation to the content of the Public Takeover Bid Document.

In 2018, two Public Offer Documents were submitted (2017 - 3 Documents) to CySEC following a notice by the Bidder 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 (2017 – 2 approvals).

In 2017 and 2018 no Revised Public Offer Documents were submitted to CySEC.

4.1.2.4 Prospectus equivalent Documents

In 2018 and 2017, no Prospectus Equivalent Documents were submitted to CySEC, in order to grant an exemption as provided by the Public Takeover Bids and Prospectus Law.

4.1.2.5 Exemptions from the obligation to conduct a Public Takeover Bid

In 2018, ten applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid (2017 – 13 applications). CySEC examined the relevant applications and issued a decision (of approval or rejection) for 8 of them, while the examination of two applications continued in 2019.

CySEC also examined applications from three Issuers (2017 – 2 applications) for the extension of the deadline granted in order to comply with the terms set by CySEC during the provision of an exemption from the obligation to present a public takeover bid to the shareholders. CySEC approved the aforementioned applications (2017 – 1 approval).

4.1.2.6 Applications to exercise squeeze-out right

In 2018, CySEC received 2 applications (2017 – 1 application) for Offerors to exercise a squeeze-out in an acquisition of the securities of a company which were not acquired in the Public Takeover Bid phase. CySEC examined and approved the applications.

4.1.3 Decisions related to the smooth operation of the Stock Market

4.1.3.1 Delisting/suspension of trading

In 2018, CySEC examined and approved 4 requests of the CSE Board (2017 – 5 approvals) to authorise its decision to delist the securities of Issuers from CSE's regulated markets. Four of these write-off cases were caused by the failure of the securities of the specific Issuers to adhere to the prerequisites for the smooth operation of the stock market.

Within the year, CySEC also approved the decision of the CSE Board to continue to suspend trading of the securities of three Issuers (2017 – 5 Issuers) on the CSE-regulated market. In addition, for two of the aforementioned Issuers as well as one additional Issuer (2017 – 3 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 was provided in 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 specific Issuers on the regulated CSE market, until they comply with their continuing obligations, or until a specific date that was set by CySEC, as it decided that the smooth functioning of the market was not being ensured.

4.2 Market Supervision and Monitoring

4.2.1 Monitoring of CIF and ASP Compliance

CySEC monitored the compliance of the regulated entities with their continuing legal obligations, either by conducting on-site inspections at their offices or by examining documents that must be submitted to CySEC in accordance with the law.

4.2.1.1 Conduct of supervision by the Supervision Department

In 2018, the Teams of the Supervision Department carried out a series of inspections on CIFs in regards to their compliance with their legal obligations.

More specifically, the Supervision Department carried out the following inspections:

Onsite inspections

In 2018, the Supervision Department carried out 57 onsite inspections at 43 CIFs, which make up 18% of all CIFs. The inspections concerned the following requirements/obligations:

- I. Product governance requirements – 34 inspections
- II. Best execution rules – 9 inspections
- III. EMIR requirements – 5 inspections
- IV. ESMA intervention measures – 4 inspections
- V. Clients' money requirements – 3 inspections
- VI. Organisational requirements – 2 inspections

Desk-based/Document inspections

Thematic desk-based inspections

In 2018, the Supervision Department carried out 370 thematic desk-based inspections on 173 CIFs (72% of all CIFs). The inspections concerned the following requirements/obligations:

- I. Negative balance protection rules – 145 inspections
- II. Marketing communications rules – 56 inspections
- III. Requirements for the content of the compliance function and internal audit reports – 54 inspections
- IV. ESMA intervention measures – 44 inspections
- V. EMIR reporting - data quality – 29 inspections
- VI. Requirements for key information documents (KID rules) – 24 inspections
- VII. Other services rules – 10 inspections
- VIII. Requirements for the preparation of the Internal Capital Adequacy Assessment Process (ICAAP) report – 8 inspections

Document inspections

In 2018, the Supervision Department inspected almost all the documents that were forwarded by the CIFs in relation to:

- I. Transaction Reporting requirements
- II. Capital adequacy requirements for:
 - issues of capital adequacy/exposures and the calculations of Pillar I,
 - the notifications of Pillar III,
 - issues of suitability of the regulations implemented by the CIFs as it comes to clients' assets,

- the opinion of auditors in the audited financial reports,
 - the keeping of the CIFs' clients' money.
- III. EMIR reporting requirements.
- IV. Requirements for maintaining a compliance function and internal audit unit.

4.2.1.2 Conduct of supervision by the Anti-Money Laundering (AML) Department

In 2018, the AML Department carried out 30 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:

- 17 onsite inspections at CIFs
- 9 onsite inspections at ASPs
- 4 onsite inspections at Managers of Collective Investment Organisations

Also, in 2018, the AML Department carried out:

- An inspection on the annual reports of the compliance officer and the internal auditor on the prevention of money laundering, including the relevant practices of the board of directors, which were submitted by the CIFs, ASPs and Managers of Collective Investment Organisations. The reports mainly concerned 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 Collective Investment Organisations on matters of compliance with their continued obligations in line with the Law L.188(I)/2007 and the relevant CySEC Directive;
- Inspection and gathering of information from the monthly preventive reports on significant transactions in cash of CIFs, ASPs and Managers of Collective Investment Organisations.

4.2.2 Compliance monitoring of UCITS managers/AIFMs

In 2018, the CySEC Supervision Department's Team for the ongoing supervision of Funds and Fund Managers carried out onsite inspections on 2 Collective Investment Managers to determine their compliance with organisational requirements and conflicts of interest requirements.

Furthermore, it monitored and checked the data submitted by AIFMs to CySEC (AIFMD Reporting).

4.2.3 Sanctions

In the cases where CySEC determined there was lack of compliance by CIFs with their legal obligations, it proceeded to impose supervisory measures, depending on the severity of the violations. Details of the sanctions can be found in Annex A.

Also, as a result of the onsite and desk-based inspections by the AML Department, in the cases where there was non-compliance or weaknesses and/omissions that were not in line with the provisions of the Law L.188(I)/2007 and the relevant CySEC Directive, it decided to:

- Indicate a series of measures to a number of CIFs and ASPs to correct their internal procedures, regulations and practices, aimed at ensuring their full compliance with their legal obligations. The regulated entities are obliged to take these measures within a predetermined deadline, after which CySEC will check their compliance anew.

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

4.2.4.1 Monitoring the implementation of the Public Offer and Prospectus Law

In 2018, Officers of the Issuers Department continued monitoring announcements by Issuers concerning the issue/offer of securities or the introduction of securities to an organised market, in order to determine their compliance with the Public Offer and Prospectus Law 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 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 2018, CySEC received notifications from the competent authorities of other member states for 6 Prospectuses (2017 – 8) and 22 Supplementary Prospectuses (2017 - 22).

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

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

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

In 2018, the Issuers Department continued its investigation into one case concerning a possible violation of article 13(1) of the Public Takeover Bids Law (L.41(I)/2007 as amended), which began in 2017.

CySEC decided that there was an infringement by the acquirer of article 13(1) of Law L.41(I)/2007, as the acquirer did not comply within the essential timeframe with the obligation to carry out a mandatory Public Bid to the shareholders of the company for the acquisition of 100% of its share capital. In relation to this infringement, CySEC decided not to impose an administrative fine on the acquirer but to draw the acquirer's attention to the provisions of Law L.41(I)/2007 concerning their obligation to make a public offer, taking into account, inter alia, the fact that the acquirer did subsequently make a public offer for the acquisition of 100% of the share capital of the aforementioned company.

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

CySEC is the competent Authority for the supervision and assurance of the proper implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, which lays out the Transparency Requirements for the disclosure of information of an Issuer whose transferable securities are listed for trading on a regulated market. The relevant Law harmonises the national framework with the Directive 2004/109/EU of the European Parliament and of the Council for the harmonisation of the transparency requirements. The specific Law governs the Issuers whose home member state is the Republic of Cyprus and whose transferable securities are listed for trading on a regulated market in Cyprus or another member state. The purpose of the Law is to establish the conditions for the publication of periodic and continuous information by Issuers whose transferable securities are listed for trading on a regulated market.

In the context of monitoring the compliance of the Issuers, whose transferable securities are listed on a regulated market, with their continued 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 and specifically, with 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. It should be noted that the disclosure requirements for the indicative results for the full financial year and the Interim Management Statement were abolished on 8 April 2016 with the amendment of the Transparency Requirements Law (Securities Transactions on a Regulated Market).

■ 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 Transactions 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 that had to do with 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 two Issuers for violation of articles 9(1) and 37(2)(a) of the relevant Law.
- Administrative fine for three 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.

As part of the specific investigation, CySEC also sent letters to a number of Issuers who had minor shortcomings or omissions in their published Annual Financial Reports for 2017, 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 2017

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 2017, CySEC proceeded to investigate three cases of a possible violation of article 10(1) of the Transparency Requirements Law (Securities Transactions on a Regulated Market), due to their 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 that had to do with a possible violation of article 10(3)(b) of the same Law, as the Interim Financial Report for the first half of 2017 by the specific Issuer did not include an Interim Management Report. The review of the cases was completed in 2018 and CySEC decided to impose administrative sanctions on two Issuers, as follows:

- Administrative fine for one Issuer 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 2017, 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 2017

In 2018, CySEC reviewed the compliance of Issuers as regards the content of their Interim Management Reports for the first half of the financial year 2017, 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 Transactions on a Regulated Market) of 2007.

As part of the review, CySEC had requested a number of Issuers, with minor shortcomings or omissions in the content of their Interim Management Report for the first half of the financial year 2017, 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.

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

In 2018, 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 2018, as well as their compliance as regards the content of their Interim Management Reports for the first half of the financial year 2018, which are included in the published Interim Financial Reports of Issuers for the specific period. The specific review continued in 2019.

■ Content of financial information

CySEC proceeded to assess the financial statements of a number of companies that had securities listed on the regulated market in the year 2017, and/or for the period ending 30 June 2018, 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 the year 2017 and/or the six-month period ending 30 June 2018 for assessment in 2018, was made on a sample basis as described above. The annual and/or interim financial statements of 11 Issuers were selected for assessment. In some cases, an overall assessment was made in relation to 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 2017, as defined by the European Supervisory Authorities in cooperation with ESMA.

CySEC also continued examining certain financial statements for the year 2016, which were selected for assessment in 2017. Where it deemed necessary, the results of these assessments were sent 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 statements. Some of the financial statements that were selected, are still being assessed in 2019.

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

According to the Auditors Law of 2017, which entered into force on 2 June 2017, each public interest entity must have an Audit Committee (Article 78 of the Law). Public Interest Entities include Issuers, as entities governed by the law of the Republic whose transferable securities are listed for trading on a regulated or organised market. According to this Law, CySEC is the competent authority for monitoring the compliance and imposing administrative sanctions, for the purposes of the above article, with respect to entities governed by Cypriot law whose transferable securities are admitted to trading in the organised or regulated market of any member state, with the exception of credit institutions, insurance and reinsurance undertakings.

When the Auditors Law of 2017 came into force, CySEC asked the Issuers to inform it of the composition of their Audit Committee in accordance with the said Law, in order to assess their compliance. The assessment of the Issuers' compliance with Article 78 of the Law with regard to the Audit Committee continued in 2018. The assessment found that all Issuers have complied.

4.2.5 Market Surveillance

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

Market surveillance contributes towards ensuring the smooth operation of the markets, so that market participants can feel safe and confident about the integrity and credibility of these markets. Hence, the smooth and integral operation of the markets encourages investments and boosts economic growth.

Generally speaking, CySEC's market surveillance is carried out mainly through monitoring, in real time and on a continuous basis, the regulated markets with the use of a specially-adapted electronic system and applications which are provided by the platforms developer. Furthermore, as part of the market surveillance process, historical data from databases on transaction orders, transactions and shareholder information that are maintained internally, are analysed and assessed.

In addition, CySEC also carries out onsite inspections on the premises of supervised CIFs to ensure that the companies continue to have a physical presence in Cyprus, as well as checks the companies' websites to determine whether they appear to provide investment services through their website, without holding the necessary licence by CySEC to provide the said services.

Meanwhile, the CySEC department responsible for market surveillance monitors the news and media announcements on a daily and continuous basis, including websites, both in Cyprus as well as abroad, which may concern the entities regulated by CySEC and the Cypriot investment services market.

4.2.6 Improvement of the compliance of Regulated Entities

In order to improve the compliance of regulated entities with the applicable legislation, CySEC organises seminars for regulated individuals and open lectures for all interested parties. The aim of these seminars and lectures is to present the new laws and changes in the legal framework governing the sector, and explain the basic legal provisions and obligations that these changes entail for supervised entities.

In 2018, CySEC organised and held 30 seminars in Nicosia and Limassol. The seminars were attended by around 1,100 people, the majority of whom were either professionals of the sector and individuals who are registered, or wish to be registered in the CySEC register of certified persons. During the seminars, an analysis of the new legal framework on Market Abuse and Transparency was carried out, as well as the Anti-Money Laundering and the Financing of Terrorism. There was also an analysis of the new Law on Collective Investment Schemes and the Laws on recovery and consolidation.

In addition, CySEC organised a specialised seminar in early 2018 for CIF board members and heads of compliance, during which the new markets in financial instruments directive (MiFID II), which came into effect in January last year, was analysed. During the seminar, experts from abroad analysed the most significant provisions of the new legal framework, while participants had the opportunity to ask questions and solve queries.

4.2.7 Register of certified persons, continuous professional training and exams

As of November 2012, CySEC took on the responsibility to simplify the certification procedure for individuals – conducting exams for the certification of individuals who may be employed at CIFs and Credit Institutions, in the provision of investment services to Management Companies and Variable Capital Investment Companies – and maintaining the Register of Certified Persons. From 2014 onwards, these exams have been conducted without interruption under the responsibility of CySEC.

According to the framework, persons registered in the public register are now required to submit information on their continuing professional training by CySEC in order to retain their registration. This new framework improves among other things the level of knowledge of certified persons in relation to the latest developments and changes in the legal framework governing the securities market while reducing the risk of non-compliance with the legal obligations of the supervised entities and upgrading the specialised professional knowledge of certified persons in specific areas of investment services. At the same time, it makes it possible to address any weaknesses or insufficiencies that are identified at times by the Supervisory Authority, while it also helps those who may not have been employed for some time in the sector to remain abreast of the developments in the institutional framework.

Meanwhile, as part of the effort to upgrade CySEC's operations, as of 2018, the registration for exams or to be included in the register, the renewal/re-registration in the register and the registration to attend CySEC's continuous vocational education seminars, as well as the payment of fees where applicable, can be carried out online, through CySEC's website. CySEC is constantly looking into ways to further automate its procedures.

In 2018, 120 exams were carried out, in which 1,200 individuals registered to participate. Of those, 87.4% registered to take the upgraded exam and 12.6% the basic exam. From the total participants, 355 individuals were successful.

There are currently 2,142 individuals registered under CySEC's public register.

Exams for the certification of Compliance Officers on matters relating to anti-money laundering activities and the financing of terrorism are set to begin in 2019.

Within the year, a sample-based assessment was carried out for the compliance of certified persons with the requirements of Continuous Professional Training, with positive results.

4.3 Investigations

4.3.1 Investigation of potential violations

In 2018, the CySEC Market Surveillance and Investigations Department investigated cases related to potential violations of the relevant law by Issuers, CIFs and ASPs, imposing sanctions totalling €6,838,300 and reaching settlements of €300,000, as well as other administrative sanctions.

Issuers:

In 2018, as a result of the Investigations Department's investigations, CySEC imposed fines totalling €6,708,300. Among other:

- It was announced on 25.7.2018, following a decision on 13.11.2017, that fines totalling €6,478,300 were imposed on the company Sea Star Capital Plc and its Board of Directors Members for violation of article 9(1) (a) of the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005, as applicable at the time, ("L.116(I)/2005"), in relation to the acquisition of shares by the company Sea Star Capital Plc, and article 41 of the Cyprus Securities and Exchange Commission Law of 2009, as applicable at the time ("L.73(I)/2009").
- It was announced on 5.4.2018, following a decision on 8.1.2018, that fines totalling €175,000 were imposed on the company Orphanides Public Company Ltd, its Board of Directors Members and its Financial Director for violation of article 40(1) of the Transparency Requirements Law (Securities Transactions on a Regulated Market).

CIFs:

The cases investigated by the Investigations Department resulted in total fines of €130,000 and settlements reached a total of €300,000.

ASPs:

As a result of the cases investigated in 2018 by the Investigations Department, CySEC revoked one ASP licence.

4.3.2 Investor Complaints

CySEC launches a relevant investigation whenever it receives a complaint by investors against Cyprus Investment Firms (CIFs), Administrative Service Providers (ASPs) and Issuers listed on the CSE, as well as complaints of a different nature.

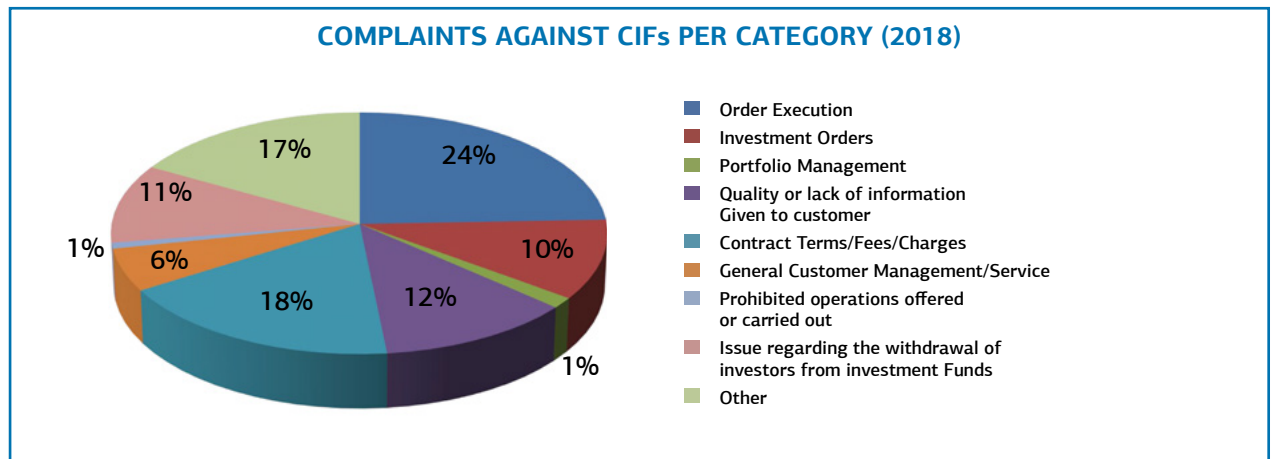
Complaints against CIFs

CySEC does not have the authority to compensate investors when it comes to complaints that are made against CIFs and therefore it does not investigate individual complaints. However, all complaints that are submitted to CySEC are taken into consideration when conducting its supervisory role.

1. Investor Complaints through CIFs

In 2018, CySEC received 1,974 complaints by investors against CIFs concerning a variety of issues (Chart 13). After examining the complaints in question and taking specific criteria into consideration, CySEC carried out a number of onsite inspections.

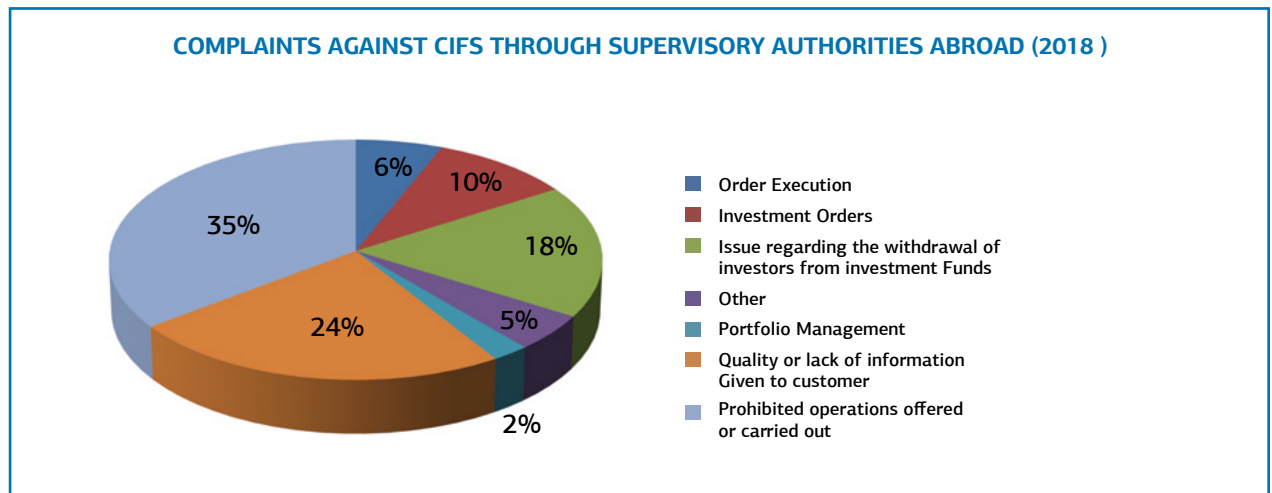
Chart 13: Complaints against CIFs filed in 2018



2. Complaints by investors through Supervisory Authorities abroad

In 2018, CySEC received 272 complaints against CIFs from Supervisory Authorities abroad (Chart 14). After examining the complaints, Memos were sent to the CySEC Board concerning cases where there were potential violations.

Chart 14: Complaints against CIFs through Supervisory Authorities abroad (per category) filed in 2018



3. Complaints submitted to CySEC by investors

CySEC received 91 individual complaints in 2018.

Complaints against companies for possible unauthorised provision of investment services

In 2018, CySEC received 188 complaints by investors against entities allegedly providing illegal investment services.

To investigate such cases, the Market Surveillance and Investigations Department carries out onsite inspections to determine whether the company has a physical presence in Cyprus, investigates the company websites in order to determine whether the company is offering services via its website without the necessary CIF licence, and gathers information by sending relevant letters to persons believed to be in a position to provide CySEC with helpful information.

As a result of the above, CySEC issued an announcement on 17 December 2018, informing investors and the broader public that the websites on the list below are not run by CIFs that have been authorised by CySEC to provide investment services (Table 9).

NON-AUTHORISED WEBSITES			
1	24traderush.com	2	acetradeoptions.com
3	app.qbitmegaprofit.co	4	autotradingbinary.com
5	binaryswiss.com	6	binarytradeplus.com
7	Binatex.com	8	bitransax.com
9	bloombex-options.com	10	boomxchange.com
11	crm-forex.com	12	efexa1000.com
13	fmtrader.com	14	ftradition.com
15	go24invest.com	16	goptions.com
17	hfx.com	18	investcapitalmarket.com
19	investrader.net	20	newtradefx.com
21	nigmafinance.org	22	nlp.optionbit.com
23	optionexpert.net	24	otmfx.com
25	primustrades.com	26	rbinary.com
27	rielinvestment.com	28	sbotrading.com
29	sunbirdfx.com	30	thetrueoption.com
31	trade12.com	32	unitedoptions.com
33	www.10markets.com	34	www.247optionstrade.com/
35	www.247tradeoption.com	36	www.500option.com
37	www.55profit.com	38	www.5markets.com
39	www.aaooption.com	40	www.afghanbawar.org.af
41	www.albatrosgt.com	42	www.algobanque.com
43	www.alliance-options.com	44	www.ArumProCapitalLtd.com
45	www.b4binary.com	46	www.banco-capital.com
47	www.beeoptions.com	48	www.bforex.com
49	www.bigoption.com	50	www.binaring.com
51	www.binary8.com	52	www.binarybrokerz.com
53	www.binaryfn.com	54	www.binaryroom365.com
55	www.binary-slot.com	56	www.binaryuno.com
57	www.bmpoption.com	58	www.boson-alfa.com
59	www.briskliquidity.nz	60	www.brokerofficial.com
61	www.brokeroption.com/it/	62	www.bsdooption.com
63	www.carlton-church.net	64	www.cfd1000.com
65	www.citrades.com	66	www.cyprusinvestmentllc.com
67	www.daily-trades.com	68	www.eclipse-finance.com
69	www.ecncapital.com	70	www.edgedalefinance.com
71	www.empireoption.com	72	www.evrolife-association.com

NON-AUTHORISED WEBSITES

73	www.exbino.com	74	www.finpari.com
75	www.forexcoin.org	76	www.ftrade.com
77	www.fx-inter.com	78	www.fxonus.com
79	www.g4trader.com	80	www.gntfx.com
81	www.goldenratioassetmanagement.com	82	www.gotooption.com
83	www.gtoptions.com	84	www.hedefonline.com
85	www.highoption.com	86	www.iforex24.com
87	www.imperialoptions.com	88	www.insideoption.com
89	www.ivoryoption.com	90	www.ksftrade.com
91	www.lbinary.com	92	www.lottmarket.com
93	www.marketsdl.com	94	www.marketsrally.com
95	www.maxoptions.com	96	www.meritkapital.com.cn
97	www.mrtmarkets.com	98	www.mustoption.com
99	www.netotrade.com	100	www.nextoption.com
101	www.no1options.com	102	www.noafx.com
103	www.onetwotrade.com	104	www.option500.com
105	www.optionbit.com	106	www.option-bit.com
107	www.optionstarsglobal.com	108	www.optionsxo.com
109	www.oracle-options.com	110	www.pacificoption.com
111	www.plusfinancials.com	112	www.plusoption.com
113	www.plustocks.com	114	www.porterfinance.com
115	www.prestige.fm	116	www.primebrokerz.com
117	www.pwrtrade.com	118	www.rtgtrading.com
119	www.safeklik.com	120	www.safe-option.com
121	www.scala.trade	122	www.SecuredOptions.com
123	www.swissfxpro.com	124	www.tadawulinvestments.com
125	www.thetrueoption.com	126	www.titantrade.com
127	www.touchtrades.com	128	www.trade-24.com
129	www.tradeberrybank.com	130	www.Tradersking.com
131	www.tradextra.com	132	www.tradingbanks.com
133	www.tradorax.com	134	www.ubinary.com
135	www.ubkfx.com	136	www.ukoptions.com
137	www.utrader.com	138	www.vipoptions.com
139	www.vncbrokers.com	140	www.vtgfx.com
141	www.whaleoptions.com	142	www.wikioption.com
143	www.winoptions247.com	144	zenithoptions.net

CySEC urges the investing public to consult its website for information on domains that are authorised or non-authorised by CySEC, as follows:

:(<http://www.cysec.gov.cy/entities/investment-firms/approved-domains>)

:(<http://www.cysec.gov.cy/el-GR/non-approved-domains/>)

Complaints against Issuers

In 2018, no complaints were filed to CySEC by investors against Issuers listed on the CSE.

4.3.3 Submission of Data to the Law Office of the Republic

Pursuant to section 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where the potential violation may, prima facie, constitute a criminal offence, CySEC prepares a memo or report of facts and submits it with all the evidence in its possession to the Attorney General of the Republic. In 2018, CySEC sent five (5) cases to the Attorney General of the Republic for the latter to decide whether any potential criminal offences were committed by companies or natural persons.

4.3.4 Cooperation with other Supervisory Authorities for the conduct of Investigations

In 2018, following 62 requests for assistance from foreign Supervisory Authorities, CySEC collected information on legal and natural entities as provided by Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) on behalf of the foreign Supervisory Authorities. Of the 62 requests for information, 20 requests concerned the lifting of banking confidentiality.

4.4 Upgrade of Legal Framework

4.4.1 Laws

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

The 137(I)/2018 Law, which amends the Cyprus Securities and Exchange Commission Law of 2009-2016, was published on 30 November 2018.

The specific amendment concerns, inter alia, the following:

- (a) CySEC was granted the authority to gather information by regulated entities, by issuing a circular, to carry out statistical and risk management analyses, while administrative sanctions were included for non-compliance.
- (b) CySEC non-executive board members increased from 3 to 5, to allow for the creation of an Audit Committee, which is comprised of three Board members, excluding the Chairwoman and Chairman.
- (c) CySEC was granted the authority to take administrative measures that are provided in European Union acts, for which CySEC has been appointed as the competent authority based on a notification by the Minister of Finance.

Furthermore, an amending Draft Law was submitted to the House of Representatives in November 2018, concerning CySEC's powers when conducting investigations/gathering information.

Draft Law – Disclosure of Infringements Law

This Draft Law was prepared to regulate the submission of complaints regarding an offense or a possible breach of CySEC's regulatory framework by any person to CySEC and by an employee to her/his employer, when the employer in question is a supervised entity.

The need to draft this draft law stems from the recent changes in the European regulatory framework, which now refers specifically to the obligation of member states to regulate complaints.

The Draft Law is pending at the Finance Ministry.

The Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017) - European markets in financial instruments Directive (MiFID II)

In July 2017, the Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017) was published, which was prepared and launched as part of Cyprus' harmonisation with Directive 2014/65/EC, replacing Directive 2004/39/EC.

Furthermore, CySEC is examining and preparing a draft law to amend L.87(I)/2017, in regards to matters that need to be improved or enhanced. The draft law will be tabled for consultation in 2019.

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

A Draft Law was prepared in cooperation with the Ministry of Finance for harmonisation with Directive 2004/39/EC, regarding the preventive provision of investment services. It is noted that the provisions of Directive 2004/39/EC had previously been transposed into the older law on Investment Services (L.144(I)/2007). Even though the specific law was abolished, the provisions in question continue to be in effect, pursuant to the transition provision in L.87(I)/2017, until the Directive is harmonised anew.

The Draft Law is expected to be completed in 2019.

Law on Deposit Guarantee and Resolution of Credit and Other Institutions (L. 5(I)/2016)

Law 41(I)/2018 was published on 21 May 2018, amending the Law on Deposit Guarantee and Resolution of Credit and Other Institutions of 2016.

The specific amendment regulates the obligation of CIFs and their branches to pay contributions to the Resolution of Credit and Other Institutions Fund, with their inclusion in the definition "affected institution" of article 2 of L.5(I)/2016.

Furthermore, on 25 May 2018, an amendment to the Deposit Guarantee and Resolution of Credit and Other Institutions Regulations was published, to regulate the sum of the contribution for the aforementioned matter.

The Law on Recovery of Investment Firms and Other Entities Regulated by the Securities and Exchange Commission (Amendment)

The Draft Law was prepared in order to:

- (a) Comply with Directive 2017/2399/EC, which amends Directive 2014/59/EC (BRRD) regarding the ranking of unsecured debt instruments in insolvency hierarchy, and
- (b) Properly comply with Directive 2014/59/EC (BRRD) for the creation of a framework for the recovery and resolution of credit institutions and investment firms.

The need to prepare the specific Draft Law resulted from the amendment brought by Directive 2017/2399/EC on the ranking of insolvency hierarchy, as well as from comments that were received by the European Commission as part of its customary compliance checks for the transposition of European directives.

The Draft Law was submitted at the House of Representatives in January 2019.

The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law (L.190(I)-2007)

CySEC prepared a Draft Law that is currently with the Ministry of Finance. The Draft Law was prepared to ensure better enforcement and the improvement of L.190(I)/2007, so as:

- (a) To replace in L.190(I)/2007 referrals to laws/European directives that have been abolished with those that apply today.
- (b) The issuer is required to submit them to the CySEC, at the same time as the disclosure of “inside information” pursuant to Regulation (EU) 596/2014.

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

On 30 June 2017 the European Parliament and Council Regulation (EU) 2017/1129 published in the Official Journal of the European Union on the prospectus to be published when securities are offered to the public or when securities are admitted to trading (Prospectus Regulation). This Regulation will apply from 21 July 2019, with the exception of certain provisions (i.e. points (a), (b), (c) and 2nd paragraph of Article 1(5)) which have been implemented since 20 July 2017 and some others (Articles 1(3) and 3(2)) to be applied from 21 July 2018, for which CySEC has made the relevant regulations, as referred to above.

Regulation 2017/1129 is an essential step in the completion of the Capital Markets Union. The aim is to help companies access more diversified sources of capital within the European Union, to offer investors additional opportunities to capitalise on their money and speed up the more efficient operation of markets. The purpose of this Regulation is to ensure investor protection whilst improving the internal capital market.

Regulation 2017/1129 repeals Directive 2003/71/EC (Prospectus Directive), which had been transposed into Cypriot law with the Public Offer and Prospectus Law of 2005 (L.114(I)/2005). With the full implementation of this Regulation on 21 July 2019, Law 114(I)/2005 will also be abolished.

The Commission is examining the preparation of a relevant harmonising Law on matters that are subject to harmonisation as a result of the aforementioned Regulation.

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

In November 2018, the law L.133(I)/2018 was published to amend L.114(I)/2005 that was prepared within the context of implementing Regulation 2017/1129 (Prospectus Regulation). The reason for this was so that L.114(I)/2005 is in line with the provisions of Regulation 2017/1129, which came into effect on 20 July 2017, as well as with the provisions that were implemented as of 21 July 2018.

Modification of the regulatory framework governing Alternative Investment Funds

In July 2018, law N.124(I)/2018 was published, repealing the laws 131(I)/2014 and 11(I)/2015 and introducing, among other, Registered AIFs (RAIFs) in the national institutional framework.

Registered AIFs will not be licensed by CySEC but will be supervised through their managers, thus they will always be subject to management by an authorised manager. RAIFs can operate as open or closed type, taking the legal form of a mutual fund, a fixed or variable capital company and a limited partnership. RAIFs can only direct their services at professional or adequately informed investors. Furthermore, the possibility of establishing and operating an AIF in the form of a limited partnership, with separate legal personality (subject to the amendment of the General and Limited Partnership and Business Names Law), is included.

These new categories will offer alternatives to the promotion of diversified investment products, within a prudential regime, ensuring a climate of trust and adequate investor protection.

Draft Law on (Mini) Managers under the AIFMs limits

Following suggestions from market participants and with the aim of improving national legislation, CySEC forwarded a Draft Law to the Law Office, via the Ministry of Finance, governing the regulation and operation of managers under the limits set by the Alternative Investment Managers Law (“Mini-Managers”).

These managers will be licensed by CySEC and will have the ability to manage portfolios of funds whose assets will not exceed the limits of the AIFM Law (€100 million with use of leverage or €500 million without the use of leverage). This category of managers does not fall under European Directive 2011/61/EC (nor the AIFM Law), so it will be governed by national legislation.

By introducing this Draft Law into the institutional framework, the operation of fund management under the limits of the AIFM law will be regulated and supervised by CySEC. The aim of the Draft Law is to create a prudential regime for companies that perform these functions, ensuring a climate of trust and adequate investor protection.

Currently awaiting the completion of the Law Office’s legal vetting.

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

Following suggestions by market participants and with the aim of improving national legislation, CySEC is preparing a Draft Law on the regulation and operation of alternative investment fund administrators. CySEC is examining the draft law that was prepared anew and is preparing its comments/views on the matter.

Based on the existing institutional framework, the trustee, who is licensed and fully supervised by CySEC, has the right to entrust the administration of AIFs to third parties.

With the introduction of this Draft Law into the institutional framework, the administration of AIFs should be carried out by a CySEC-licensed and supervised entity, aiming to establish a prudential regime for companies offering these services, ensuring a climate of trust and adequate protection of investors.

The draft law is expected to be completed in 2019.

Amendment of the Open-ended Undertakings for Collective Investments Law

CySEC has prepared and forwarded an amendment to the Open-ended Undertakings for Collective Investments Law. The aim of the amendment is to harmonise with article 50 of the 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 the 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 2019.

Amendment of the Law on Alternative Investment Firm Managers

CySEC has prepared and forwarded a relevant amendment to the Law on Alternative Investment Firm Managers, for the purpose of harmonising with article 17 of the Directive 2011/61/EU of the European Parliament and European Council of 8 June 2011, regarding alternative investment fund managers and the amendment of directives 2003/41/EC and 2009/65/EC as well as the regulations (EC) no.1060/2009 and (EC) no.1095/2010.

Article 17 is amended by article 41 of the Regulation (EU) 2017/2402 of the European Parliament and Council of 12 December 2017 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 the 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 2019.

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 Investment Companies of Variable Capital, as per the Laws on Alternative Investment Firms and Open-ended Undertakings for Collective Investments.

The amending draft law has been submitted to the Law Office by the competent Ministry of Energy, Commerce and Industry, and legal vetting is expected to be completed in 2019.

Amendment of the Partnerships and Business Names Law

In view of improving the existing institutional framework and for the better functioning of the Alternative Investment Funds framework, CySEC, in cooperation with the Office of the Registrar of Companies, took steps to prepare a Draft Law amending the Partnerships and Business Names Law.

The Alternative Investment Funds Law L.124(I)/2018 introduces a new form of Alternative Investment Fund, which will be a limited partnership with a separate legal personality, and as a result, CySEC is making the necessary amendments to the Partnerships and Business Names Law so that limited partnerships can be set up with a separate legal personality, and be authorised as AIFs.

The amending draft law has been submitted to the Law Office by the competent Ministry of Energy, Commerce and Industry, with legal vetting expected to be completed in 2019.

Revision of the Investor Compensation Fund

Following a relevant market consultation, CySEC prepared a new directive to replace the framework governing the operation of CIF customers’ Investor Compensation Fund (ICF). The directive is in its final stages of preparation.

It is further noted that as part of the transposition of MiFID II into national law, a Draft Law is being prepared to regulate the Investor Compensation Funds, which will re-transpose the European Directive 97/9/EC into national law. The transposition will be carried out by CySEC in cooperation with the Ministry of Cyprus and Central Bank of Cyprus.

The Draft Law is in its final stages of preparation at the Ministry of Finance.

AML - European Directives on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

In April 2018, L.13(I)/2018 was voted in law, to amend the Prevention and Suppression of Money Laundering and Terrorist Financing Law, in view of harmonising with the European Directive (EC) 2015/849 (4th AML Directive).

CySEC sent suggestions to the Ministry of Finance for the further amendment of the Law in question, to ensure full harmonisation with the European Directive (EC) 2015/849 (4th AML Directive).

In the meantime, the European Commission published Directive EC 2018/843 in June 2018, to amend Directive 2015/849. The aim of the Directive EC 2018/843 is the assumption of further measures to suppress the financing of terrorism. This includes, inter alia, the extension of the implementation scope of Directive 2015/849 to cover digital

currency exchange platforms and digital wallet custodian service providers, as well as the enhancement of the powers of the financial information units and the facilitation of their cooperation.

During the examination of Directive EC 2018/843, CySEC actively participated with the submission of comments and participation in meetings with the Working Group for financial services of the Council of the EU.

Directive (EC) 2018/843 must be transposed by 10 January 2020.

In the meantime, CySEC is preparing a draft law, which has been put to consultation, for the amendment of the Prevention and Suppression of Money Laundering and Terrorist Financing Law, for the immediate regulation of matters pertaining to extending the field of implementation so as to include digital currency exchange platforms, digital wallet custodian service providers, etc.

Furthermore, Directive (EC) 2015/849 and Directive (EC) 2018/849 provide for the creation of a Central Trusts Registry of the Republic. CySEC took on the responsibility to create the specific Central Trusts Registry and was assigned as the competent authority to develop, maintain and operate it, as well as prepare the relevant Regulations to regulate it. CySEC is proceeding with coordinating and promoting the project.

Finally, as a result of European Directives (EC) 2015/849 and 2018/849, the Commission is preparing a new Directive for the modernisation/replacement of its current Directive that governs all the special matters that must be implemented by its regulated entities during implementation of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

The Transfer of CSE Personnel to CySEC Law of 2015 (L.126(I)/2015)

On 20 July 2015, the Transfer of CSE Personnel to CySEC Law of 2015 (L.126(I)/2015) was enacted, stipulating the permanent transfer of personnel from the CSE to CySEC. The law was passed for the immediate and permanent support of CySEC by experienced personnel, which the CSE can make available to CySEC. The above Law assists in confining an increase of public sector staff and in the better use of government resources.

The provisions of the Law were implemented for the first time in 2016 with the transfer of 5 Officers and 3 Assistant Secretarial Officers from the CSE to CySEC. Using the provisions of L126(I)2015, CySEC successfully transferred 3 Assistant Secretarial Officers in 2018.

4.4.2 Directives

In 2018, CySEC prepared and issued the following Directives:

- Directive for the registration and strike off of RAIFs from the RAIF Register (RAA 295/2018)
- Directive DI87-01 – Directive for the Safeguarding of Clients' Assets, the Monitoring of Products and Grants.
- Directive DI87-02 – Directive for the repeal of certain CySEC Directives that were issued pursuant to the Investment Services and the Activities of Regulated Markets Law of 2007.
- Directive DI87-03 – Directive for the Payable Fees and Subscriptions.
- Directive DI87-03 (A) – Directive DI87-03 (A) for the Payable Fees and Subscriptions, which amends Directive DI87-03 of 2018 on Payable Fees and Subscriptions.
- Directive DI87-04 - Directive for the provision of services by third country firms to eligible counterparties and professional clients.
- Directive DI87-05 – Directive for the revocation and suspension of an operating licence.
- Directive DI87-06 – Directive for tied agents.

4.4.3 Circulars

In 2018, CySEC prepared and circulated a series of circulars, the main being:

- C274 – Authorisation date – Clarification of Circular 191
- C285 – Inclusion of RAIF in the Commission’s relevant Register
- C292 – National Risk Assessment on money laundering and the financing of terrorism, 16 January 2019
- C286 – Guidelines by the Financial Action Task Force (FATF) for the risk-based approach relating to AML, 5 November 2018
- C284 Advisory document by FinCEN regarding illegal and malicious activities, and efforts of the Iranian regime to exploit the financial system, 5 November 2018
- C277 – Update for Regulated Entities on Article 5A of the Law 188(I)-2007, 18 July 2018
- C276 – Implementation of Guidelines for the risk factors, 17 July 2018
- C260 – Common and repeated weaknesses and/or omissions and best practice standards that were spotted during the onsite inspections that were carried out relating to the prevention of money laundering and the financing of terrorism, 23 February 2018
- C255 – Findings of the assessment of the Compliance Officers’ Annual Reports and the Internal Audit Reports on the prevention of money laundering and the financing of terrorism, 5 February 2018

AIF – First reference of AIF data

- C294 – CIFs, AIFMs, Management Companies – Guidelines for cross-selling practices
- C291 – Regulated Entities – Publication of CySEC’s inspection of compliance with the obligation to provide references based on the Regulation for OTC derivatives, central clearing parties and EMIR transaction reporting [Regulation (EU) no.648/2012]
- C290 – CIFs, AIFMs – Guidelines regarding certain aspects of the suitability requirements of the MiFID II directive
- C288 – CIFs, AIFMs – Guidelines regarding complex debt securities and structured deposits
- C287 – AIFs - Technical clarifications regarding reporting requirements
- C283 – CIFs – CIFs that fall under the definition of the systematic internaliser for disclosure to CySEC
- C282 – CIFs – Renewal of intervention measures by ESMA regarding contract for difference and binary options
- C280 – CIFs – Publication of ESMA data regarding the calculation of the systematic internaliser
- C270 – Regulated entities – ESMA guidelines regarding stress simulation scenarios pursuant to article 28 of the regulation for Money Market Funds (MMF)

During the year, a number of announcements and circulars were issued to Issuers with securities listed on a regulated market, covering, inter alia, the following matters:

- The Public Statement of the European Securities and Markets Authority (ESMA) on “Common European Priorities for the Supervision of Financial Statements for 2017”.
- The publication of Regulation (EU) 2017/1129 on the prospectus to be published during the public offering of securities or the listing of securities to be traded in a regulated market and the repeal of Directive 2003/71/ EC.

- The common positions of Supervisory Authorities on regularly asked questions regarding Prospectuses (ESMA – Questions and Answers – Prospectuses).
- The report of the European Securities and Markets Authority (ESMA) regarding the supervisory activities of supervisory authorities as it comes to financial reporting during 2017.
- The publication of the European Securities and Markets Authority (ESMA) Archive on decisions related to enforcement issues of International Financial Reporting Standards.

4.4.4 Consultation papers

In 2018, CySEC prepared and circulated a number of consultation papers with stakeholders, which concerned:

- CP (2018-01) CySEC Consultation Paper regarding the proposed Draft Law on Mini Managers of Alternative Investment Firms.
- CP (2018-02) CySEC Consultation Paper regarding the proposed Directives that will be issued pursuant to the Law on Alternative Investment Firms
- Consultation Paper CP (2018-03) regarding the exercise of discretion based on Article 3(2) of the Regulation (EU) 2017/1129 (Prospectus Regulation) by the Republic
- Republication of the ESMA Consultation Paper number 34-45-569 “on integrating sustainability risks and factors” in the UCITS Directive and AIFMD
- Consultation Paper (ESMA 34-49-144) - Draft guidelines on the reporting to competent authorities under article 37 of the MMF Regulation
- Consultation Paper (ESMA31-62-962) - Draft technical advice on minimum information content for prospectus exemption
- Consultation Paper (ESMA31-62-996) - Guidelines on risk factors under the Prospectus Regulation
- Consultation Paper ESMA70-151-1013 Draft Guidelines on Anti-Procyclicality Margin Measures for Central Counterparties

4.4.5 Forms and Other Documents

In 2018, the following Forms and Documents were prepared and/or uploaded to CySEC’s website:

- Revised documents with Q&A regarding the laws relating to its duties, revised forms notifying the issuer about significant participation for the purposes of compliance with articles 28, 30, 31 and 31A of the L.190(I)/2007 and Directive DI 190-2007-01 of 2007.
- Form 124-00-01 for Application to Register on the RAIF Register – which is submitted by the RAIF’s external manager so as to register the RAIF on the RAIF Register in line with article 138 of the Alternative Investment Firms Law.
- Revised document with Q&A by ESMA regarding the Regulation on Indicators
- Revised document with Q&A by ESMA regarding the Market Abuse Regulation
- Revised document with Q&A by ESMA for implementation of the ILO Directive
- Revised document with Q&A by ESMA for implementation of the UCITS Directive

4.4.6 Communication with supervised entities/investors/interested parties

In 2018, the CySEC Legal Department received by market participants, investors, lawyers, auditors and other persons, a number of queries on legal issues all of which have been dealt with. The Laws that gathered the most questions are summarised in the table below.

Law	No. of questions
Investment Services Law (IFs)	350
Administrative Service Law (ASPs)	70
Laws on Collective Investments	150
Other laws	200

4.5 International and Domestic Cooperation

4.5.1. International Cooperation

4.5.1.1 Permanent Representation of the Republic in Brussels

An Officer of the Legal Department is seconded to the Permanent Representation of the Republic 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.

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.

4.5.1.2 European Securities and Markets Authority

The European Securities and Markets Authority (ESMA) is an independent Authority of the EU that contributes to the stability of the financial system of the EU, ensuring the integrity, transparency, efficiency and smooth operation of the securities markets and the enhancement of investor protection. ESMA enhances the cooperation between capital market Authorities, and the reinforcement of the protection of investors. ESMA enhances the cooperation between capital market Authorities and the various financial sectors by cooperating closely with the other European supervisory authorities in the banking sector and the sector of insurance and occupational pension schemes.

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

ESMA also contributes to the work of the European Systemic Risk Board (ESRB) by providing data and assuming the conduct of stress tests in close cooperation with the other two European supervisory authorities for the financial sector, the European Banking Authority and the European Insurance and Occupational Pensions Authority. Together with the other two European supervisory authorities, ESMA is part of the Joint Committee working to ensure cohesion between the three sectors in the financial system and the adoption of common positions on matters of financial group monitoring.

CySEC is in direct and close cooperation with ESMA on matters related to the transferable securities sector. CySEC participates at the highest level as a member of ESMA, since the members of ESMA are the heads of the supervisory authorities of the capital markets of each EU member state, and participates in the meetings

of the administrative bodies, such as the Board of Supervisors. It also participates at expert level, with the participation of its Officers in various committees established within the framework of operation of ESMA. The main ESMA governing bodies as well as the number of Committees and Groups CySEC is involved in are mentioned below.

Board of Supervisors and Management Board

The ESMA Board of Supervisors consists of the heads or their authorised representatives of the 28 national supervisory authorities of the member states, with one observer from the European Commission, Norway, Iceland and Liechtenstein, as well as a representative of the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Systemic Risk Board (ESRB).

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

The Board of Supervisors meets around seven times per year to discuss significant issues that affect the EU securities markets and CySEC participates through its Chairwoman. The ESMA Management Board consists of the ESMA Chair and six representatives of national competent Authorities. Furthermore, the executive director, vice president and one representative of the European Commission participate as observers, without the right to vote. The Management Board ensures that ESMA accomplishes its mission.

Supervisory Convergence Standing Committee (former Review Panel)

The ESMA Supervisory Convergence Standing Committee contributes to supervisory convergence through the consistent and timely implementation of EU law in member states, as well as the identification of areas for regulation and supervision, where there is room for further convergence.

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

In 2018, CySEC, through its Senior Officer and its Officer, participated in 5 meetings of the Supervisory Convergence Standing Committee. At the same time, CySEC periodically sends data to the Supervisory Convergence Standing Committee relating to the abovementioned issues, so that it can be reviewed based on the level and effectiveness of the practical implementation of EU law in the Cyprus securities market.

Three meetings were held under the auspices of the Supervisory Convergence Standing Committee in 2018, on matters relating to implementation and the sanctioning procedures that are followed by the national supervisory Authorities (ESMA Enforcement Network). These were attended by a Senior Officer and Officer of the Market Surveillance and Investigations Department.

As part of this Committee's work to promote supervisory convergence, it was decided that a Senior Supervisors Forum on risk-based supervision of the investment firm sector would be held with the senior officials of the national supervisory authorities.

Investors Protection and Intermediaries Standing Committee

The Investors Protection and Intermediaries Standing Committee deals with matters relating to the provision of investment services by investment firms (IFs) and credit institutions. It focuses on investor protection and specifically on professional ethics, distribution of investment products, investment advice and assessment

of the suitability of the investor. Also, the Committee is responsible for training and technical advice to the European Commission, and for the preparation of technical standards, guidelines and recommendations on the provisions of MiFID, governing investment services. In 2018, a Senior Officer of the Supervision Department participated in 4 meetings of the Investors Protection and Intermediaries Standing Committee.

Secondary Markets Standing Committee

The Secondary Markets Standing Committee deals with the structure, transparency and effective functioning of secondary markets for financial instruments, including trade execution platforms and OTC transactions. Additionally, this Committee draws up technical standards, guidelines and recommendations on matters within its competence. In 2018, an Officer of the Supervision Department participated in 8 meetings of the Secondary Markets Standing Committee.

Post-Trading Standing Committee

The Post-Trading Standing Committee deals with the clearing and settlement of transactions in financial instruments. This Committee is responsible for the processing and specialisation of matters contained in Regulation 648/2012/EU on OTC derivatives, Central Counterparties and Transaction Log Files (European Markets Infrastructure Regulation - EMIR). In 2018, an Officer of the Supervision Department participated in 5 meetings of the Post-Trading Standing Committee.

Market and Integrity Standing Committee

The Market and Integrity Standing Committee is responsible for ESMA's operations on issues relating to market surveillance, implementation of legislation on financial instruments, facilitating cooperation between national supervisory authorities and exchange of information on investigations on market abuse. Regarding market surveillance, this Committee is working to enhance the efficiency and effectiveness of national supervisory authorities' market surveillance activities, including the use of various market surveillance tools (including analysis of transaction reports). The Standing Committee also has a forum in which national supervisory authorities can share their experiences on the supervision of the market and law enforcement activities. Regarding cooperation, the Standing Committee is working to ensure effective and timely cooperation in cross-border cases and to facilitate the exchange of information under the ESMA Multilateral Memorandum of Understanding. Furthermore, the Standing Committee is responsible to provide technical assistance to the European Commission, adopting technical standards, guidelines and recommendations on issues related to the integrity of markets (e.g. Directive on market abuse and short selling).

In 2018, two Officers of the Market Surveillance and Investigations Department participated in 8 meetings of this Committee.

Market Data Standing Committee

The Market Data Standing Committee aims to enhance the quality of market data submitted to the national Supervisory Authorities and Transaction Log Files, and to promote supervisory convergence between supervisory authorities in its field of competence. This Committee also deals with the processing of technical standards, guidelines, and Q&As on the review and implementation of reporting requirements arising from two important laws: the European Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) and the revised Directive on Markets in Financial Instruments (MiFID II) in order to achieve consistency, to the extent possible, and avoid conflicts in reporting issues between the two laws. Officers of the IT and Supervision Departments participated in 2 meetings of this Committee.

Corporate Reporting Standing Committee

The Corporate Reporting Standing Committee handles matters relating to the endorsement and enforcement of International Financial Reporting Standards in the EU, auditing of financial statements, as well as issues concerning the provision of periodic financial information, as derived from the European Directive for the harmonisation of transparency requirements. In 2018, an Officer from the Issuers Department participated in 1 meeting of this Committee.

European Enforcers Coordination Committee

This Committee was initially established under ESMA Standard No.2 on financial information - coordination of enforcement activities and maintained under the ESMA Guidelines on enforcement of financial information. All the supervisory authorities of EU member states which are responsible for the supervision of financial information participate in this Committee, whether they are ESMA members or not. In meetings the group discusses, among other things, important decisions that are taken by each Supervisory Authority on enforcement of the implementation of International Financial Reporting Standards (enforcement cases). In 2018, Officers from the Issuers Department participated in 7 meetings of this Group.

Corporate Finance Standing Committee

The Corporate Finance Standing Committee handles issues concerning the European Prospectus Directive, corporate governance, as well as certain aspects of the European Directive on the harmonisation of transparency requirements, such as disclosures of holdings in Issuers. Regarding the European Directive on Prospectuses, the Standing Committee discusses issues arising from the practical implementation of the Directive and issues, where necessary, documents with the common positions of the supervisory Authorities of ESMA members ('ESMA - Questions and Answers - Prospectuses'). In 2018, Officers from the Issuers Department participated in 2 meetings of this Committee.

Investment Management Standing Committee

The Investment Management Standing Committee deals with issues related to the collective management of investment funds on both harmonised and non-harmonised investment funds. During the year, CySEC participated via a Senior Officer from the Licensing Department in 5 Committee meetings.

Financial Innovation Standing Committee

The Financial Innovation Standing Committee coordinates the treatment and behaviour of national supervisory authorities, towards new and innovative financial activities, and provides advice to ESMA on the adoption of guidelines and recommendations in order to promote supervisory convergence. In addition, the Committee offers advice on the issuing of warnings or assumption of supervisory measures necessary to prevent damage to investors or risks to financial stability. Part of the Standing Committee's activities is the collection, analysis and reporting of investor trends. During the year, CySEC participated with Officers from the Policy and Authorisations Departments in 4 meetings of this Committee.

Committee for Economic & Markets Analysis

The Committee for Economic & Markets Analysis (CEMA) contributes to ESMA's work and mission by monitoring developments in the economy and markets, assessing market trends and vulnerabilities and systemic risks, and conducting studies and economic analyses.

CEMA's work is assisted by a group of financial advisors, the Group of Economic Advisers (GEA), which is comprised of academics and market professionals. The following reports are included among the regular economic analyses prepared by CEMA:

- Report on Trends, Risks and Vulnerabilities (TRV) – a six-monthly, analytical report on Market Trends, Risks and Vulnerabilities, and
- Risk Dashboard (RD) – a quarterly, summary report on the different segments/categories and sources of market risks.
- In 2018, the Department of Statistics, Studies and Risk Management participated in 4 CEMA meetings and 2 joint meetings between the CEMA members and the Group of Economic Advisers (GEA).

ESMA Risk Dashboard (RD) & Report on Trends, Risks and Vulnerabilities (TRV) - preparation of quarterly reports

Within the framework of monitoring and evaluating the external risks that emerge in the external environment in which CySEC operates, specifically the risks from the economy and the market, the Risk Management and Statistics Department monitors on a continuous basis developments in the financial environment, analysing economic data and reports published by relevant bodies, and prepares both on a regular and ad-hoc basis reports for the CySEC Board that aim to facilitate decision-making at a strategic and operational level.

Part of the reports examined by the Risk Management and Statistics Department for evaluating the risks for the economy and markets are the drafts of the following reports prepared by CEMA:

- Report on Trends, Risks and Vulnerabilities (TRV) – a six-monthly, analytical report on Market Trends, Risks and Vulnerabilities, and
- Risk Dashboard (RD) – a quarterly, summary report on the different segments/categories and sources of market risks.

Taking into account all the economic data and facts it has collected, the Risk Management and Statistics Department evaluates the above reports and prepares, on a quarterly basis, memos to the CySEC Chairwoman with the comments and opinions of the Department on the contents of the reports, the final drafts of which are sent to the ESMA Board of Supervisors for approval.

Task Force on the Provision of Contracts for CFDs and Other Speculative Products to Retail Clients

The Task Force on the Provision of Contracts for CFDs and Other Speculative Products to Retail Clients was set up on 10 June 2015 to address supervisory convergence in relation to the provision of CFDs, Forex and Binary Options (IPISC) for investor protection. The purpose of this specialised Working Group is to promote convergences in product surveillance through:

- i. Assisting coordinated supervisory actions in relation to identified issues and
- ii. Assisting Supervisory Authorities with practical support and guidance during the licensing and supervision of the entities offering these products.

In this context and in order to achieve the above objectives, the Task Group that was set up:

- i. Has carried out a Mapping Exercise to identify and analyse the types of companies operating in the European market, common issues and areas with risks and important supervisory issues that may have an impact on investor protection;
- ii. Has submitted to the IPISC the conclusions of this analysis and made suggestions to it on the appropriate tools and supervision they need; and

- iii. Has prepared a set of Q&As that has been made public to help supervised companies that provide private investors with such products, to meet their obligations and to act in the best interests of their clients.

In 2018, an Officer of the Supervision Department participated in 5 meetings of this Task Force.

Narrative Reporting Working Group

The Narrative Reporting Working Group was established in January 2018 under the auspices of the ESMA Corporate Reporting Standing Committee (CRSC), to which it answers and reports the results of its activities. The Group's main objective is to promote common approaches and practices in all member states regarding disclosures of non-financial information and alternative performance metrics. In 2018, an Officer of the Issuers Department participated in one meeting.

Takeover Bids Network

An Officer from the Issuers Department also monitors the activities in the ESMA contact group on issues concerning Takeover Bids, in cooperation with the Legal Department. This aim of the contact group is the exchange of information and experience on the practical implementation of the Directive on Takeover Bids. In 2018, an Officer of the Issuers Department participated in 1 teleconference of the Network.

Group for the Exchange of Personnel among ESMA members

CySEC, through its Administration and Personnel Department, participates in the ESMA group responsible for the development of a common culture and cooperation between the Securities Commissions of the EU member states. This Group was responsible for implementing the project to establish a common policy for the exchange of personnel of ESMA members. Also, it promoted training in cooperation with the other two authorities of the EU financial sector, the European Banking Authority, which is responsible for credit institutions, and the European Insurance and Occupational Pensions Authority, which is responsible for insurance and occupational pension funds. Within this context, CySEC continued to develop its policy for personnel training.

Information Technology Governance and Management Group

An Officer from the Information Technology and Operations Department participates in the ESMA Information Technology Governance and Management Group, which deals with the exchange of data and information between national supervisory authorities and ESMA. In 2018, the Head of the CySEC IT and Operations Department participated in 5 Group meetings.

4.5.1.3 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent body of the EU, whose mandate is the macroprudential oversight of the financial system of the EU. The establishment of this body was deemed necessary due to the internationalisation of the financial markets and the contagion risk of financial crises. CySEC participates in ESRB meetings with its Vice-Chairman or a Senior Officer, under observer capacity.

Every three months, the ESRB asks European supervisory authorities to complete the Quarterly Systemic Risk Survey, which concerns the collection of information to be analysed and evaluated so as to identify systemic risks in the EU. In Cyprus, the Quarterly Systemic Risk Survey is submitted on behalf of all Cypriot supervisory authorities by the Central Bank of Cyprus (CBC), as the competent macroprudential supervisory authority.

Within the framework of its competency to monitor and evaluate CySEC's external risks, including EU financial system risks, the Risk Management and Statistics Department prepares the answers on behalf of CySEC for the Quarterly Systemic Risk Survey, which the CBC sends to the ESRB. Specifically, it includes CySEC's positions and opinions on the risks faced by the financial system, especially when it comes to securities markets and asset management, both in Cyprus and the EU.

In 2018, an Officer of the Risk Management and Statistics Department applied to participate in future meetings of the Advisory Technical Committee (ATC) of the ESRB.

4.5.1.4 International Organisation of Securities Commissions

The International Organisation of Securities Commissions (IOSCO) is the international forum that promotes international cooperation among the securities regulators and it is the recognised global standards setter for the securities market.

IOSCO members meet annually during the Annual Conference to discuss essential issues related to the global securities markets. The 2018 Annual Conference took place in Budapest between 7 and 11 May 2018, and CySEC was represented by its executive Vice Chairman. The 2018 IOSCO Annual Conference focused on:

- the sale of complex products to private investors
- the challenge that is financial technology (fintech) and digitisation
- transition from actively to passively managed collective investment schemes and
- the access of small and medium sized enterprises to financing through the securities markets

Additionally, in 2018, the Vice President and an Officer of CySEC's Strategy, International Relations and Communication Department participated in 2 meetings of the IOSCO European Regional Committee.

Also, CySEC's Risk Management and Statistics Department is part of the "IOSCO Fintech Network", which is a network established by IOSCO as part of an initiative to discuss FinTech matters, such as Distributed Ledger Technology (DLT), Artificial Intelligence/Machine Learning, RegTech/SupTech and Encouraging Innovation.

The aim of the network is:

- To study the practical applications and experiences gained by the members of the Organisation in the monitoring and supervision of Fintech products developed in their respective countries.
- To provide the opportunity to members of the Organisation to be updated and exchange views and experiences on Fintech issues, in particular emerging trends, problems and risks they entail.
- To emphasise cross-border issues that could potentially require taking measures at international level.

So far, the abovementioned issues have already been discussed during two teleconferences.

4.5.1.5 Mediterranean Partnership of Securities Regulators

During 2018, CySEC took steps to become a member of the Mediterranean Partnership of Securities Regulators. CySEC participated in its first annual meeting, as well as at a seminar that was held on the sidelines of the annual meeting, on 27 and 28 November in Athens.

The members of this specific Partnership are: Egypt, Algeria, Greece, Spain, Italy, Cyprus, Morocco, Portugal, Turkey and Tunisia. Its aim is to develop supplementary actions and ensure that IOSCO's principles are being applied by the specific geographical region's securities market's supervisory authorities.

4.5.1.6 Signing of Memoranda of Understanding and Cooperation

When Memoranda are signed between the supervisory Authorities of two countries, a framework and procedures are created for close cooperation that will enable the supervisory Authorities to exchange information, which in turn will help better promote their goals and more importantly, improve supervision over the transactions and activity in the securities market sector. Furthermore, the signature of these Memoranda, results in the creation of a fertile ground for the exchange of experiences, expertise and good practices that have a positive impact on broadening and strengthening the supervisory procedures and practices. These Memoranda reveal the mutual spirit of cooperation between CySEC and the national supervisory authorities of other countries, as well as the openness of their economies, contributing to the growth of fruitful business relations between Cyprus and the respective countries, to the benefit of their national financial markets.

So far, CySEC has signed 21 bilateral Memoranda of Understanding and Cooperation and 50 Memoranda of Understanding and Cooperation with the supervisory authorities of third countries, in line with the European Alternative Investment Fund Managers Directive (the "AIFMD"). This specific list can be seen in Annex B.

In addition, CySEC signed the IOSCO Multilateral Memorandum of Understanding (IOSCO MMoU).

In 2018, cooperation between the members of the International Organisation of Securities Commissions (IOSCO) grew and strengthened. Specifically, the following countries have jointly signed the IOSCO Multilateral Memorandum of Understanding (IOSCO MMoU) in 2018:

Member Agency	Jurisdiction	Date of Formal Signing
Central Bank of Armenia (CBA)	Armenia	Jan 18, 2018
Comisión para el Mercado Financiero (Financial Market Commission) (CMF)	Chile	Nov 22, 2018
Superintendencia del Mercado de Valores (SIMV) Formerly: Superintendencia de Valores, Banco Central de la Republica Dominicana	Dominican Republic	May 03, 2018
Securities and Exchange Organization (SEO)	Iran, Islamic Republic of	Nov 27, 2018
National Bank of Kazakhstan (NBK)	Kazakhstan, Republic of	Nov 27, 2018
Securities and Exchange Commission (SEC)	Zambia	Jan 15, 2018

Currently, 123 countries are signatory to the Multilateral Memorandum of Understanding, while another 8 candidate countries are under assessment. Provided they meet their obligations in line with the legislative changes, they too will become signatories to the IOSCO Multilateral Memorandum of Understanding.

Signing of Memorandum of Understanding and Cooperation with the Lebanon supervisory Authority

In July 2018, CySEC signed a bilateral Memorandum of Understanding and Cooperation with Lebanon's supervisory Authority, Capital Market Authority (CMA).

The signing of said Memorandum will further enhance the cooperation between the two supervisory Authorities and aims specifically to facilitate the exchange of relevant information and expertise. In particular, the agreement creates a framework of cooperation between CySEC and CMA, in terms of investigating possible violations of securities market laws more effectively. The two Authorities will work closely to ensure the integrity of the markets, safeguard the best interests of the investors and promote the healthy growth of their respective markets.

Signing of Memoranda of Understanding and Cooperation with the Supervisory Authorities of Qatar and Abu Dhabi, in line with the European AIFMD Directive

In 2018, CySEC signed a Memorandum of Understanding and Cooperation with the respective supervisory Authorities of Qatar and Abu Dhabi, which aims to enhance supervision over entities that are subject to the Directive on UCITS managers, as well as to contribute to the further growth of the collective investments sector. CySEC expects that collaboration in this field will encourage the growth of the collective investments sector in Cyprus, offering a plethora of options to promote alternative investment products.

4.5.1.7 Cooperation and Exchange of Information between the National Supervisory Authorities

As a result of its international cooperation with the supervisory Authorities of the national Securities Markets, and specifically the bilateral and multilateral Memoranda of Understanding and Cooperation that CySEC has signed with other countries, there has been an ever-increasing volume of applications for exchange of information and assistance.

The exchange of information concerns entities regulated by the national supervisory Authorities, which are engaged in transnational activities. The majority of these applications require further investigation and gathering data from the respective national supervisory Authority, which includes the ability to lift bank secrecy when it comes to organisations or individuals under investigation.

Based on the Memorandum it has signed with the respective national supervisory Authorities, various supervisory organisations in the securities markets and other competent agencies abroad, CySEC can also request information on the operations of entities and individuals abroad who are under its supervision, to assist its investigations. Many of these requests are for assistance while carrying out a “fitness and probity” assessment on individuals who have applied for a license. Other means of assistance include the exchange of views on matters of interpretation and the practical implementation of legislation, as well as the exchange of best practices and experiences in matters of supervision.

In 2018, CySEC’s cooperation with the competent Authorities and organisations abroad continued at the same accelerated rate, given the ever-increasing volume of requests for investigation and collection of information, subject to the bilateral or multilateral Memoranda of Cooperation. The increased activity of companies that provide investment services, particularly at European level – either through the cross-border provision of investment and relevant services, or through a tied agent or branch – have created the need for even closer cooperation and coordination among supervisory Authorities.

This exchange of information and provision of mutual assistance between the supervisory Authorities is important as it reinforces the effective supervision and investigation of potential legal violations. A number of cases required lifting the banking secrecy for the organisations or individuals under investigation. Furthermore, during the assessment of a licensing application, as well as in the cases where changes are made to share structure and management, a large number of requests are sent for additional information, in order to carry out a “fitness and probity” test on shareholders and managing executives.

In 2018 specifically, CySEC received 310 incoming requests (2017-371, 2016-306, 2015-274, 2014-233, 2013-180 and 2012-104) – which are namely requests that were sent by other supervisory Authorities within the context of the Memoranda of Understanding – as well as sent 49 outgoing requests (2017-133, 2016-102, 2015-73, 2014 -71, 2013-98 and 2012-51), namely requests with which CySEC sought information for its own purposes.

4.5.1.8 Official Meetings with counterpart supervisory Authorities

On 3 October 2018, a meeting was held in Cyprus with representatives of the supervisory Authority of the Bahamas (Securities Commission of the Bahamas – SCB), along with a series of presentations providing information and updates on CySEC’s regulatory framework and supervisory practices. During this meeting, we had the opportunity to exchange views and learn more about the Bahamas securities market.



4.5.1.9 Participation in International Reviews and Questionnaires

Within the framework of the ESMA Supervisory Convergence Standing Committee (former Review Panel), CySEC takes part in peer reviews with the other national supervisory Authorities, as well as self-review exercises, which investigate the implementation of supervision standards, as well as the promotion of best practices. In 2018, the following reviews were carried out:

Assessment by ESMA of a peer review on the Guidelines on ETFs and other UCITS issues

On 30 November 2018, ESMA sent a questionnaire to the countries that were selected to undergo on-site inspections during 2019, which included Cyprus, aimed at launching a review of the supervisory measures that have been implemented to reinforce the quality of data, in line with the EMIR EU regulation.

Follow-up on the results of past evaluations

In early 2018, a follow-up was carried out on the results of a past exercise with regards to the suitability requirements for the provision of investment advice to private clients.

It should be noted that CySEC has also contributed to Cyprus' positive assessments by International Agencies, such as the Moneyval Committee of the Council of Europe for the prevention of money laundering and financing of terrorism.

4.5.2. Domestic Cooperation

4.5.2.1 Cooperation with Committees and Authorities in Cyprus

CySEC cooperates closely with all the competent Authorities of Cyprus' financial services sector and other Authorities, while it maintains excellent collaborative relationships with other relevant organisations and bodies. This ensures smooth cooperation between the national supervisory Authorities, and also helps them execute their duties and responsibilities, exchange information and provide assistance.

CySEC cooperates closely with the Ministry of Finance and participates in senior level meetings of the supervisory Authorities in Cyprus' financial sector, along with the Central Bank, and the Insurance Companies Control Service, with a view to exchange information on topics relevant to their duties and competencies when supervising the financial sector. Additionally, CySEC's Chairwoman participates in the Public Audit Oversight Authority, which used to be called the Public Audit Oversight Board, and which CySEC has participated in since

2012. The competencies of the Public Audit Oversight Authority, established on the basis of the 2017 Audit Law [L.53(I)/2017] of June 2017, are:

- To approve and keep a registry of approved auditors and audit offices
- To adopt standards of professional ethics and internal quality control for audit offices and audit standards
- To offer continuous training, ensure quality, and maintain investigation and sanction systems.

When executing its duties, CySEC may cooperate with the Law Office of the Republic of Cyprus, the Cyprus Police and the Financial Crime Investigation Office, the Registrar of Companies and Official Receiver Department, the Courts, etc.

Furthermore, CySEC is in open communication with organised bodies, agencies and associations – such as the Cyprus Financial Investor Association (CFIA), CIFs Association, Bar Association and Institute of Certified Public Accountants of Cyprus (ICPAC), among many others – who it consults with to receive their views and suggestions. In addition, it has cooperated with the Cyprus Consumers Association as part of its programmes to educate the public on matters pertaining to the securities market.

Moreover, CySEC is also closely cooperating with the Cyprus Investment Promotion Agency (CIPA), as it comes to properly promoting the Cyprus securities market and its institutional framework abroad.

CySEC participates in the Advisory Committee for the release of capital from sanctions, based on the resolutions of the United Nations Security Council (UNSC) as well as the restrictive measures introduced by EU Regulations.

CySEC representatives participate in the Administrative Committee of the Investor Compensation Fund (ICF), which is responsible for managing the ICF of CIFs and other IFs.

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

CySEC participates in the Consulting Authority for the Prevention of Money Laundering and Terrorist Financing that has been established on the basis of article 56 of the Law 188(I)/2007. The specific Authority, according to article 57 of the Law, has the following competencies:

- (a) 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 the financing of terrorism
- (b) Advise the Council of Ministers on the need to take additional measures that it believes should be taken to improve implementation of this Law
- (b1) Coordinate the competent Public services and private sector agencies to identify, evaluate, understand and counter threats from money laundering and the financing of terrorism, while also revising the assessment of these risks. The relevant risk assessment is used for the following purposes:
 - (i) To improve the existing national system for the prevention of money laundering and financing of terrorism, particularly by identifying potential sectors that require increased measures as well as defining the measures that need to be taken
 - ii) To identify lower or higher-risk sectors as it comes to money laundering or the financing of terrorism
 - (iii) To evaluate and rank priorities as it comes to allocating resources to prevent such activities
 - (iv) To ensure that the appropriate regulations are stipulated for each sector or field, depending on the risk of money laundering and the financing of terrorism, and
 - (v) To provide the appropriate information to the regulated entities, so as to help them carry out their own risk assessments for money laundering and the financing of terrorism.

- (c) To promote the Republic internationally as a country that is fully compliant with all the Treaties, resolutions and decisions of international organisations on the prevention of money laundering and the financing of terrorism.

Furthermore, CySEC participates in the Extended Special Technical Committee of Cypriot Supervisory Authorities that aims to prevent money laundering and the financing of terrorism, as these are defined in article 59 of the Law 188(I)/2017. The main competencies of the Technical Committee are to identify, discuss, and examine issues that the supervisory authorities are concerned about, so as to carve out a common line of interpretation, response, and handling.

Additionally, as part of its cooperation with the other supervisory Authorities in Cyprus, CySEC participated in the Ad-hoc Transposition Group that was specially appointed to examine and adopt the 4th European Directive 2015/849, and transpose it into Cypriot legislation.

Also, as part of its Protocol of Cooperation with the Central Bank of Cyprus, CySEC sends statistical data about CIFs to the CBC's Statistics Department.

Signing of Memorandum of Understanding and Cooperation with the Public Audit Oversight Authority (CyPAOA)

In April 2018, CySEC signed a Protocol of Cooperation with the Public Audit Oversight Authority (CyPAOA).

This Protocol lays out a framework and procedures for close cooperation, aiming to facilitate the exchange of information and generally the provision of mutual assistance for a more effective execution of the two Supervisory Authorities' competencies and the achievement of their goals.

Based on this Protocol of Cooperation, the Supervisory Authorities cooperate between them to reinforce the effectiveness of their supervision and ensure a uniform handling of issues and violations of the relevant law, in the cases where there is a common subject, thus ensuring compliance with the relevant legislations.

4.6 Investor Protection

CySEC ensures that the investing public is protected in various ways and strives to continuously upgrade the methods and tools that increase the protection enjoyed by investors conducting transactions in transferable securities in the Republic of Cyprus or abroad through CIFs, or cooperating with other entities under CySEC supervision.

4.6.1 Harmonisation of National legislation with European Directives

One way to protect investors is the prompt harmonisation of the national regulatory framework with European Directives. This ensures that the regulatory framework for the provision of investment services in Cyprus and the level of investors' protection is at the same standard as in other EU member states.

Examples of the most important European Directives transposed into national legislation include the Transparency Directive, the Prospectus Directive, the Market Abuse Directive, the new MiFID II Directive, the Capital Requirements Directive (CRD), the UCITS Directive, and the Alternative Investment Fund Managers (AIFMD) Directive.

4.6.2 Regulatory framework in accordance with MiFID II

The investment services sector in Cyprus and the activities of CIFs are regulated as of January 2018 by the new Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017), which harmonises Cypriot law with

Directive 2014/65/EU. Directive 2014/65/EU replaces Directive 2004/39/EU, transposed into Cyprus national law with Law L.144(I)/2007. Further details are included in Section “4.4 Upgrading the Legislative Framework, 4.4.1 Legislation”.

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

CySEC’s approach to market abuse and non-compliance with the provisions of the law on information disclosure (transparency requirements) is very strict. The imposition of high administrative sanctions on entities or individuals that engage in such violations is a very powerful tool for investor protection, as it works in a suppressive manner, but also preventively, ensuring compliance with legal obligations and preventing cases of repeated violation. Moreover, the publication of all administrative sanctions imposed by CySEC inhibits, due to the negative publicity aspect (“name-and-shame”), individuals and companies from violating the Law.

4.6.4 Dealing with violations relating to the provision of investment services by non-regulated entities

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

Furthermore, CySEC has established an electronic system for the submission of complaints against authorised CIFs and non-regulated entities, in order to help investors submit their complaints. Around the end of 2015, CySEC issued a clarifying announcement in relation to the way in which complaints are submitted, keeping in mind that the Financial Ombudsman service had begun its operation. In its announcement to investors, it is also clarified that CySEC does not investigate complaints on an individual basis, but that it does take them into consideration when exercising its supervisory duties.

4.6.5 Public education

Educating the public on matters of the securities market is particularly important because it strengthens its protection, complementing the supervisory and regulatory framework. The value of education on financial matters has been recognised at both a European and international level, and the European Commission attaches great importance to this matter and encourages member states to develop relevant programmes.

In addition to the benefits of this on an individual level, financial education also has significant benefits for society and the economy as a whole. Informed investors are expected to take better decisions, reducing the risks as it comes to their money, and as such reducing the possibility of greater financial loss and/or the creation of debt, which under certain circumstances can lead to bankruptcy.

Financial education is necessary, especially nowadays, with the complexity and availability of financial products and services continuously on the rise. Securities markets are currently moving at an accelerated pace, are rapidly developing and fluctuating, while globalisation and open markets have multiplied opportunities but also risks. Additionally, the financial needs of individuals have also become more complex, creating a greater need for the correct management of their funds.

CySEC promotes the education of the public on securities market issues through various means. It maintains a special section on its website dedicated to investors, where educational information, advice, and warnings issued by CySEC and other authorities are added periodically. Additionally, CySEC publishes informative articles for investors in

newspapers, financial magazines, and various websites. Also, CySEC organises lectures and presentations open to the public, the dates of which are announced on its website.

CySEC's actions and mode of operation when it comes to educating the public were decided in accordance with the findings of a Cyprus-wide market survey, conducted in 2010 and repeated in 2014, which aimed to determine the public's knowledge with regards to the securities market and investments in securities.

In 2018, special emphasis was given to providing investors with constant updates, focusing on the new legislative framework that governs investment services, while CySEC regularly published informative articles for the investing public in newspapers, financial magazines and websites. More specifically, in 2018, more than 100 documents were prepared, including articles, interviews, statements, Press Releases, announcements and information for the Media.

4.6.6 Proposal for the introduction of financial education in schools

European and international organisations regularly stress the need to educate the public on basic financial knowledge, including on matters relating to the securities market. In its 2015 report, IOSCO stressed that the mismatch between the investors' understanding of the risk and the actual level of risk they might be exposed to through an investment, leads them to make decisions without being properly informed, which may result in significant financial losses. Despite this, studies carried out in various EU member states, including our country, found that there were very high levels of financial illiteracy in the general population. Furthermore, the need to educate the public becomes all the more important due to the radical development of new financial technologies and the increase of financial options when it comes to services and products.

To this end, CySEC has looked at the examples of other countries and submitted specific proposals, to the Ministry of Education as well as the President of the Republic. In letters dated May 2016 and then May 2018 to the Minister of Education, CySEC suggested among other things to introduce a class to the Lyceum curriculum on economic and financial knowledge. Moreover, in May 2018 it submitted a proposal to the President of the Republic for the formation of a broader policy to deal with financial illiteracy and increase the public's financial knowledge, with emphasis on the vulnerable groups of the population.

Specifically, the proposal called for the creation of an independent Agency that would be responsible for carving out a national strategy to deal with financial illiteracy. As the supervisory Authority, CySEC is willing to contribute to the creation and structure of the independent Agency, to drafting the aforementioned national strategy, as well as deciding on the material that will be used in the Lyceum class, in cooperation with the other stakeholders.

4.6.7 Warnings to investors

On 17 December 2018, CySEC issued an announcement to inform investors and the broader public about a number of websites that were spotted and appeared to provide investment services without belonging to a regulated CIF (see page 85). This announcement aimed to warn the investing public against receiving services through these websites, and to be more careful in general when choosing the company they will cooperate with. More details are included in section 4.3.2. under the title Investigating Investor Complaints.

CySEC also issued warnings about individuals that falsely presented themselves as CySEC officials or representatives and contacted investors to seek payment in exchange for supposedly restoring losses they suffered as part of their cooperation with entities that are regulated by CySEC.

CySEC reiterates that it never contacts investors or the broader public personally asking for financial or other data. CySEC does not have the authority nor the competence to receive payments for any purpose by private investors, nor does it authorise anyone to do so on its behalf. CySEC is not involved in any way with collective lawsuits, compensation schemes, payments between natural or legal entities, public or private organisations.

4.7 Market Support and Development

4.7.1 Innovation Hub

CySEC seeks to actively support new products, services and infrastructure works that are supported by financial technology – especially ones that can contribute towards financing the real economy. In a bid to promote this support, CySEC created the Innovation Hub in September 2018, which aims to explore the development and uses of Financial Technology (FinTech) and Regulatory Technology (RegTech), such as blockchain, virtual currencies, Crypto and DLT exchanges, to identify future requirements for new legislative and supervisory priorities, and to ensure investor protection is not being undermined.

The Innovation Hub provides regulated and non-regulated entities that provide innovative services or products with access to CySEC, to ensure their full understanding when implementing the regulatory requirements.

CySEC has created a special Working Group consisting of technocrats from the various CySEC departments, which innovative businesses can apply to. All the information and special contact forms can be found on the specially-designated area on CySEC's website <https://www.cysec.gov.cy/el-GR/cysec/innovation-hub/>.

Since the Innovation Hub was established, 21 meetings have been held with groups of companies from Cyprus and abroad. Some are active in the RegTech sector, others in the ICOs sector, while others wish to offer innovative products and are interested in being updated on whether they are considered as financial means. Currently, 3 applications are being examined.

4.7.2 Participation in projects

With a view to develop innovative technologies in the financial sector and ensure investor protection, CySEC participates in a series of projects. These include, among other:

Ad-hoc Council of Ministers committee

CySEC participates in the Ad-hoc Committee that was created following a decision of the Council of Ministers, to form the national strategy for digital ledger technology (DLT). It chaired the Sub-committee for Financial Applications and contributed to the composition of text and the round-table discussion on DLT applications in the financial sector, during which market players were invited to express their views.

BARAC

CySEC participated in the project "Blockchain technology for Algorithmic Regulation and Compliance" (BARAC project), which aims to explore the potential uses of Blockchain in the autonomisation of the compliance regulations of regulated entities with their various obligations through the use of algorithms. UCL Innovation Centre manages the project and besides CySEC, other participants include CIIM, the Financial Conduct Authority (FCA) and the R3 CEV Consortium, which counts over 200 members from various sectors of the international public and private sectors, including Barclays Bank, RBS, HSBC and Bank of America/Merrill Lynch. The R3 CEV consortium is managed by a platform that relies on blockchain technology and provides its members with the ability to develop innovative applications in financial and electronic commerce. The Risk Management and Statistics Department participated via teleconference in two meetings with the members of the BARAC team in London. In July 2018, CySEC participated in its third consecutive seminar held under the framework of BARAC in London.

Horizon 2020

CySEC participates in another project entitled “FinTech: A Financial Technology training platform”, along with a number of European Universities and various supervisory Authorities, including ESMA. This clearly academic programme and its aim is to hold a series of lessons/seminars of a non-profit nature in the fields of Big Data Analytics, Artificial Intelligence and Blockchain.

The programme has already received funding from Horizon 2020 and the first meeting of members/researchers will take place on 1 February 2019. Then, based on the outcome of the first meeting, a workshop will take place with the participating researchers and the supervisory Authorities in early summer. By participating in such projects, CySEC will acquire the necessary expertise and decide the ways in which it can use these technologies, particularly when exercising its supervisory role, further automating its operations through the development or even use of the appropriate systems/software, as well as cooperating with other supervisory Authorities and stakeholders.

In 2018, members of the Risk Management and Statistics Department had a meeting with Ms Veni Arakelian, who is a professor of Econometry at the Department of Economic and Regional Development at the Panteion University of Social and Political Sciences in Athens, as well as a member of the research/scientific team for this project. The meeting took place in Athens and various aspects of the project were discussed, while the first of the three lectures that are expected to be given in Cyprus for CySEC are scheduled to take place in late 2019 to early 2020. The other two lectures are expected to take place in 2020 or once the project is completed.

Crowdfunding

CySEC also participates in the consultations that are taking place at the European Council, with the ultimate aim of finalising and adopting a uniform regulation for cross-border crowdfunding for sums of up to €1 million. Once the regulation is finalised, it will regulate lending as well as investment crowdfunding.

4.7.3 Promotion of Cyprus Securities Market in Cyprus and abroad

As part of its role to develop the securities market, CySEC’s Chairwoman and Vice Chairman participate as speakers in important conferences that are held in Cyprus and abroad. CySEC also cooperates with the Cyprus Investment Promotion Agency (CIPA), supporting its work for the coordinated promotion of Cyprus abroad as a reliable investment destination, as well as with other government and non-government bodies. CySEC’s contribution to this cause includes presenting the regulatory and supervisory framework that governs the Cypriot securities market. Specifically, in 2018, CySEC’s Chairwoman and Vice Chairman participated as speakers in 40 events in Cyprus and abroad, the subjects of which related to the institutional framework of the Cyprus securities market.

Furthermore, in 73 cases, informative material was prepared and forwarded to public organisations and Authorities in Cyprus and abroad, regarding CySEC’s activities.

4.8 Risk Management, Statistical Analysis and Research

4.8.1 Risk Management

Risk management is at the centre of a every organisation’s strategy. It is a constantly evolving operation with which organisations carefully and systematically deal with risks related to older, current and especially future activities, with a view to gain an advantage in every activity and upgrade the Organisation’s level as a whole. Risk management is divided in three main sectors: recognising risks, risk quantification, and controlling/mitigating their consequences.

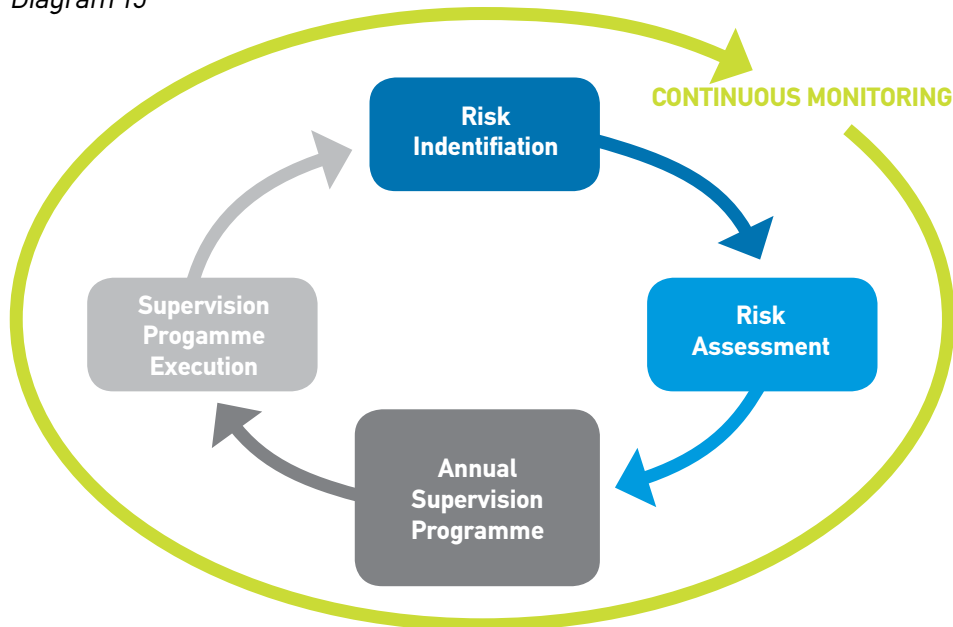
4.8.1.1 Risk Based Supervisory Framework (RBS-F)

Between 2012-2016 CySEC proceeded with the establishment and gradual implementation of a framework for the supervision of licensed entities according to their risk. Specifically, this framework (Risk-Based Supervision Framework, RBS-F) allows CySEC to determine the way it exercises supervision, taking into account and evaluating the risks faced by each supervised entity and their importance, so as to focus its supervisory efforts on entities with the greatest risk.

The RBS-F supervisory framework has been implemented for the Supervision, AML, Issuers and Market Surveillance Departments, while the Risk Management and Statistics Department assumed the role of RBS-F Coordinator as well as the collected and evaluated information from supervised entities, that was required for risk evaluation.

As part of the RBS-F's implementation the risk evaluation cycle (Diagram 15) was developed on the basis of international risk management practices and is implemented for all categories of supervised entities on an annual basis.

Diagram 15



Specifically, during 2018 the following took place in the framework of this annual risk evaluation cycle for supervised entities:

1. Risk Identification

Within the year, new risks were identified that result from various factors, such as changes in the legislation and the market, innovation as well as changing risks, such as for example risk concentration and the size of the market. The aim was to recognise all important risks regarding CySEC's supervised entities and their framework of operation.

Specifically, in 2018 the legislative changes that accompanied CySEC's adoption and implementation of the EU Directive 2015/849 also known as the 4th AML Directive and the Joint Guidelines of the European Supervisory Authorities 2016/72, known as the AML Risk Based Supervision Guidelines were incorporated into RBS-F, following the results of a relevant survey by Gap Analysis which was conducted in cooperation with external consultants.

Additionally, a study by Gap Analysis was conducted, among other changes that were included in the RBS-F supervisory framework and the rest which are required to take place on the basis of the changes that emerged due to CySEC's adoption and implementation of the provisions of the EU Directive MiFID II and the European Regulation MiFIR. The implementation of changes that will be needed in the RBS-F, (because of the application of the MiFIDII/MiFIR legislation on the basis of the results of the study by Gap Analysis), is expected to take place in 2019.

2. Risk Assessment

CySEC proceeded to collect quantitative data by all supervised entities with regards to their risk assessment. This data that has been used to calculate the risk of the supervised entities, on the basis of the software that was developed for this purpose. The supervised entities have been categorised as high-, medium-high-, medium-low- and low- risk. The estimate takes into account the impact and the probability of the risk.

Risk Evaluation of supervised entities	
	High Risk
	Medium-High Risk
	Medium-Low Risk
	Low Risk

3. Annual Supervision Programme

Different Risk Reports are prepared on the basis of the risk profile of the supervised entities, which comprise the annual action plans of the competent Departments. Their aim is to tackle the risks emerging from the different categories of supervised entities, depending on their Risk profile (Risk Mitigation).

4. Implementation of Supervision Programme

The competent CySEC Departments implemented their plans for the annual supervisory checks of the supervised entities.

The implementation of the supervision programme, as well as the issues that may arise, are monitored by the Executive Committee, which was established for this purpose.

5. Continuous Monitoring

The implementation of the RBS-F supervisory framework, is monitored by the Risk Management and Statistics Department on a continuous basis, so that it is always updated, so as to safeguard the proper risk management of supervised entities.

The Executive Committee of RBS-F, is always updated about the framework's update. Its members can decide about any actions that need to be taken in order to achieve this goal.

4.8.1.2 RBS-F Establishment and operation of the Executive Committee to monitor the implementation of the RBS-F supervisory framework

The Executive Committee tasked to monitor the implementation of the RBS-F, which was established in 2016, aims to monitor the implementation, upgrading and resolution of issues that generally pertain to the supervisory framework. The Executive Committee is comprised by the Chairman and Vice-Chairman of CySEC, the Risk

Owners and officers of the Risk Management and Statistics Department. The Risk Management and Statistics Department took up the coordination and organisation of the meetings of the Executive Committee which includes among other things, the definition and the preparation of the agenda and keeping the minutes of the meetings.

The duties and responsibilities of the Executive Committee include, among other things:

- Monitoring the implementation of the annual risk assessment cycle of the supervised entities i.e. the collection and analysis of information and risk assessment of the supervised entities.
- Examining and analysing the reports in relation to the annual risk assessment results of the supervised entities.
- Setting the targets and goals of the annual supervisory plan for supervised entities
- Promoting and supporting communication between CySEC Departments on matters relating to the supervised entities
- Analysing and evaluating new risks that arise from factors such as changes to legislation, the market environment, and supervised entities
- Examining and promoting the update/upgrade of the RBS-F in relation to the evaluation of new risks and the parameters for their evaluation

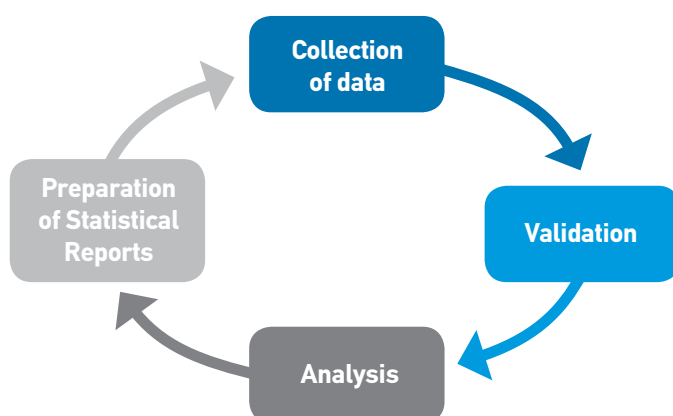
The Executive Committee met a total of three times in 2018. The Committee is scheduled to meet every three months or whenever it is required to.

4.8.2 Statistical Analysis and Surveys

One of the duties of the Risk Management and Statistics Department (RMSD) is the collection and statistical analysis of data, the preparation of reports and specialised studies, as well as the management of data with a view to enhance the supervisory role and the strategic aspirations of CySEC.

For the preparation of these statistics the Department follows the process below:

- Collection of data from Supervised Entities
- Processing of data for purposes of validation
- Statistical analysis of data
- Preparation of internal statistics reports



The RMSD implemented the following in 2018:

- Preparation of the quarterly QST-MC and QST-CIFMC documents which are addressed to Collective Investment Funds and Cyprus Investment Funds that manage CIFs.

- Creation of a database and special programmes, which will be collected according to the QST-MC and QST-CIFMC documents.
- Validation and statistical analysis of the data collected by the supervised entities.
- Publication of relevant circulars and documents on CySEC's website for the electronic submission of data by the supervised entities.
- Ongoing contact with the supervised entities for the resolution of queries, the provision of clarifications and the resolution of any problems that may arise over the course of completing the documents or the effort to submit the documents through the Transaction Reporting System ('TRS') by the supervised entities.
- Collection of 2017 data from the below supervised entities, for risk assessment in order to implement the RBS-F: Collection of Data, Validation, Preparation of Statistical Reports, Analysis

A/A	Supervised Entity	Document Name	Number of Supervised Entities
1	Administrative Service Provider (ASP)	RBSF-ASP	152
2	Cyprus Investment Firms (CIF)	RBSF-CIF	219
3	Collective Investment Trading Managers (UCITs Managers)	RBSF-MC	45
4	Local Listed companies	RBSF-LLC	68
5	International Listed companies	RBSF-ILC	13
Total Number of supervised entities for RBS-F			497

- Collection of data from Collective Investment Trading Managers ('UCITs') and CIFs that manage Collective Investments, on a quarterly basis regarding the assets they manage, the funds they manage, their investors and other data according to the document QST-MC and QST-CIFMC.
- Collection of data by CIFs on a quarterly basis, with regards to the capital and the financial means of their clients, as well as many other statistical data, according to the T144/002 document ('quarterly statistics').
- Collection of 2017 data from 13 CIFs that managed collective Investments in 2017, on the basis of the AST-CIFMC document.
- Validation and statistical analysis of the data collected by the supervised entities through the various data collection documents.
- Identification of the important CIFs for 2017 according to Circular E228 and the data collected through document T144/001 ('RBS-F Form'), which is submitted by CIFs.
- Implementation of the electronic reporting system – through the SAS Visual Analytics software of the SAS platform, which is interactive and updated automatically. For the creation of these electronic reports the following took place.

4.8.3 Statistical Reports

In 2018, CySEC started releasing statistical reports/press releases, which were posted on CySEC's website.

Specifically, it proceeded with the release of the first Annual Statistical Report, which included the publication of basic statistical data for all CySEC-regulated entities, on the basis of information collected for the purposes of the RBS-F for the years 2015-2017. At the same time, it gives interested parties the opportunity to comprehend the size of the market which is under CySEC's regulation. The goal is to establish its annual publication and enhance it with new additions, updates and findings.

In 2018, CySEC proceeded with the publication of the first quarterly Statistical Report on Management Companies and Undertakings of Collective Investments Sector, which analyses the most important findings pertaining to the sector. The goal is to establish this publication on a quarterly basis and enhance it with new findings and additions.

4.8.4 Categorisation of CIFs

The Department of Risk Management and Statistics has proceeded with the study and creation of a statistical model, which can separate CIFs in two categories, Contract for Difference (CFD) and Traditional (TR), through the statistical correlation of different criteria. This model is monitored and enhanced with new data on a quarterly basis. The division of CIFs in the abovementioned categories is to analyse the data received by the companies, risk analysis and more.

4.8.5 Implementing Calibration for statistical analysis and the assessment of Risk Based Supervision Framework ('RBS-F') data for Investment Firms.

The Calibration process relates to the assessment of data used, so as to confirm the compliance of the data with the risk assessment parameters that have been determined in order to implement the RBS-F. The Calibration Tool is used for this process, which checks the data before it is transferred to the eGRC software for the calculation of the 'risk assessments' of supervised entities. Moreover, the Calibration Tool is also used to validate the result of the eGRC.

Because of the adoption of the "4th AML Directive", the Department of Risk Management and Statistics (DRMS) has upgraded the Calibration Tool, so that it includes the necessary changes and additions that have emerged. The MiFid II Directive and the MiFIR Regulation have been adopted since 01/01/2018 and therefore, the legislation has been changed. The DRMS has initiated the procedure to upgrade the framework in order to include these changes. Within the first quarter of 2019, the DRMS has also integrated these changes in the Calibration Tool.

4.8.6. Upgrade of programmes and infrastructure/tools

In 2018, the DRMS has proceeded to upgrade the following programmes and infrastructure/tools:

RBSF Reports Tool

The DRMS has proceeded with upgrading the RBS-F Reports system. The RBS-F Reports system is a Reporting system, which is improved on a continuous basis and offers access to a large database relating both to the annual RBS-F information (on CIFs, ASPs, Issuers and Collective Investment Funds), as well as reports and Quarterly Statistics in relation to the CIFs and Collective Investment Funds. The DRMS's goal is to make the RBSF Reports system a reliable and important information tool, which all the members of CySEC's departments will be able to use on a daily basis in order to effectively exercise their duties. The changes that have been implemented, include the categorisation of data and reports in the system, as well as the introduction of safety, accessibility and data management measures.

SAS VA Reporting Tool

The DRMS suggested and proceeded with gradually implementing electronic reports – through the SAS Visual Analytics software of the SAS Platform – which are interactive and can automatically update information, with a view to upgrade the comprehensiveness and reliability of these reports, as well as to speed up the time required for their preparation. Through the SAS VA all the DRMS reports have been completed for 2018, including the CIFs, ASPs, UCITS, AIFMs sectors. New documents will be launched in 2019 and therefore the SAS VA will be updated accordingly with new data and electronic reports.

HUMAN RESOURCES, ORGANISATION AND INFRASTRUCTURE

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5.1 Personnel 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.

During 2018, CySEC personnel participated in seminars on the following topics:

- New law for data protection- GDPR - Data Protection Commissioner
- MiFID II - FTI Consulting
- The Anti - Fraud Conference - IMH
- The Risk Based approach to AML - ESAs
- Financial Crime for Accountants - ICPAC
- Bank ID System - FINCAP Advisers
- Training seminar for Assessors of the Council of Europe's Moneyval Committee
- Investment & Investment Finance: The Cypriot Case - ICPAC
- Training regarding country assessment - MONEYVAL
- International Sanctions Update in Cyprus – Harneys
- The 4th International Compliance Forum Experts group on AML/CFT
- Tackling International Sanctions An expert view - ACAMS
- Transaction monitoring: From theory to practice - CBA
- Blockchain technology – CySEC in house training
- IFRS Update- CySEC in house training
- Advanced Excel Seminar- CySEC in house training
- The New AML Regime - CySEC in house training
- Overview of the AIF Law - CySEC in house training
- IFRS 9 – Financial Instruments Update
- IFRS Update and refresher seminar (internal seminar)
- The 2nd Corporate Governance Conference
- Microsoft excel - Advanced
- In house seminar - MiFID II
- In house seminar - The New Anti-Money Laundering Regime
- In house seminar - Overview of the Alternative Investments Funds Law of 2018 (Law 124(I)/2018)
- Seminar on Public Procurement
- GDPR
- Negotiation skills
- IFRS
- Identity Anonymity and Regulation in Blockchain Systems - BARAC

- Excel training
- Decentralized 2018
- The New Anti-Money Laundering Regime
- Overview of the AIF Law of 2018 (Law 124(I)/2018)
- Point Nine Second Annual Conference - Investor Services and Regulation: Challenges of the Buy-Side
- Icoinsummit
- Data Protection Act-GDPR
- Introduction to MiFID II topics overview
- Annual Generation Operational Risk -Europe
- IFRS Update and Refresher (IFRS 9, IFRS 7, IFRS 3, IFRS 13 and IFRS 5)
- Training by Money Val - On Risk Effectiveness- AML and TF Risk
- ESMA Workshop on cost and performance
- Product Governance under MIFID II

5.2 Changes in Organisational Structure

Establishment of new structure for CySEC's future development

The reconfiguration of CySEC's organisational structure was necessary due to the large increase in CySEC's competencies, the inclusion of new organisations within CySEC's regulatory mandate, the increase in the number, size and complexity of existing regulated entities, and the increasing legal obligations of regulated entities on the basis of the latest European Directives.

In order to be able to respond to its increased obligations due to the abovementioned reasons, CySEC requires new staff and an in-depth effective organisational structure that ensures the productive use of CySEC's human resources currently and in the future as much as possible.

Therefore, aiming to make CySEC more effective and flexible in its operations, the reorganisation that started in 2012, continued with the careful development of a new organisational chart. This new organisational chart is expected to contribute to the integration and more effective utilisation of the new personnel that CySEC needs and is expected to hire in the near future. For the preparation of this new organisational chart, a previous study of organisational charts of other Competent supervisory Authorities in the EU and other third states had taken place. Also, CySEC's needs to gradually increase its personnel over the next five years, based on the current information on the supervisory front. Any needs that may arise will be covered by the ad-hoc purchase of services.

As part of planning for the new CySEC organisational structure, CySEC has incorporated 4 new Chief Officer positions and 6 new Officer A positions in the 2018 budget. As it comes to filling the vacancies, it has promoted 16 Officers to Officers A and 2 Assistant Secretarial Officers to Secretarial Officers.

5.3 Infrastructure upgrades and data security

5.3.1. Upgrade of Corporate Document Management System (eOASIS) and Portal

Over the course of the year the flow of documents stored in the Corporate Document Management System (eOASIS) increased as older documents were also added. In addition, all Regulated entities can now access the CySEC Portal to submit documents with a view to achieve greater efficiency, since proper workflow is necessary for the operation of the Agency.

Through the Portal, regulated entities are able to verify whether their submission has been successful, in order to ensure they were on time in the case of a deadline.

5.3.2 MiFID II Transaction Reporting System

The MiFID II Transaction Reporting System has been significantly expanded in 2018, to comply with the new MiFID II Legislation. The general provisions of the Legislation require MIFs that perform transactions in financial instruments to disclose complete and accurate information regarding these transactions.

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

The analysis of requirements as well as the design, implementation and testing of the EMIR data processing system and the preparation of reports were completed in 2018. The system automatically imports data from the ESMA Hub as well as from the Repositories. This data is pre-processed and imported into the database of the system. It also updates the database with the daily and weekly changes. With the help of SAS's Business Intelligence system, it generates reports based on aggregated data. The reports pertain to data quality control, Transaction Reconciliation and Export Market statistics. Also, in 2019, the system is scheduled to move to the Cloud for a more efficient and effective operation when handling large volumes of data.

5.3.4 Risk Based Supervision Framework Support

During 2018, the operation and support of the eGRC system for the purposes of the Risk Based Supervision Framework - 'RBS-F' continued.

The IT department provides ongoing support to ensure the continued operation of the system, and specifically:

- Technical support for the efficient operation of the system
- Training the new users of the system
- Creation of new Regulated Entities, along with their respective risks (risk – measurements) in relation to the sector in which they are active.

Moreover, technical changes were implemented to improve the system and workflows.

5.3.5 Company information of Fund Managers

The AIFM Digital Archive was developed in 2018, and is part of the CySEC Portal. With its operation, the archive, which is in the final trial phase, will allow AIFMs to digitally submit their company's information. They will be able to see all the information they have submitted to the CySEC and directly make any additions/changes.

5.3.6 Security and data protection

CySEC is monitoring the new trends, as well as the new data and needs created by technological and other developments to better protect itself and its regulated entities, as well as protect other stakeholders and/or organisations.

In 2018, procedures have moved along and experts have been hired for the implementation of the European Union Regulation 2016/679, commonly known as the General Data Protection Regulation (GDPR).

In 2018, CySEC partnered with cyber security experts in order to protect its Internet-related systems, including hardware, software and data, from cyberattacks and to protect itself against unauthorised access to databases and other computer systems.

Also, in 2018, procedures got underway for the appointment of experts to assist with the implementation of Cyprus Standard CYS ISO 37001: 2018 “Corruption Management and Control System” which is based on the specifications of the international standard ISO 37001: 2016. This system aims to identify and prevent corruption and enhance existing anti-corruption controls that are already in place in the operations of an organisation.

5.4 CySEC Relocation

In 2018, CySEC relocated to a newly-leased building that can better serve the organisation’s future development needs. The new building has a sufficient number of meeting and training rooms necessary for the smooth operation of the organisation.

5.5 Social Responsibility

Recognising the positive contribution of organised, responsible voluntary activities to the society, CySEC has incorporated the promotion and support of various social activities in its long-term strategy.

The social activities that have been implemented since 2012 are part of a comprehensive programme designed to combine the awareness, active support and commitment of employees, and in some cases other stakeholders, towards their social responsibility.

CySEC welcomes the active involvement of its personnel in the formulation of specific proposals and the submission of ideas and suggestions, while it tries to carry out social actions characterised by team spirit and collective effort, by engaging as many CySEC employees as possible.

5.5.1 Activities

In an effort to assume their social responsibility, CySEC staff, have undertaken various activities within the year.

“School supplies for all the children”

In 2018, CySEC staff participated in the Cyprus Volunteerism Coordination Council’s campaign, “School supplies for all the children”, by collecting necessary school supplies to support children in need.

#SupportGreece Initiative

CySEC staff supported the #SupportGreece initiative by collecting donations, food, basic necessities and medicines for the victims of Attica’s deadly fires in the summer of 2018.

“CySEC Gastronomic Charity Bazaar”

In 2018, the “CySEC Gastronomic Charity Bazaar” continued with the sale of individual homemade foods prepared by CySEC staff aiming to raise money for charity purposes. Specifically, with the money raised from that bazaar, CySEC staff participated in the “Adopt a Family this Easter” and “Adopt a Family this Christmas” campaigns.

Christodoulas March

CySEC staff supported the charity work carried out by the Cyprus Anti-Cancer Society by financially contributing to the “Christodoulas March” and at the same time providing financial assistance to a family whose child was diagnosed with acute lymphoblastic leukaemia.

Red Cross clothing, essentials, toys and school supplies

Throughout the year, CySEC staff collected toys, clothing, essentials, and school supplies for children from families in need, that have been passed on to the Red Cross for families in financial distress.

Support of Karaiskakio Foundation

To support the work of the Karaiskakio Foundation, CySEC staff raised money from the sale of the #GoOrange bracelet among. The 2019 lucky charm of the “Ev-Zo” Association of Patients and Friends with Neurological Diseases was also put up for sale to support people suffering from this disease.

Blood donation

During the months of April and September 2018, CySEC staff participated in an annual blood donation held at the Engomi Health Center Blood Donation Station.

Support of “Ev-Zo” association

Over the course of the entire year, CySEC staff collected plastic caps and handed them over to the Association of Patients and Friends with Neurological Diseases “Ev-Zo”, who undertook to use the proceeds from the recycling of these plastic caps for the purchase of medical auxiliary equipment for patients with neurological disease. At the end of this campaign, all caps collected were forwarded directly for recycling.

Recycling

CySEC recycles the various materials it uses, such as paper, plastics and batteries, to help save energy and raw materials as well as reduce waste and its impact on the environment. To this end, it maintains special recycling bins at various locations within the CySEC building and recycles all the paper it uses. CySEC participates in the Green Dot Cyprus Packaging Recycling Program and recycles batteries, ink cartridges, printers and various other materials containing harmful substances to human health and the environment. The collection and recycling of these materials prevents contamination of the environment from these substances and saves energy and natural resources.



Personnel awareness about various other charities

On their own initiative, CySEC staff, inform their colleagues about various charities, campaigns and other urgent needs that may come up, in order to support our fellow human beings at difficult times.

Environmental protection and energy conservation

In addition, CySEC follows all proposed measures / directives issued by the Energy Service of the Ministry of Energy, Commerce and Industry, and the Cyprus Energy Foundation. Some of the measures applied are (a) establishing lighting timers, which turn on and off automatically when motion is detected in the room, and (b) adjusting the lighting level to make use of the desired amount of light for the various activities of its users. (for example, there are special switches that only turn on half of the lights of the corridors). Also relevant to these are the provisions contained in CySEC's tender for the purchase of environmentally-friendly products. Polluting lamps have also been replaced with LED lamps in the offices.

Raising staff awareness on matters of social responsibility

Over the course of 2018, CySEC staff received friendly reminders about their responsibility on matters relating to social responsibility, suggesting ways to allocate money raised from their collective actions.

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Annex A - Sanctions imposed by the CySEC Board in 2018

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
AFX Capital Markets Ltd	CIFs	17.9.2018	50,000	Settlement in suspicion for possible violation of L.144(I)/2007 concerning its operation.
Cyprint Plc	(ex) Issuer of securities listed on CSE	10.9.2018	10,000	For violations of L.116(I)/2005 concerning the non-disclosure of confidential information.
Christakis Christodoulou (Cyprint Plc)	Board Member	10.9.2018	5,000	For violations of the company Cyprint Plc of L.116(I)/2005 on the non-disclosure of confidential information due to their own fault and negligence
Milena Valentinova Christofide	Proposed Board Member at a CIF	3.9.2018	10,000	For violation of L.144(I)/2007 on the provision of false and/or misleading information to CySEC.
Coverdeal Holdings Ltd	CIF	23.7.2018	250,000	Settlement in suspicion for possible violation of L.144(I)/2007 concerning its operation.
LQD Markets Ltd	(ex) CIF	2.7.2018	50,000	For violation of L. 144(I)/2007 relating to the maintenance of records.
Instant Trading EU Ltd	CIF	11.6.2018	130,000	For violation of L. 144(I)/2007 and D-144-2007-02 relating to professional ethics obligations.
SFS Group Public Ltd	Issuer of securities listed on CSE	4.6.2018	4,400	For violation of L. 190(I)/2007 on the first Half-Yearly financial report of 2017.
Agroton Public Ltd	Issuer of securities on the Warsaw Stock Exchange	4.6.2018	2,000	For violation of L. 190(I)/2007 on the first Half-Yearly financial report of 2017.
Karkotis Manufacturing & Trading Public Ltd	(ex) Issuer of securities listed on CSE	5.3.2018	50,000	For violation of L.14(I)/1993 on the equal treatment of all shareholders.
Orphanides Public Company Ltd	(ex) Issuer of securities listed on CSE	8.1.2018	0	For violation of L. 190(I)/2007 and L. 116(I)/2005 on the half-yearly financial report ending on 30.6.2012 and the 9-month financial report ending on 30.9.2012 (misleading information/ market manipulation – failing to report substantial risk)
Mr.Christos Orphanides (Orphanides Public Company Ltd)	Executive Chairman of Board of Directors	8.1.2018	120,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
Mr. Marios Antoniadis (Orphanides Public Company Ltd)	Board Member	8.1.2018	10,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
Mr. Giorgos Hadjimichael (Orphanides Public Company Ltd)	Board Member	8.1.2018	20,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Mr. Christos Filaktou (Orphanides Public Company Ltd)	Board Member	<u>8.1.2018</u>	5,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
Mr. Polis Kourousides (Orphanides Public Company Ltd)	Board Member	8.1.2018	20,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
Mrs. Eve Makariou (Orphanides Public Company Ltd)	Chief Financial Officer	8.1.2018	30,000	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
Mr. Simos Kiriakides (Orphanides Public Company Ltd)	Board Member	8.1.2018	0	For violation of L. 190(I)/2007 on the Statement by the Members of the Board of Directors on the Half-Yearly Financial report of Orphanides Public Company for the period ending 30.6.2012.
LeadCapital Markets Ltd	CIF	8.1.2018	30,000	For violation L. 144(I)/2007 concerning professional ethics obligations.

* The administrative sanctions imposed by CySEC in 2018 amount to €796,400.

Annex B – Supervisory Authorities outside the EU with which CySEC has signed Memoranda of Understanding and Cooperation in relation to the European Directive on AIFMDs.

1. Financial Services Authority – Abu Dhabi
2. Financial Supervisory Authority of Albania – Albania
3. Australian Securities and Investments Commission – Australia
4. Securities Commission - Bahamas
5. Central Bank of Bahrain – Bahrain
6. Bermuda Monetary Authority – Bermuda
7. Comissão de Valores Mobiliários do Brasil – Brasil
8. British Virgin Islands Financial Services Commission - British Virgin Islands
9. Alberta Securities Commission – Canada
10. Autorité des Marchés Financiers du Quebec – Canada
11. British Columbia Securities Commission – Canada
12. Office of the Superintendent of Financial Institutions – Canada
13. Ontario Securities Commission – Canada
14. Cayman Islands Monetary Authority – Cayman Islands
15. Dubai Financial Services Authority – Dubai
16. Egyptian Financial Supervisory Authority – Egypt
17. Securities and Exchange Commission of the Republic of North Macedonia – North Macedonia
18. Guernsey Financial Services Commission – Guernsey
19. Hong Kong Monetary Authority – Hong Kong
20. Securities and Futures Commission – Hong Kong
21. Securities and Exchange Board - India
22. Financial Supervision Commission of the Isle of Man – Isle of Man
23. Israel Securities Authority – Israel
24. Financial Services Agency of – Japan
25. Ministry of Agriculture, Forestry and Fisheries of Japan – Japan
26. Ministry of Economy, Trade and Industry of Japan – Japan
27. Jersey Financial Services Commission – Jersey
28. Financial Services Commission/Financial Supervisory Service - Korea
29. Labuan Financial Services Authority – Labuan
30. Securities Commission – Malaysia
31. Capital Market Development Authority – Maldives

32. Financial Services Commission of Mauritius – Mauritius
33. National Banking and Securities Commission of the United Mexican States – Mexico
34. Securities and Exchange Commission of Montenegro – Montenegro
35. Conseil Déontologique des Valeurs Mobilières of Morocco – Morocco
36. New Zealand Financial Markets Authority – New Zealand
37. Securities and Exchange Commission of Pakistan – Pakistan
38. Financial Centre Regulatory Authority – Qatar
39. Monetary Authority of Singapore – Singapore
40. Republic of Srpska Securities Commission – Srpska
41. Financial Services Board of South Africa – South Africa
42. Swiss Financial Market Supervisory Authority (FINMA) – Switzerland
43. Capital Markets and Securities Authority of Tanzania – Tanzania
44. Securities and Exchange Commission Thailand – Thailand
45. Emirates Securities and Commodities Authority – UAE
46. Commodity Futures Trading Commission – USA
47. Federal Reserve Board – USA
48. Office of the Comptroller of the Currency – USA
49. Securities and Exchange Commission – USA
50. State Securities Commission – Vietnam