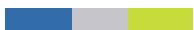




CYPRUS SECURITIES  
AND EXCHANGE COMMISSION

# ANNUAL REPORT 2022

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Annual Report 2022



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## CHAIRMAN'S STATEMENT

**T**he investment services sector continued to show steady growth in 2022 despite the challenges resulting from the war in Ukraine and the COVID-19 pandemic.

CySEC remained focused on the responsible development of the securities market which relies on effective supervision to safeguard the protection of investors.

Technology is one of the biggest challenges, and that is why the Commission invests in prudential supervision, using a range of specialised systems that allow it to stay abreast with the rapid digitalisation of the sector. It also invests in the automation of its procedures through the use of specialised systems.

At the end of 2022, CySEC had 837 entities under its supervision, compared to 806 in 2021, recording an increase of 3.85%, while about another 100 applications were under review. In comparison to 2019, before the outbreak of the pandemic, the increase was of 12.19%.

In 2022, approval was given to a total of 86 applications for different types of entities to operate under CySEC's supervision. Moreover, 6 applications for a CIF licence were rejected by CySEC, while applicants withdrew 15 applications for, among other, CIF and collective investments licence.

In May 2022, the Register of Beneficiaries of Express Trusts and Similar Legal Arrangements became operational, with CySEC supervising their compliance as regards the prevention and suppression of money laundering and terrorist financing.

In November 2022, the Finance Ministry designated CySEC as one of the Authorities responsible for examining, assessing and approving applications of Providers (investment firms, investment companies or management companies and AIFs) of Pan-European Personal Pension Product (PEPP) deriving from European Regulation 2019/1238. CySEC's supervisory role will therefore widen further.

### **Supervision**

In 2022, among other, the Supervision Department carried out 359 remote, thematic and onsite inspections of CIFs, and monitored the implementation of derivatives transactions/contract reporting requirements. It also carried out 119 remote checks on documents and monitoring of the requirements of Collective

**CySEC attributes great importance to the ongoing education and training of professionals of the sector, something which is essential in order to maintain the high level of services offered**

## **Dr George Theocharides**

Chairman of the Cyprus Securities and Exchange Commission



Investments Organisations. Moreover, in 2022 the Department continued to monitor online marketing practices by CIFs through a specialised system that has the ability to collect and analyse information. The evaluation of the promotional material of more than 10 CIFs has been completed and based on findings to date, potential violations have been identified. The CIFs have been instructed to make the necessary amendments so as to comply with the legislative framework governing them.

The Department responsible for the prevention of money laundering completed onsite inspections of 14 regulated entities and is in the process of completing 15 checks for which potential violations of the current legislation may arise.

The Market Surveillance and Investigations Department conducted 15 entries-and-investigations, completed 39 investigations, while another 48 investigations were underway at the end of 2022.

The Issuers Department, among other, examined the compliance of issuers with their obligations to publish their Annual Financial Report for the financial year of 2020 and 2021 and their Interim Financial Report for the first half of 2021 and 2022 and whether this financial information was drawn up and published in compliance with the law.

After Russia's military intervention in Ukraine in February 2022 and the taking of restrictive measures by the Council of the European Union against Russia, CySEC's supervisory departments have closely monitored developments, asking regulated entities to submit information regarding their business ties with persons subject to sanctions.

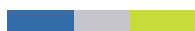
As a result of these investigations and supervisory checks, CySEC imposed administrative fines of about €2.9m of which the overwhelming majority concern fines and settlements with CIFs.

Over and above the fines and settlements, CySEC also took other supervisory steps, such as revoking or suspending operating licences, and prohibiting the acceptance of new clients or deposits. It also identified weaknesses and demanded they be rectified.

### **Protection of investors**

In 2022, CySEC issued a number of warnings to the investment public about websites that do not belong to entities that hold a licence to offer investment

## CHAIRMAN'S STATEMENT



**After the taking of restrictive measures against Russia, CySEC asked the regulated entities to submit information regarding their business ties with persons subject to sanctions**

services and/or to exercise investment activities.

Moreover, in 2022, among other, CySEC launched an online quiz on investment knowledge so that the public can assess their knowledge regarding basic financial terms and carried out a survey on investor behaviour and habits. It also actively participated in international campaigns to raise public awareness on the importance of financial education and investment risks such as the pan-European campaign Global Money Week and the international campaign World Investor Week 2022. In addition, given the low levels of financial literacy in Cyprus as recorded by various surveys, in combination with the increasing complexity of digital investments, CySEC carried out the online campaign #ThinkBeforeYouInvest. It also established annual awards for two university students, offering a financial prize totaling €1000.

### **Upgrade of technology**

In a constantly changing environment, CySEC continues to invest in its digital upgrade through the development and use of specialised systems, ensuring an effective framework for the protection of investors and the smooth operation of the market. Over and above the specialised systems for CySEC's digital upgrade which are underway or in operation, the new web portal, CySEC XBRL Portal, through which issuers submit their annual financial reports in ESEF format, came into operation in 2022.

Also underway is the creation of a web portal for the registration and review process to acquire various certifications offered by CySEC. CySEC attributes great importance to the ongoing education and training of professionals of the sector, something which is essential in order to maintain the high level of services offered.

As regards prudential supervision, during 2022, upgrades were carried out on the Risk Based Supervision Framework RBS-F so as to take into consideration all the developments and changes which may pose risks to the market.

Within 2022, CySEC also acquired the reporting system Power BI, which is an innovative reporting and analytics platform.

The securities market in Cyprus is developing at a steady pace, and it is therefore of the highest importance that CySEC has at its disposal the proper powers and that it is constantly reinforced with necessary resources so that it can successfully carry out its role as a supervisory Authority.









## Regulated entities and Authorisations

# 86

Entities received authorisation, of which 59 were active in collective investments, 17 in the provision of investment services, 7 with the provision of crypto assets and 3 in the provision of administrative services. At the end of 2022, the number of regulated entities stood at 837, up from 806 in 2021, recording an increase of 3.85%. Some 100 new applications are under examination. Compared to 2019, before the outbreak of the pandemic, the increase is 12.19%.



## Russia's military intervention in Ukraine

In February 2022, after Russia's military intervention in Ukraine and the taking of restrictive measures by the Council of the European Union against Russia, CySEC issued circular C489 asking all regulated entities to submit information on their business ties with persons subject to sanctions.

## Rejections and Withdrawal of Applications

# 6+15

In 2022, CySEC rejected six applications for a CIF licence. Moreover, 15 applications were withdrawn, of which 7 were applications to acquire a CIF licence, another 7 applications were for a licence for different types of collective investments and one was for the provision of crypto assets.

## Register of Beneficial Owners of Express Trusts



The Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements started operation in May 2022, with CySEC supervising compliance of issues relating to the prevention of money laundering and the financing of terrorism.

## CySEC XBRL Portal

The new web portal, CySEC XBRL Portal, through which issuers can submit their annual financial reports in ESEF format, started operation in 2022.



## Review of issues pertaining to prospectuses

In 2022, ESMA published a peer review on the scrutiny and approval procedures of prospectuses by competent authorities. CySEC was found to fully meet the expectations of the peer review in three categories, and to largely meet expectations in two categories. The results of the peer review of CySEC are deemed to be very satisfactory.







## Regulatory Sandbox

Within the framework of expanding financial innovation and to encourage responsible innovation, in 2022 CySEC sent out an invitation for an exchange of views on the creation of a Regulatory Sandbox that will aim to facilitate innovation and to test new products.



## Crowdfunding

In February 2022, the Minister of Finance designated CySEC as the competent Authority to exercise the responsibilities and duties provided by Regulation (EU) 2020/1503 on European Crowdfunding Service Providers. The Regulation sets out uniform requirements for the provision of crowdfunding services and the operation, organisation, authorisation and supervision of these providers in the European Union. The aforementioned Regulation applies to crowdfunding offers of up to €5,000,000.



## Honorary distinction

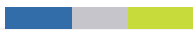
Within the framework of the 7th Corporate Volunteering Competition and Volunteering Contribution of the Pancyprian Volunteerism Coordinative Council (PVCC), CySEC was honoured for the active participation of its personnel in social responsibility actions.



## Educating investors

In 2022, CySEC set up an online quiz so that the public can assess their knowledge of basic financial terms. A survey was also carried out on the behaviour and habits of investors. It also participated actively in a number of awareness campaigns for investors and carried out its own online campaign **#ThinkBeforeYouInvest**.

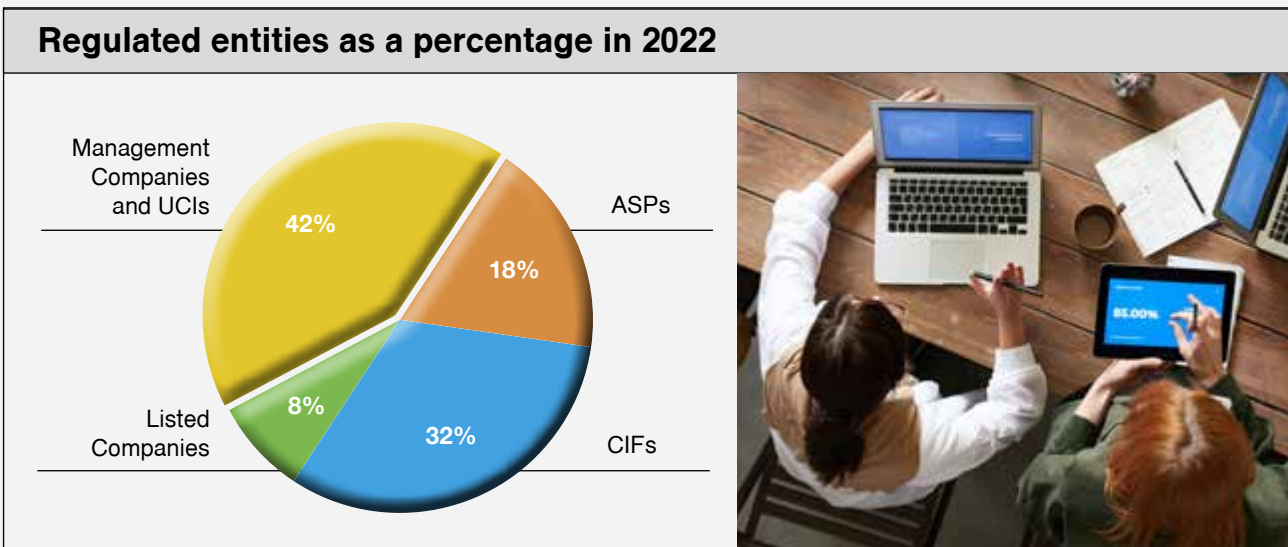
# THE REGULATED ENTITIES IN NUMBERS



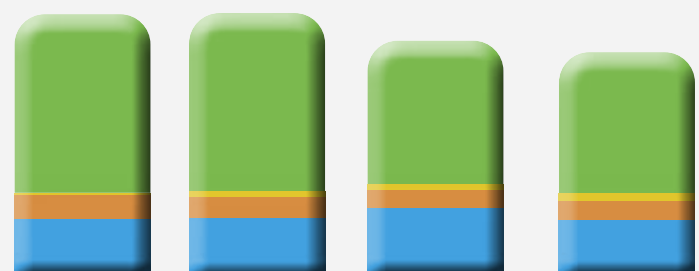
| Regulated entities          |            |            |            |            |            |
|-----------------------------|------------|------------|------------|------------|------------|
|                             | 31/12/2018 | 31/12/2019 | 31/12/2020 | 31/12/2021 | 31/12/2022 |
| ● CIFs                      | 248        | 240        | 242        | 243        | 248        |
| ● ASPs                      | 160        | 153        | 146        | 140        | 140        |
| ● Trading venues            | 2          | 2          | 2          | 2          | 2          |
| ● Management companies-UCIs | 174        | 210        | 266        | 296        | 319        |
| ● Listed companies          | 78         | 76         | 73         | 68         | 63         |
| ● CASPs                     | 0          | 0          | 0          | 0          | 3          |
| <b>Total</b>                | <b>662</b> | <b>681</b> | <b>729</b> | <b>749</b> | <b>775</b> |

Includes RAIFs

Does not include companies listed on the CSE's Emerging Companies Market



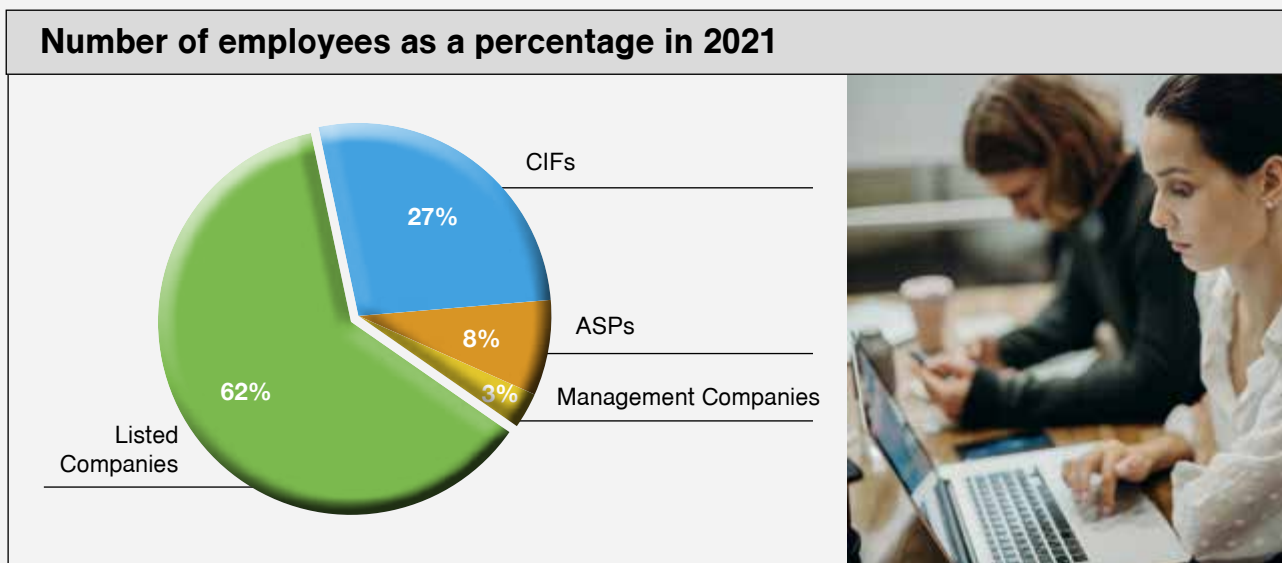
## Number of employees



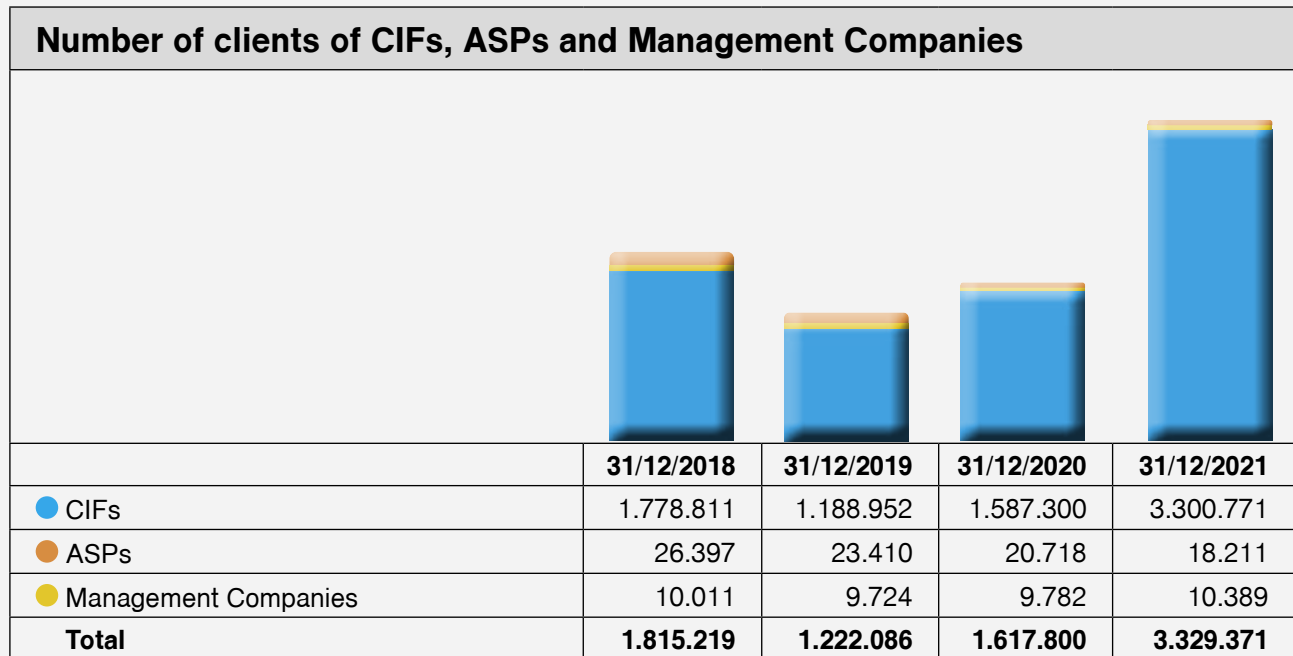
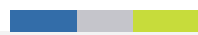
|  | 31/12/2018    | 31/12/2019    | 31/12/2020    | 31/12/2021    |
|--|---------------|---------------|---------------|---------------|
| <span style="color: blue;">●</span> CIFs                   | 4.692         | 4.914         | 5.408         | 4.686         |
| <span style="color: orange;">●</span> ASPs                 | 1.694         | 1.555         | 1.453         | 1.374         |
| <span style="color: yellow;">●</span> Management Companies | 379           | 397           | 428           | 603           |
| <span style="color: green;">●</span> Listed Companies      | 13.509        | 13.547        | 10.984        | 10.671        |
| <b>Total</b>   | <b>20.274</b> | <b>20.413</b> | <b>18.273</b> | <b>17.334</b> |

Includes only the employees of the companies listed on the CSE's Regulated Market

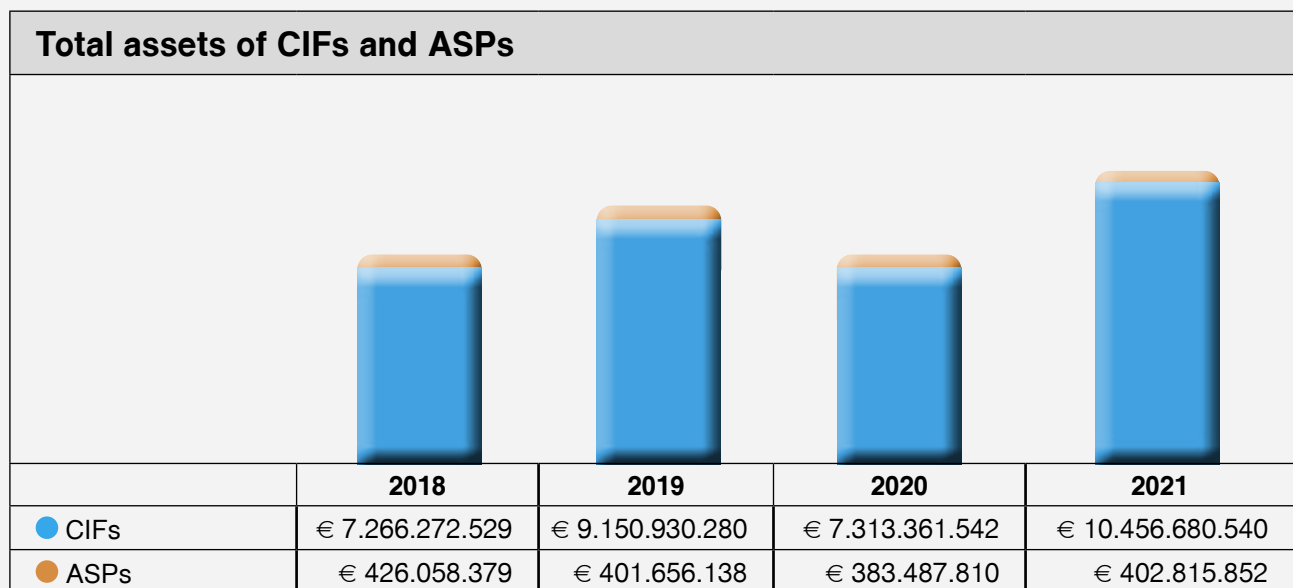
## Number of employees as a percentage in 2021



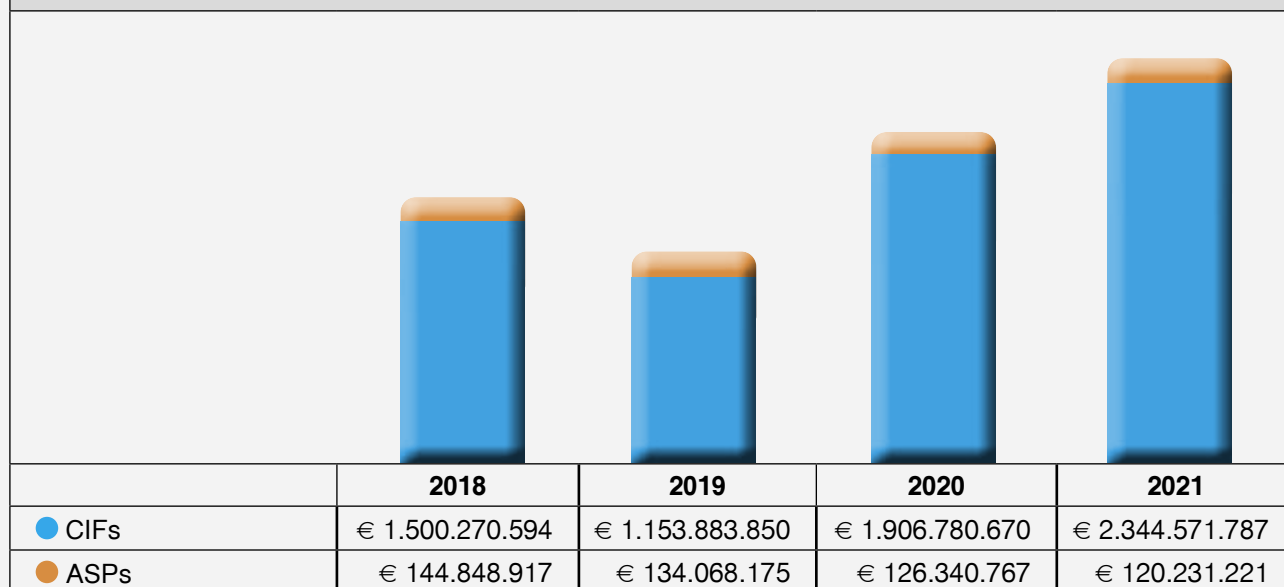
## THE REGULATED ENTITIES IN NUMBERS



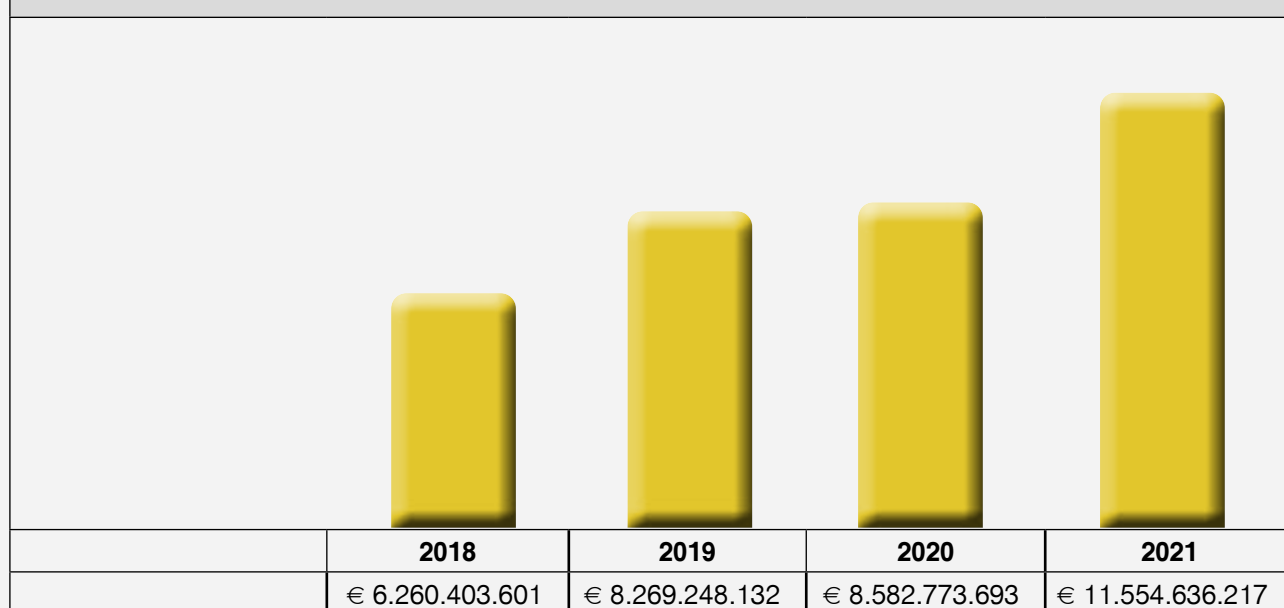
In previous years, some CIF clients were named as eligible counterparties. However, to better reflect the obligations of CIFs to each isolated private client of eligible counterparties, in 2021 the CIFs named these clients separately, as private clients. This is why there is a large increase in the number of clients of CIFs in 2021.



### Turnover of CIFs and ASPs



### Assets under management by Collective Investment Management Companies





## 1. THE COMMISSION

**T**he Cyprus Securities and Exchange Commission (CySEC) is an independent public supervisory Authority, responsible for supervising the investment services market, the stock exchange market and the collective investments and asset management sector. Furthermore, it supervises businesses that provide administrative services which do not fall within the remit of ICPAC and the Cyprus Bar Association, as well as Crypto Asset Services Providers.

### Vision

The vision of the Cyprus Securities and Exchange Commission is to establish Cyprus' securities market as one of the safest, most reliable and attractive destinations for investment.

### Mission

The mission of the Cyprus Securities and Exchange Commission is to exercise effective supervision that ensures investor protection and the healthy development of the securities market.



## Responsibilities

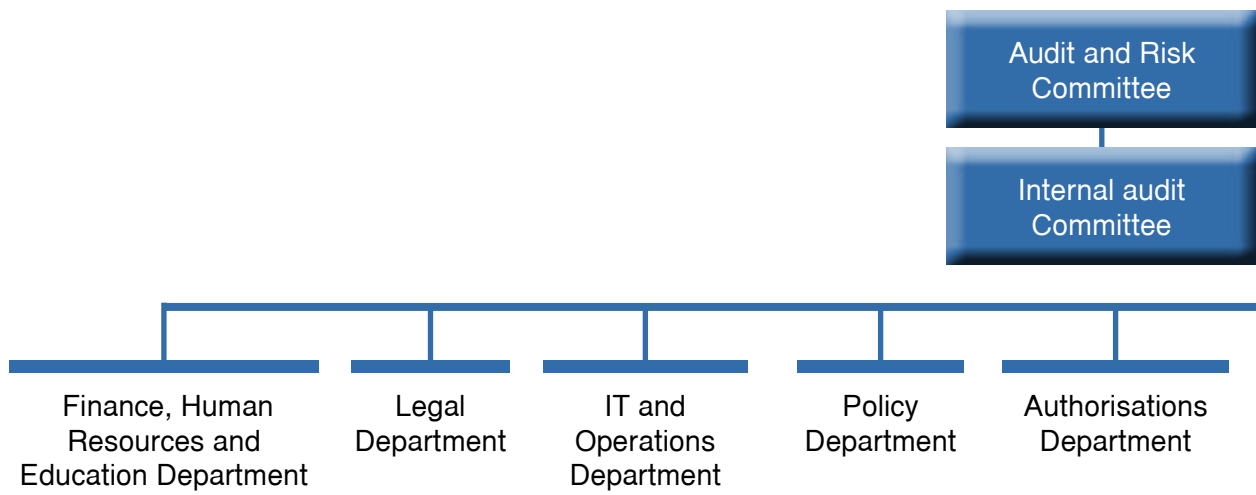
CySEC's main duties and responsibilities include, among others, the following:

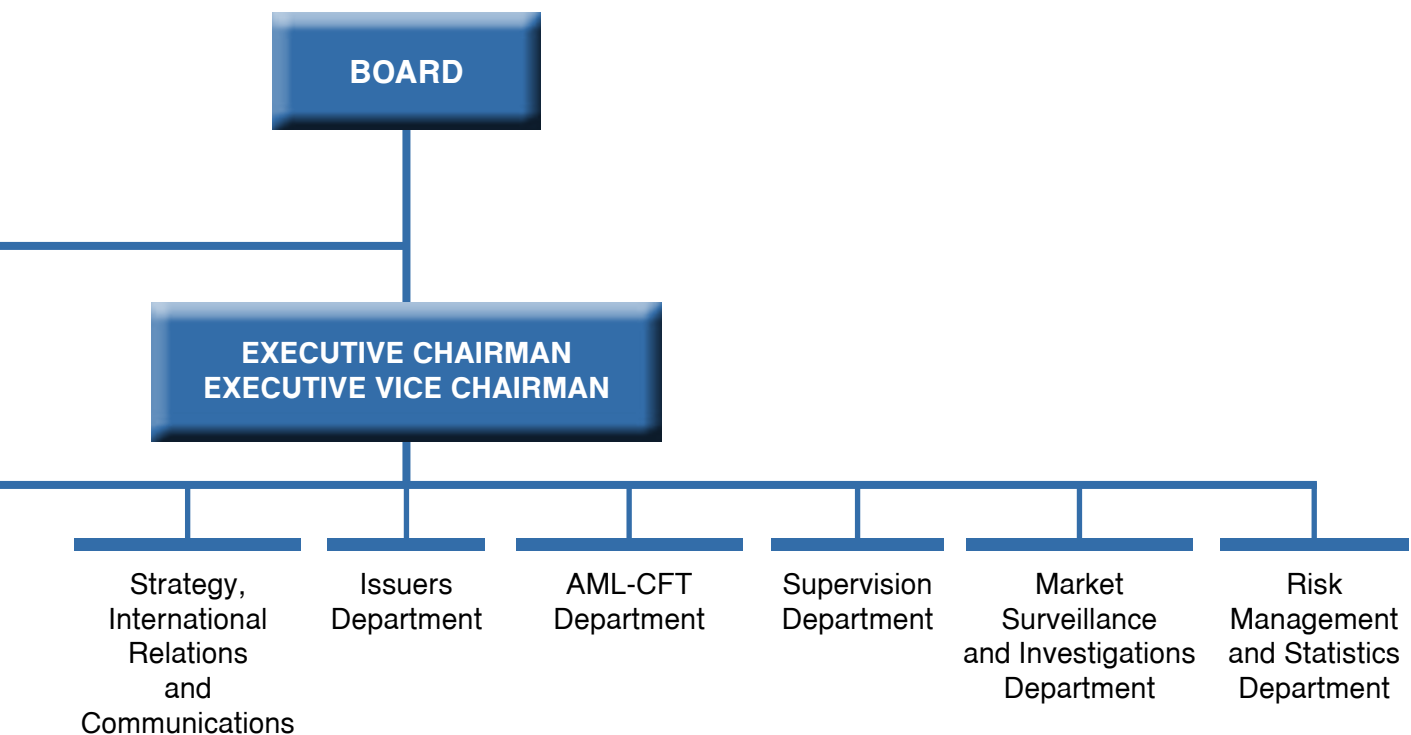
- To examine applications and grant, suspend or revoke operating licences to entities that are under its supervision.
- To supervise and monitor the operation of the Cyprus Stock Exchange and other organised markets in the Republic, and the transactions taking place therein.
- To supervise and carry out checks on the organisations under its supervision in order to ensure their compliance with the legislation governing their operation.
- To carry out investigations required for the exercise of its duties under the law, as well as on behalf of other foreign competent authorities.
- To request and collect information necessary or conducive to exercising its duties under the law, and request and demand with a written request the provision of information from any natural or legal person or organisation it considers to be in a position to provide the required information.
- To impose any legally mandated administrative and disciplinary sanctions.
- To demand the cessation of practices which are contrary to the law.
- To apply to a competent court for the issue of an order to block, or impose a charge or freeze, or to prevent the alienation of or transactions involving assets.
- To issue regulatory directives and decisions.
- To cooperate and exchange data and information with other public Authorities of the Republic, competent foreign supervisory Authorities and other organisations.



# THE COMMISSION

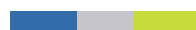
## Organisational chart





### Website

CySEC's website <https://www.cysec.gov.cy/en-GB/home/> features information concerning CySEC and its work. Also, within the framework of transparency to inform stakeholders and investors, all the decisions of the CySEC Board, as well as the laws, announcements, circulars, press releases and other documents prepared by CySEC's Departments are posted on the website.





## 2. THE CYSEC BOARD

CySEC is administered by a seven-member Board, consisting of the Chairman and Vice Chairman, who provide their services on an exclusive and full-time basis, as well as five non-executive members. All Board members are appointed by the Council of Ministers at the suggestion of the Minister of Finance. Board members serve a five-year term, which can be renewed for five more years.



**George Theocharides**  
Chairman



**George Karatzias**  
Vice Chairman



**Marios Papageorgiou**  
Member



**Theodoros Theodoulou**  
Member



**Evanthia Tsolaki**  
Member



**George Pitros**  
Member



**Spyros Ierotheou**  
Member

## Participation in meetings

In 2022, the CySEC board met 45 times.

| <b>PARTICIPATION</b> | <b>%</b> |
|----------------------|----------|
| George Theocharides  | 96       |
| George Karatzias     | 96       |
| Theodoros Theodoulou | 71       |
| Evanthia Tsolaki     | 96       |
| George Pitros        | 93       |
| Spyros Ierotheou     | 91       |
| Marios Papageorgiou  | 96       |

In 2022, the Chairman and Vice Chairman of CySEC participated in 15 meetings of the European Securities and Markets Authority (ESMA) and held another 285 separate meetings with other stakeholders and individuals in Cyprus on matters that fall within CySEC's remit.

### 2.1 Audit Committee

In 2022, the Audit Committee consisted of the non-executive CySEC Board members Marios Papageorgiou (Chairman from 27/10/2022), Theodoros Theodoulou (Chairman until 26/10/2022) and Spyros Ierotheou.

The aim of the Audit Committee is to provide support to the CySEC Board and guidance in the fulfilment of its supervisory duties, in particular with regard to the development and maintenance of an adequate and effective system of internal audit, the financial reporting process, the independence and objectivity of the Internal Audit Unit and the external auditors, the effective conduct of the work of the Internal Audit Unit and CySEC's compliance with the recommendations of the Auditor General of the Republic.

During 2022, the Audit Committee held a total of four meetings and its decisions were submitted for approval to the plenary of the CySEC Board.

Secretarial support to the Audit Committee is provided by CySEC's Internal Audit Unit.



## **2.1.1 Internal Audit Unit**

The Internal Audit Unit reports functionally and directly to the Audit Committee of the CySEC Board and administratively to CySEC's Chairman and/or Vice Chairman.

The Internal Audit Unit's main competencies include the provision of independent, objective assurances and advisory services in relation to CySEC's operations. The Unit's mission is to operate in support to achieving the Commission's objectives through the adoption of a systematic and disciplined approach, for the needs of which the Unit assesses and proposes ways to improve the effectiveness of risk management procedures, the internal control system and governance.

## **2.2 CySEC's compliance with the Code of Public Governance**

CySEC is an Independent Public Supervisory Authority, which is required to follow best governance and organisation practices, on the basis of the Code of Public Governance ("CPG"), to promote transparency, accountability, responsibility and equity, in order to ensure its effectiveness and viability.

CySEC follows practices and procedures aimed at establishing governance principles and the balancing of the needs of all stakeholders, including personnel, regulated entities, investors and other public European and international organisations (interested parties). Furthermore, by implementing these practices, CySEC aims to adopting transparency and timely information, while also safeguarding the independence of its Board in decision-making.

During 2022, CySEC documented its Policy and Governance Framework, adopting six principles of the CPG. CySEC's Policy and Governance Framework was approved by the Board on 9/1/2023 and shared with all CySEC personnel.

CySEC's current governance structure is presented in summary below, by CPG thematic unit.

### **2.2.1 Organisational Values & Engagement with Stakeholders**

CySEC's Organisational Values were prepared and agreed with all the Departments and approved by the Board. The values as set out are communicated to the staff and are incorporated in CySEC's approved internal policies and procedures. Under its mandate, the Board is responsible for supervising the operation of CySEC and ensuring that its values, as concern the way CySEC carries out its operations, have been adopted by the Heads of all the Departments.

In addition, the Strategic Plan, which includes CySEC's Vision, Mission and Values, is communicated to all new Board members. The Strategic Plan also includes CySEC's annual targets and projects, which are considered in the light of the legitimate and reasonable needs and expectations of stakeholders.

CySEC is in constant contact with stakeholders through various procedures/actions and takes into consideration their long-term needs, with a view to CySEC adopting an approach which adequately safeguards the protection of investors, the prudent growth of the market and the safeguarding of healthy competition.

### **2.2.2 Vision, Mission & Strategy**

CySEC formulates its Strategic Plan based on its Values and Mission. The Strategic Plan features the annual targets and projects of CySEC, taking into consideration the annual budget, as well as the annual work review and the future aspirations of CySEC and stakeholders.

The Strategic Plan is assessed and approved by the Board, which is responsible for monitoring its implementation by the Heads of Departments.

The Board reappraises, discusses and approves the Strategic Plan, wherever this is deemed necessary, in light of developments in the securities market and CySEC's current and future operating framework. The need for review also arises, among other, from the action plans of the various Departments and CySEC's available resources so as to ensure its long-term sustainability.

### **2.2.3 Capacity building at CySEC**

The Board ensures that appropriate management and personnel structures are in place. CySEC follows the public service recruitment process, based on the Law on the Evaluation of Candidates for Appointment to the Public Service (L.6(I)/1998) and applies the provisions of the regulations under the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) (the "Law") regarding recruitment. CySEC staffing is based on the Strategic Plan and the approved budget.

The Board has determined CySEC's organisational structure, which consists of the Heads of Departments, as well as the independent Internal Audit Unit, in a way that ensures the achievement of CySEC's objectives on the basis of the Strategic Plan.

CySEC implements staff recruitment, assessment and training procedures to ensure that its personnel have the skills required to implement the Strategic Plan. Any training needs are identified during the staff performance review for

## THE CYSEC BOARD



the previous year, are assessed by the Heads of Departments and arrangements are made for specialised in-service training, as well as seminars provided by third parties, in accordance with the Strategic Plan.

Furthermore, the Board is responsible for monitoring and ensuring the adequacy and effectiveness of technology and data management. More specifically, the Strategic Plan covers CySEC's needs and priorities in technology and data management, as these have been discussed and decided by the Heads of Departments, in cooperation with the IT Department, and approved by the Board.

### **2.2.4 Risk Supervision and Internal Audit**

The Board is responsible, in cooperation with the Audit Committee (AC) and the Special Risk Management Committee (SRMC) for the supervision and management of risk of CySEC.

The AC is responsible for developing and maintaining an adequate and effective internal audit system, the financial reporting process, the independence and objectivity of the Internal Audit Unit and of the external auditors, the effective conduct of the work of the Internal Audit Unit and CySEC's compliance with the recommendations of the Auditor General of the Republic. The AC notifies the Board about any issues that emerge from the audits and secures approval for the actions that need to be taken by CySEC in order to address them.

The SRMC was set up on 1 August, 2022 with a view to ensure the identification, evaluation and management of risks and to assist the Board in its work of risk supervision. The SRMC is made up of three members, the Chairman, Vice Chairman and a non-executive member of the Board.

CySEC has implemented the Risk Based Supervision Framework (RBS-F), which is used to measure and mitigate the risks arising from the regulated entities.

Moreover, it is in the process of creating an Enterprise Risk Management Framework (ERM-F), with the aim of strengthening the existing processes and tools used to assess, measure, monitor and report CySEC's risks. Within this framework, annual risk management reports for CySEC are prepared and sent to the Finance Ministry with CySEC's budget.

### **2.2.5 Monitoring, Reporting and Decision-making**

Based on CySEC's internal procedures, the Board receives, among other, the following reports and information, in order to assess CySEC's performance:

- Annual report of the projects per CySEC Department,



- Annual report of CySEC's work over the preceding year and its assessment based on the Strategic Plan,
- Budget report for the following year accompanied by:
  - Annual Risk Management Report
  - Completed questionnaire on Compliance Assessment with the CPG
- Occasional Reports by the AC on matters it is looking into,
- Annual Report, which includes governance and the annual statement of CySEC's compliance with the CPG, the Departments' role and responsibilities, CySEC's annual activities relating to the supervision and development of the sector, as well as corporate social responsibility activities and CySEC's responsibility on environmental protection,
- Annual audited financial statements by the Auditor General,
- The Audit Office Report on its findings following an audit, as well as relevant recommendations.
- Once approved by the Board, the Annual Report, along with the annual audited financial statements, are posted on CySEC's website.

### **2.2.6 The Board's effectiveness**

Under the Law:

- The members of the Board are appointed by the Council of Ministers at the suggestion of the Minister of Finance.
- The Chairman and the Vice Chairman of the Board must have proven experience and training in the financial and securities markets.
- The remaining members of the Board must have university training and experience in law or economics or the financial market or the securities market or accounting or business.
- Any individual who takes up duties as a Board member signs a declaration of loyalty and confidentiality during the exercise of their duties.

The law also includes provisions on addressing potential conflict of interest by Board members.

As part of the briefing of new Board members, the Chairman has individual meetings with them (on their appointment and prior to their participation in a plenary meeting of the Board) and gives them a detailed description of their duties and responsibilities under the Law.

### **2.2.7 Future plans**

Within the framework of the continued improvement of its governance practices and procedures, CySEC has a number of projects in its medium-term strategic plan.

Currently, CySEC is in the process of implementing the following projects:

## THE CYSEC BOARD



- Establishment of an Enterprise Risk Management Framework: This project provides for the creation of a Risk Register relating to the internal and external risks facing CySEC, as well as the creation of a relevant mechanism that will identify, assess and manage said risks.
- Drawing up CySEC's Strategy against Corruption: CySEC has assessed the current situation, the areas of high risk and the priorities have been identified and a plan has been drafted with proposed actions for the drawing up of the Strategy against Corruption, the implementation of which is expected to start in 2023.



The background of the slide is a dark blue, semi-transparent image of a financial candlestick chart. The chart features several vertical bars representing price movements, with some bars having wicks extending above and below. The chart is overlaid on a grid of horizontal and vertical lines, and the overall aesthetic is technical and data-driven.

## DEVELOPMENT OF THE SECTOR

## 3. DEVELOPMENT OF THE SECTOR



### 3.1 Authorisations Department

*“Protection of investors is the cornerstone to the existence and development of the securities market. Hence, our aim is to ensure that those applying to enter the securities market satisfy suitability criteria and are in a position to implement code of conduct rules so as to act in the best interest of investors.”*

**Irene Spyrou**  
**Head of Authorisations Department**

#### 3.1.1 Duties/competencies

The Authorisations Department is the first point of contact between regulated entities and CySEC, as it receives and assesses all applications for operating licences, submitted by all the types of entities that must operate under the supervision of CySEC.

The Department is also responsible for the examination of requests for subsequent applications for substantial changes that require CySEC’s approval. Within this framework, officers of the Authorisations Department monitor the compliance of regulated entities with their obligations in terms of substantive changes to their activities, their shareholding and organisational structure, as well as the exercise of cross-border activity. Furthermore, the Authorisations Department’s officers investigate cases of potential violations of the law as concerns substantive changes.

A special Unit operating within the Department processes requests for cross-border services under the Investment Services and Activities and Regulated Markets Law. Moreover, also operating within the department is an Investigations Unit which aims to further strengthen the supervisory role of CySEC in the area of prudential supervision. The Unit’s personnel also act as the liaison of the Authorisations Department with the International Relations Department as concerns the processing of requests submitted by other supervisory Authorities. This creates synergies which enhance the evaluation of the proposed shareholders and more generally the natural persons employed at regulated entities and subject to CySEC’s assessment. The evaluation of the applications and notifications is also strengthened with the operation of the Interview Panel through which personal interviews are carried out as part of the evaluation of the suitability of natural persons participating in all the regulated entities (Members of the Board, shareholders, key function holders and others).



The Department can be contacted via email at [authorisations@cysec.gov.cy](mailto:authorisations@cysec.gov.cy)

### 3.1.2 Objectives for 2023

In 2023, the Authorisations Department will continue to promote the use of best practices during the evaluation of submitted requests. It will also continue to enhance the legislative framework with the ultimate goal of ensuring the healthy development of Cyprus' financial sector.

In addition, the Authorisations Department, in cooperation with the IT Department is moving ahead with planning for:

- Automation of CySEC's request process, both in relation to applications for operating licences and substantive changes.
- Automation of the request process for the provision of cross-border services

Upon completion of the above projects, it is expected that several procedures related to the filing, assessment and archiving of the requests submitted to CySEC will be automated. The main objective is to avoid, as much as possible, the filing of documentation in print form, something that will contribute to the continued improvement of the work of the department, both in terms of quality and speed. Moreover, a data base will be created where the Authorisations Department's statistical data on all requests that it receives and processes will be held.

### 3.1.3 The Department's Operations

In 2022, the Authorisations Department prepared new application forms for the issue of licences for crowdfunding service providers in line with European Regulation (EU) 2020/1503. The publication of these forms is expected in early 2023. Moreover, the two Peer Reviews<sup>1</sup> which were carried out by the European Securities and Markets Authority and in which the Authorisations Department participated were completed in 2022.

As concerns the Brexit Peer Review, the aim of the assessment was to establish whether the supervisory authorities of the member states had followed the regulations of the European institutional framework during the evaluation of applications for operating licences which were submitted in the framework of the relocation of United Kingdom financial organisations to other EU member states so that they can continue to offer services in the EU. According to the peer review assessment for Cyprus, CySEC was found to be "fully compliant" in two areas (Governance: Meaningful Presence in the member state of establishment and Substance: Choice of member state of relocations) and as 'Partially meeting expectations' in the remaining areas.

As regards the Peer Review on Supervision of Cross-Border Activities, the aim of the assessment was to establish whether the supervisory authorities of the member states exercise effective supervision on entities that provide cross-border investment services so as to ensure that investors enjoy an appropriate level of protection. According to the peer review assessment for Cyprus, CySEC was found to be "fully compliant" in the areas "Processing of passport notifications" and as partially meeting expectations in "Authorisation activities".

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<sup>1</sup> 'Brexit Peer Review' and 'Peer Review on Supervision of Cross-Border Activities'

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During 2022, the Authorisations Department participated in the Working Group set up jointly by the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA) as concerns the adoption of procedures and the establishment of a European electronic register for the exchange of information as to whether people under evaluation by national supervisory Authorities are fit and proper. With the completion of consultations on institutionalising the exchange of information, and in coordination with the IT and Strategy, International Relations and Communication Departments, the Authorisations Department is responsible for the establishment of a local electronic system which will be incorporated in the European register and will concern all natural persons under CySEC's supervision.

### 3.1.3.1 Review of applications for operating licences

| Category                 | Applications   |      | Companies granted a licence |      | Conditional Licence/ pre-approval |      | Number of rejections |      | Applications withdrawn |      |
|--------------------------|----------------|------|-----------------------------|------|-----------------------------------|------|----------------------|------|------------------------|------|
|                          | 2021           | 2022 | 2021                        | 2022 | 2021                              | 2022 | 2021                 | 2022 | 2021                   | 2022 |
| CIF                      | 41             | 26   | 12                          | 17   | 12                                | 15   | 3                    | 6    | 3                      | 7    |
| CASP                     | 8              | 23   | 0                           | 7*   | 0                                 | 0    | 0                    | 0    | 0                      | 1    |
| ASP                      | 1              | 7    | 3                           | 3    | 0                                 | 1    | 0                    | 0    | 0                      | 0    |
| UCITS MC                 | 0              | 0    | 1                           | 0    | 0                                 | 0    | 0                    | 0    | 0                      | 0    |
| UCITS                    | 3              | 0    | 0                           | 2    | 0                                 | 0    | 0                    | 0    | 0                      | 1    |
| AIFM                     | 13             | 3    | 7                           | 10   | 1                                 | 0    | 0                    | 0    | 2                      | 3    |
| Small AIFM               | 1              | 0    | 1                           | 1    | 1                                 | 0    | 0                    | 0    | 0                      | 0    |
| RAIF                     | 43             | 29   | 36*                         | 37   | 0                                 | 0    | 0                    | 0    | 0                      | 2    |
| AIF (ext. managed)       | 7 <sup>2</sup> | 0    | 7                           | 5    | 6                                 | 3    | 0                    | 0    | 3                      | 0    |
| AIFLNP (ext. managed)    | 2              | 0    | 1                           | 2    | 1                                 | 2    | 0                    | 0    | 1                      | 0    |
| Special Purpose Entities | 1              | 0    | 0                           | 0    | 0                                 | 0    | 0                    | 0    | 1                      | 0    |
| AIF (int. managed)       | 1              | 0    | 0                           | 0    | 0                                 | 0    | 0                    | 0    | 1                      | 1    |
| AIFLNP (int. managed)    | 1              | 1    | 2                           | 2    | 4                                 | 0    | 0                    | 0    | 1                      | 0    |

INT. MANAGED: Internally Managed

EXT. MANAGED: Externally Managed

<sup>2</sup> Of which 3 requests relate to conversions from AIFLNP to AIF

### 3.1.3.2 Review of notifications for substantive changes by CIF

|   | 2020 | 2021 | 2022 |
|---|------|------|------|
| Number of notifications to participate in a CIF that were reviewed by the CySEC Board                                   | 47   | 35   | 38   |
| Number of notifications to change a CIF's organisational structure that were assessed                                   | 160  | 171  | 161  |
| Number of applications by a CIF to extend their operating licence, including applications to engage in other activities | 19   | 21   | 25   |

The above data show that the highest number of applications were for a CIF operating licence as well as applications to register as Crypto Asset Service Providers on CySEC's CASP register.

As regards the Collective Investments sector, there appears to be a decline in interest to be active as Alternative Investment Fund Managers, while interest in UCITS Management Companies is non-existent. Moreover, a preference in the establishment of listed Alternative Investment Funds is noted.

The number of applications for an Administrative Service Providers operating licence has recorded a small increase compared to 2021.

### 3.1.3.3 Personal interviews

During 2022, a total of **227** personal interviews were conducted with proposed Shareholders, Directors and other key function holders in regulated entities.

| Personal interviews per regulated entity  | 2020       | 2021       | 2022       |
|---|------------|------------|------------|
| CIF/CASP                                  | 179        | 147        | 175        |
| ASP                                       | 21         | 8          | 3          |
| AIF/AIFLNP/AIFM/UCITS/UCITS MC/SMALL AIFM | 60         | 70         | 49         |
| <b>TOTAL</b>                              | <b>260</b> | <b>225</b> | <b>227</b> |

### 3.1.3.4 Review of requests by CIFs for voluntary withdrawal of operating licence

|                             | 2021 | 2022 |
|-----------------------------|------|------|
| Number of requests to CySEC | 6    | 16   |
| Number of requests reviewed | 9    | 4    |



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### 3.1.3.5 Review of requests for substantive changes to Undertakings of Collective Investment

| Notifications  | Number |      |
|--|--------|------|
|  | 2021   | 2022 |
| Change of Shareholders in internally managed UCIs <sup>3</sup>                 | 8      | 6    |
| Changes to the organisational structure UCIs                                   | 6      | 10   |
| Conversion from internally managed AIF/AIFLNP to externally managed AIF/AIFLNP | -      | 2    |
| Conversion of AIFLNP to AIF  | 6      | 3    |
| Conversion of RAIF to AIF  | -      | 1    |
| Compliance of AIFs/AIFLNPs with the provisions of the Law                      | 18     | 4    |
| Change of UCI manager  | 2      | 6    |
| Change of UCI Custodian  | 8      | 11   |

### 3.1.3.6 Review of requests to revoke the operating licence/ voluntary liquidation<sup>4</sup> of Undertakings for Collective Investment

|  | 2021 | 2022 |
|--|------|------|
| To revoke the operating licence/ voluntary liquidation of internally managed AIFLNPs | 0    | 6    |
| To revoke the operating licence/ voluntary liquidation of externally managed AIFLNPs | 2    | 4    |
| To revoke the operating licence/ voluntary liquidation of internally managed AIFs    | 0    | 1    |
| To revoke the operating licence/ voluntary liquidation of externally managed AIFs    | 1    | 6    |

### 3.1.3.7 Investigations Unit

In 2022, the work of the Investigations Unit included among other the following:

- A number of ad hoc in-depth investigations in connection to regulated legal entities and/or natural persons, either after receiving specific information (whistleblowing or any other way) or where this was deemed necessary after consultation within the department.
- Handling of all the communication with other national supervisory Authorities (Cyprus Central Bank, Cyprus Bar Association and others) and /or supervisory Authorities abroad on issues which concern the fit and proper assessments of persons who intend to participate in regulated entities.
- Active contribution to the special Working Group on the implementation of Euro-

<sup>3</sup> UCIs means Undertakings of Collective Investment and includes AIFs, AIFLNPs and RAIFs

<sup>4</sup> As regards voluntary liquidation, in 2022 we had a total of 44 investment compartments (10 AIF, 9 AIFLNP and 25 RAIF)

pean financial sanctions against Russia, evaluating whether any of the total of regulated persons are included in the said sanctions.

- Handling of all the inter-departmental communication which concerns requests from other supervisory Authorities and Police Headquarters for assistance as concerns regulated entities.

The aim of the Investigations Unit is, once it is fully staffed, to also carry out due diligence checks on electronic databases at regular intervals for all regulated entities under CySEC's supervision.

### 3.1.3.8 Cross-border Activity

#### 3.1.3.8.1 CIFs and IFs Notification

In 2022, the following notifications for CIFs and IFs were processed

#### A. CIFs that have used European outward passporting

##### i) Free provision of cross-border services

| Notifications   | 2021 | 2022 |
|---|------|------|
| CIFs that sent a notification for free provision of services to member states for the first time  | 26   | 16   |
| CIFs that sent a notification for increase/reduction of investment services, increase/reduction of financial instruments in member states (additional services) | 21   | 14   |
| CIFs that sent a notification for changes to their contact details (name of CIF, address, telephone, fax, contact person)                                       | 69   | 76   |
| CIFs that sent a notification for changes to their domains (addition of new one/removal of current one)   | 54   | 65   |
| CIFs that sent a notification for changes to trading names  | 10   | 19   |
| CIFs that sent a notification for the use of a tied agent registered in the Republic, to provide cross-border services to a member state                        | 0    | 0    |
| For the suspension of CIFs, Notification of CIF suspension sent to a member state where the CIFs offer cross-border activities                                  | 4    | 4    |
| Notification on the termination of the licence of CIFs that provide cross-border activities in member states  | 11   | 11   |
| Notification on the termination of the provision of services to a specific member state   | 3    | 3    |
| CIFs that sent a request for free provision of services to third countries*   | 52   | 42   |

#### **Note:**

\* *CIF requests for the free provision of services in third countries are not relayed, as the Law does not cover the provision of services to third countries; however, they can be pro-*

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cessed (under Circular 256) provided the CIF presents a relevant licence from the third country's supervisory Authority or a legal opinion, and the company is informed accordingly. It is noted that circular C256 has been replaced by circular C534 dated 29/11/2022 under which CIFs must present the licence from the Supervisory Authority of the Third Country in question.

### ii) Opening a CIF branch in member states

In 2022, 3 notifications were sent for the opening of a branch in a member state (2021—15). Furthermore, during the year, 3 branches ended their operation, of which 1 was registered and the remaining 2 were in the process of being authorised by the competent member state (2021 –13)

### iii) Appointment of tied agents in member states

During 2022, 4 notifications were sent for the appointment of a tied agent (2021 – 5). Additionally, 2 tied agents registered by the competent member state (2021—5), were terminated.

### iv) Appointment of tied agents registered in the Republic

During 2022, one CIF tied agent was registered with the CySEC register in the Republic (2021 – 2). Furthermore, five tied agents were terminated during the year (2021 – 5)

### v) Representative office

In 2021, six requests were sent to establish CIF representative offices in member states (2021 –2).






## B. IFs that have used European inward passporting

### i) Free provision of cross-border services

|  | 2021 | 2022 |
|--|------|------|
| IFs that sent a notification for the free provision of services in the Republic for the first time   | 42   | 39   |
| IFs that sent a notification for an increase/reduction of investment services, increase/reduction of financial instruments, contact detail changes as well as for the termination of the relevant notification | 54   | 47   |
| IFs that sent a notification for the use of a tied agent registered with a member state's register, for the provision of services by the agent in the Republic   | 3    | 1    |

### **Note:**

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

| COUNTRY   | Number of Notifications |      |
|---|-------------------------|------|
|   | 2021                    | 2022 |
|  Germany     | 22                      | 17   |
|  Ireland     | 11                      | 12   |
|  France      | 9                       | 10   |
|  Malta       | 11                      | 9    |
|  Netherlands | 10                      | 9    |

ii) Establishment of IF branch in the Republic

During 2022, one application/notification was received by an IF from a member state to establish a branch in the Republic. Furthermore, there was one termination of a branch of an IF of a member state.

iii) Appointment of tied agents in the Republic

During 2022, no notifications were received from CIFs for the appointment of a Tied Agent in the Republic (2021 – 2) nor for the termination of a Tied Agent (2021 – 5).

**3.1.3.8.2 Notifications by AIFMs and UCITS MC**

In 2022, the following notifications were processed for AIFMs and UCITS MCs:

**Alternative Investment Fund Managers (AIFMs)**


(a) AIFMs of the Republic that used Outward Passporting.

Free provision of cross-border services

|  | 2021 | 2022 |
|--|------|------|
| AIFMs of the Republic that sent a notification for the free provision of services in member states, including the distribution of AIF shares | 13   | 13   |

**Note:**

\* The highest volume of notifications by AIFMs of the Republic for the free provision of services in the European Union came from the following member state:

| A/A | COUNTRY  | Number of notifications |      |
|-----|--|-------------------------|------|
|     |  | 2021                    | 2022 |
| 1   |  Luxembourg | 6                       | 6    |

(b) AIFMs of member states that used Inward Passporting

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### Free provision of cross-border services

| Notifications*   | 2021 | 2022 |
|--|------|------|
| AIFMs of member states that sent a notification for the free provision of services in the Republic, including the distribution of AIF shares | 142  | 204  |

#### **Note:**

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

| A/A | COUNTRY  | Number of notifications |      |
|-----|--|-------------------------|------|
|     |  | 2021                    | 2022 |
| 1   |  Luxembourg       | 86                      | 134  |
| 2   |  Ireland        | 30                      | 49   |
| 3   |  France         | 11                      | 6    |
| 4   |  Sweden         | 0                       | 2    |
| 5   |  Czech Republic | 0                       | 0    |
| 6   |  Malta          | 1                       | 0    |
| 7   |  Netherlands    | 0                       | 7    |
| 8   |  Slovenia       | 0                       | 0    |
| 9   |  Lithuania      | 1                       | 0    |
| 10  |  Germany        | 4                       | 0    |
| 11  |  Liechtenstein  | 7                       | 5    |
| 12  |  Greece         | 2                       | 0    |
| 13  |  Finland        | 0                       | 1    |

## UCITS MANAGEMENT COMPANIES



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

### Free provision of cross-border services









| Notifications*   | 2021 | 2022 |
|--|------|------|
| UCITS MC of the Republic that sent a notification for the free provision of services in member states, either with the establishment of a branch or under the free provision of services regime, including the distribution of UCITS shares. | 3    | 3    |

### Note:

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

| A/A | COUNTRY  | Number of notifications |      |
|-----|--|-------------------------|------|
|     |  | 2021                    | 2022 |
| 1   |  Greece     | 2                       | 2    |
| 2   |  Luxembourg | 1                       | 1    |

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

| A/A | Member states of origin of UCITS MC   | 2021      | 2022      |
|-----|---|-----------|-----------|
| 1   |  France        | 6         | 7         |
| 2   |  Luxembourg    | 9         | 9         |
| 3   |  Liechtenstein | 1         | 1         |
| 4   |  Greece        | 6         | 6         |
| 5   |  Italy         | 1         | 1         |
| 6   |  Ireland       | 4         | 4         |
| 7   |  Germany       | 1         | 1         |
|     |  <b>Total</b>  | <b>28</b> | <b>29</b> |

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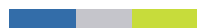
### Notifications by foreign UCITS to distribute their shares in the Republic

#### Foreign Harmonised UCITS

| <b>Number of foreign harmonised UCITS</b> | <b>2021</b> | <b>2022</b> |
|---|-------------|-------------|
| Single Scheme UCITS                       | 5           | 5           |
| Umbrella Scheme UCITS                     | 34          | 35          |
| <b>Total</b>                              | <b>39</b>   | <b>40</b>   |

The foreign UCITS in 2022 mainly originated from Luxembourg and Ireland.

The total number of sub-funds to umbrella schemes increased to 488 in 2022 from 453 in 2021. The number of CySEC registered Agents rose to 26 in 2022, compared with 23 in 2021.



## 3.2 Policy Department

*“In 2022, the Policy Department focused mainly on the work arising at the European level in view of a series of initiatives relating to the adoption of policy both at the level of the Council of the European Union, the European Commission and European Parliament and at the level of the European Securities and Markets Authority. The guiding principles of our work is to safeguard the adequacy and proportionality of rules, the bolstering of protection of investors and the safeguarding of the healthy growth of the financial sector.”*

**Marios Nearchou**  
**Head of Policy Department**

### 3.2.1 Duties/competencies

The Policy Department is responsible for formulating CySEC’s broader policy, with the aim of enhancing investor protection and ensuring the healthy growth of the sector under its responsibility. The Department analyses market practices and the adequacy of existing regulations and, where necessary, submits proposals for the issuance of guidelines for the compliance of regulated entities with the supervisory framework, or proposals to amend existing national regulations and/or create new ones. The Department also has an active role in the policy-making process at European level, either through its direct participation in relevant working groups, or through internal consultations with the CySEC representatives that participate in each of the European Securities and Markets Authority (ESMA) working groups. More specifically, it has an active role in processing and issuing technical standards, guidelines, questionnaires and other supervisory convergence tools. Furthermore, through the Department, CySEC participates in the working groups of the Council of the European Union where European regulations are adopted, when deemed appropriate by the government departments of the Republic of Cyprus.

The Policy Department is also responsible for supervising and coordinating the operations of the Innovation Hub.



The Department can be contacted via email at: [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy)

### 3.2.2 Objectives for 2023

In 2023, the Department aims, among other, to promote the following:

- Issue the relevant Policy Statement on finalising the rules for the process of identifying customers remotely through innovative methods.
- Issue a Policy Statement on the implementation of Regulation (EU) 2020/1503 on European crowdfunding service providers.
- Design and create a Regulatory Sandbox.
- Participate in actions carried out on a European and national level relating to financial regulations as well as with innovation and financial technology.



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- Represent the Republic in European Council working groups.
- Manage inquiries submitted by market participants.
- Participate in various studies carried out by ESMA and other European fora, regarding, inter alia, ways of improving the regulatory framework for investment services, technology and innovation.

### 3.2.3 The Department's operations

#### 3.2.3.1 Operations at national level

##### **Regulatory Sandbox**

Within the framework of the expansion of its work in the financial innovation sector and in order to encourage “*responsible*” innovation, in 2022 CySEC issued an invitation for the exchange of views on the establishment of a Regulatory Sandbox which will aim to facilitate innovation and the trial of new products. The exchange of views concerned the range of activities that the Regulatory Sandbox would cover and the procedures that would be followed for the trial of new products.

Bilateral contacts were held, on the basis of which CySEC's final approach was formulated and an open public competition was launched to hire a specialist consultant on the design and operation of the Regulatory Sandbox on the basis of specific terms of reference.

The creation of a Regulatory Sandbox can contribute positively to CySEC's exercise of its duties in the light of the increased use of technologically innovative products/services and the corresponding increase in CySEC's supervisory challenges and duties within the framework of digital finance

##### **Crowdfunding**

The provision of both investment and loan-based crowdfunding services is now regulated at European level by Regulation (EU) 2020/1503 on European crowdfunding service providers, that entered into force on 10 November 2021.

The entry into force of this Regulation, following the expiry of the relevant transitional period provided therein, will result in the repeal of CySEC Directive DI87-10, which specified the provisions of the Investment Services and Activities and Regulated Markets Law in the case of investment-based crowdfunding.

However, the full entry into force of the Regulation requires the adoption of policy decisions at the level of the member state, at the level of the Supervisory Authority as well as relevant legislation.

In view of the fact that the said (pending) legislation will primarily concern issues relating to the continued supervision of crowdfunding service providers (CSPs), under the relevant Regulation, and in order to ensure applications can be submitted to CySEC for a CSP licence, work was carried out to create an interim tool aiming at:

- i. The exercise of the discretionary powers granted to the relevant Supervisory Authority,
- ii. The start of accepting applications for operating licences from potential CSPs,
- iii. The communication of specific information to CySEC and the adoption of the relevant evaluation procedures for said information,
- iv. The setting of the fees and annual contributions as well as
- v. The provision of clarifications on the above

The work is expected to be completed in 2023 with the publication of the relevant Policy Declaration.

### **Investment Fund Administration Services**

In 2022, the comments were incorporated into the text that is to be submitted as the Finance Ministry's proposed Law on Investment Fund Administrators. The text was put to public consultation in June 2021. The comments were assessed and relevant modifications were made. The final proposed text was sent to the Ministry of Finance.

### **Assistance in evaluation procedures**

The Department was actively involved in the evaluation procedures of CySEC by European and international institutions.

### **3.2.3.2 Department's operations at European and International level**

In 2022, the Department focused primarily on operations at European level, including the following:

#### **Main operations at ESMA level**

##### **Social Trading Services**

The term Social Trading, in general terms covers the operation of investment services companies on the basis of a business model which allows investors to determine their investment activity according to the investment activity of other persons. In 2022, the operations covered by this term were analysed and suggestions submitted to ESMA for clarifications as regards the compliance of regulated entities offering such services with the law.

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### **Fractionalisation of Shares**

The case was examined where financial instruments issued in an entire form by their issuer are distributed by supervised entities into fractions of these instruments, allowing investors to invest in smaller sums than what would have been required for an entire financial instrument. A study was carried out and the various business models were analysed by CySEC and submitted to ESMA with a view to achieving a joint approach at European level.

### **Matched transactions on own account**

A matched own-account transaction is defined as a transaction on own account where the facilitator mediates between the buyer and the seller in a way which never exposes him to market risk throughout the execution of the transaction, with both sides executing simultaneously, and where the transaction is completed at a price at which the facilitator realises no gain or loss other than a previously disclosed commission, fee or charge for the transaction. In 2022, there were discussions at ESMA level as to which investment services should be included in the authorisation of investment services firms carrying out matched transactions on own account. In this context, a study and analysis were carried out and submitted to ESMA as CySEC's position on this issue.

### **Crowdfunding**

For the full implementation of Regulation (EU 2020/1503) on European crowdfunding service providers, in 2022 ESMA prepared the relevant executive and regulatory technical standards, and questions and answers. The draft plans were studied, and CySEC's proposals and positions were submitted to ESMA.

### **Guidelines on product governance**

During 2022, ESMA published a consultation paper on guidelines regarding the product governance requirements of the MiFID II directive, and more specifically the manufacture and distribution of investment products. The drafts were studied and CySEC's proposals and positions were submitted to ESMA.

### **Technical standards for cooperations between EU Supervisory Authorities**

In 2022, ESMA worked on amendments to the technical standards governing the cooperation between EU Supervisory Authorities. The drafts were studied and CySEC's proposals and positions were submitted to ESMA.

## Main operations at the level of the European Council

### **Amendments to EU Directive 2011/61/EU on Alternative Investment Fund Managers (AIFM) Directive and EU Regulation 2015/760 on European long-term investment funds (ELTIF Regulation)**

CySEC representatives from the Policy Department participate in the relevant consultations as national experts regarding forthcoming amendments to the AIFM Directive and the ELTIF Regulation (the legislative procedure was completed with the adoption of this Regulation by the Council on 07.03.2023). In addition, representatives of the Department were designated as experts so as to follow the meetings of the relevant working groups in cooperation with the financial commissioner in Brussels with the aim of preparing interventions within the framework of the operations of these working groups as well as the submission of written comments with CySEC's positions on the issues under discussion. During, 2022, extensive work was carried out at the level of the Council of the European Union as regards the legislative proposal to amend the AIFM directive on the following:

1. Obligation to provide for mechanisms that restrict the right to buy out investors.
2. Regulations for funds that invest through loans, such as prior authorisation of such a fund when it is open-ended.
3. Possibility to appoint a depositary in a different member state.
4. Obligation of supervisory authorities to cooperate.
5. Expansion of the ancillary services that can be offered by an AIFM.

**During 2022, two position analysis papers were prepared, one in relation to the possibility of appointing a depositary in a different member state and the second on the optimisation of the cooperation between supervisory authorities. These were submitted by the Republic to the working groups of the Council of the European Union.**

### **European Single Access Point – ESAP**

The creation of a European Single Access Point (ESAP) by 2024 is part of the Capital Markets Union (CMU) Action Plan adopted by the European Commission in September 2020. This portal will contribute effectively to achieving the objectives of the Capital Markets Union by providing centralised and broad access to publicly available information on financial services and sustainable finance in an efficient and non-discriminatory manner. Direct access to this information will help to further integrate financial services and capital markets into the single market, to allocate capital more efficiently across the European Union, and to promote the development of smaller national capital markets and economies by providing greater visibility. To make the ESAP operational, certain Regulations and Directives at EU level will need to be amended.

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Technocrats from CySEC's Policy Department were designated as experts on behalf of the Ministry of Finance and represent the Republic in the relevant consultations taking place at the Council of the European Union.

### **European Regulation on Markets in Crypto-assets Act (MiCA) and European Regulation on DLT Pilot Regime**

The working groups for the drafting of European MiCA and DLP Pilot Regime Regulations respectively launched their meetings in 2021. Both regulations concern Fintech where the (under preparation MiCA covers the offer, trading and provision of services for crypto-assets while the DLT Pilot Regime (which comes into force on 23.03.2023) will introduce exemptions to the implementation of MiFID/MiFIR rules so as to facilitate trading on a secondary market for financial instruments using distributed ledger technology (DLT). Within this framework, a representative of the department was named as an expert whose duties are to follow the meetings of the relevant working groups and keep minutes, to intervene in the work of these working groups on the basis of internal instructions, and to submit written comments with CySEC's positions on the issues under discussion. The Regulation on the DLT Pilot Regime was completed and published in May 2022. It will come into force as from 23 March, 2023.

### **Anti-Money Laundering Authority (AMLA)**

In December 2019, the European Council set strategic priorities to further strengthen the EU framework to counter money laundering and the financing of terrorism. On 5 November 2020, the European Council adopted conclusions on combating money laundering and the financing of terrorism. One of these conclusions was the establishment of an EU-level Authority with direct supervisory powers. Essentially, the creation and establishment of this Supervisory Authority is part of the legislative framework of the 6th Anti-Money Laundering and Countering of the Financing of Terrorism Directive. It aims to ensure the effective and adequate supervision of obliged entities with a high inherent money laundering/terrorist financing risk, to strengthen common supervisory approaches for non-selected obliged entities, as well as facilitate joint analysis and cooperation between financial intelligence units. Technocrats from CySEC's Policy Department were designated as experts on behalf of the Ministry of Finance and represent the Republic in the relevant consultations at the Council of the European Union.

### **Representation in European and International committees**

Representing CySEC, the Department participated actively in the following committees of the European Securities and Markets Authority (ESMA) and the International Organisation of Securities Commissions (IOSCO):

- Financial Innovation Standing Committee, FISC – ESMA
- Advisory Committee on Proportionality, ACP – ESMA
- European Forum of Innovation Facilitators, ESMA/EBA/EIOPA Crypto-Asset Task Force (an informal working group that prepares the FISC meetings), ESMA
- Financial Innovation Network, IOSCO

### 3.2.3.3 Innovation Hub

CySEC's Innovation Hub has been operational since 2018 and serves as a channel of communication between CySEC and innovative businesses, mainly facilitating the exchange of information and views on emerging financial and regulatory technologies (FinTech and RegTech respectively), as well as providing guidance to interested parties regarding its supervisory assessment of the innovative technology in question.

The Policy Department oversees the Innovation Hub, aiming to support innovative businesses, both regulated and non-regulated, and establish contact with providers of new financial technologies, for the purpose of upgrading the provision of financial technologies (Fintech) or ensuring compliance with the existing regulatory framework (Regtech).



**The Innovation Hub can be contacted via email at: [innovationhub@cysec.gov.cy](mailto:innovationhub@cysec.gov.cy)**

**Applications can also be sent to the same email address.**

### 3.2.3.4 Other operations

#### Handling queries submitted to the Department

The daily work of the Policy Department includes handling queries submitted to [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy) by interested parties. In 2021 the Policy Department answered 38 questions. The topics which attracted the most questions are summarised in the table below.

| Topic  | Questions |
|--|-----------|
| Crypto Assets and registration of companies in the Crypto Assets Services Providers Register | 21        |
| Crowdfunding   | 7         |
| Various other topics (Brexit, CFD)   | 10        |

#### Meetings

The Department held a number of meetings on policy issues at National and European level.

#### Assistance to other Departments

The Policy Department contributed, where necessary, to the work of other CySEC Departments, including the preparation of material for publication.



### 3.3. Legal Department

*“The legal framework under the supervision of CySEC is the cornerstone for the smooth operation of regulated entities and more generally of the market, which is continuously developing. Adherence to the law is particularly important to protect and retain the trust of the investment public in the financial sector, especially at a time dominated by technological development. Aware of its importance, the Legal Department aims to monitor developments, especially at European level, and to contribute actively to reforming the legal framework where necessary so that it meets the needs of the market, ensures its development and addresses new challenges.”*

**Elena Michaelidou**  
**Head of Legal Department**

#### 3.3.1 Duties/Responsibilities

The Legal Department is mainly responsible for monitoring the legislation concerning the securities market, the drafting of laws and directives, the preparation and submission of proposals to amend the relevant laws, with the aim of their improvement, better implementation and modernisation. It also has an active role and ensures the harmonisation of European legislation into national law on matters falling within CySEC’s remit. The Legal Department also represents CySEC at meetings of standing committees of the House of Representatives on legislative issues.

Also, it monitors, coordinates and cooperates with CySEC’s external legal advisors, monitors and coordinates CySEC’s pending Court cases, takes care for the issue of announcements on Court decisions and provides secretarial support to the CySEC Board in relation to the conduct of its meetings (preparing the agenda, taking minutes, preparing announcements on decisions, etc.).

The Legal Department also provides legal support to CySEC (internal opinions and review of documents) and prepares answers to legal questions submitted to CySEC.



**The Department can be contacted via email at: [legal@cysec.gov.cy](mailto:legal@cysec.gov.cy)**

#### 3.3.2 Objectives for 2023

In 2023, the Legal Department plans to make improvements to the institutional framework, such as replacing Directive DI131-2014-03 on the classification of the AIFs of the Republic, the completion of the framework for the appointment of a temporary administrator at CIFs, the drafting and promotion of a Directive for the identification of significant transactions of companies with related parties as well as the drafting and promotion of a Directive on crowdfunding service providers. Moreover, where necessary on issues that fall under CySEC’s remit, it will contribute to the preparation and promotion of laws for the timely harmonisation with EU legislation.

### 3.3.3. The Department's Operations

#### 3.3.3.1 Upgrading the institutional framework

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

During 2022, an amendment to the Investment Services and Activities and Regulated Markets Law was promoted with a view to harmonising it with Article 1 of Directive (EU) 2021/338 to amend Directive 2014/65/EU as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, with the aim of helping their recovery from the COVID-19 crisis. Relevant to this is L.9 (1)/2022 which was published on 21 February 2022 in the Official Gazette of the Republic. Moreover, an amendment was prepared and promoted to Directive DI 87-01 on the Protection of Client Assets, Product Governance Obligations and Inducements for the purpose of harmonising with Article 1 of delegated directive (EU) 2021/1269 for the amendment of Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations. The amending Directive was published in the Official Gazette of the Republic on 22 July 2022 as R.A.A 295/2022 and under the new framework:

1. CIFs manufacturing and distributing financial instruments should consider sustainability factors in the product approval process of each financial instrument and should specify to which group of clients, with sustainability related objectives, the financial instrument is intended to be distributed.
2. CIFs which manufacture financial instruments must ensure that the sustainability factors of a financial instrument are presented in a transparent way so as to enable the distributor to provide the necessary information to its clients or potential clients.
3. CIFs that distribute financial instruments must have adequate monitoring arrangements of their products to ensure that the products offered are compliant with the objectives relating to the viability of an identified target market.

Moreover, an amendment was prepared and promoted to Directive DI 87-05 on the Suspension and Revocation of a licence with the deletion of article 8, which in the event of a revocation of licence, allows CySEC to apply to the Court for liquidation and the appointment of a liquidator or temporary liquidator. The amended Directive was published in the Official Gazette of the Republic on 11 November 2022 as R.A.A. 425/2022 and the deletion of article 8 of Directive 87-05 was deemed necessary taking into consideration the current framework of the Companies Law as regards liquidations as well as provisions in L. 87(I)/2017.

As regards the framework governing investment firms, an amendment to L. 87(I)/ 2017 is expected to be promoted in 2023 with a view to harmonising it with article 18 of Regulation (EU) 2022/858 and the amendment of regulations (EU) 600/2014 and (EU) 909/2014 and directive 2014/65/EU. The aim is to amend the definition of the financial instrument in L.87 (I)/2017 so as to include instruments issued by means of distributed ledger technology -DLT.



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### **The Open-Ended Undertakings for Collective Investments Law (L.78(I)/2012)**

In 2022, the department promoted a bill to amend the Open-Ended Undertakings for Collective Investments Law to harmonise it with Directive (EU) 2021/2261 for the amendment of directive 2009/65/EC as regards the use of key investor information documents by management companies of certain undertakings of collective investments in transferable securities (UCITS). The aim of the amendment is that when management companies and variable capital investment companies that prepare a key investor document (KID) in line with Regulation (EU) 1286/2014 (PRIIP), they will not be required to also draw up a key investor document under L.78 (I)/2012.

As a result, L. 154 (I)/2022 was published in the Official Gazette of the Republic on 7 October 2022, coming into force on 1 January 2023.

Moreover, an amendment was drafted and promoted to the Conditions to the Granting of an Operating Licence and Continued Obligations of a Management Company, the Agreement between the Custodian and Management Company of an Undertaking of a Collective Investment in Transferable Securities (DI78-2012-03), for the harmonisation with Article 1 of the Delegated Directive (EU) 2021/1270 to amend directive 2010/43/EU as regards the sustainability risks and the sustainability factors that must be taken into consideration for undertakings of collective investments in transferable securities (UCITS). The amending directive was published in the Official Gazette of the Republic on 22 July 2022 as R.A.A 294/2022 and based on the new framework, management companies and investment companies that have not designated a management company must:

1. Constantly evaluate the relevant sustainability risks and integrate them in their procedures, systems and internal controls.
2. Have the resources and expertise required to effectively integrate sustainability risks.
3. Identify the types of conflicts of interest, to include conflicts of interest that may arise as a result of the integration of sustainability risks in their processes, systems and internal controls.

### **The Alternative Investment Funds Law (L. 124(I) 2018)**

During 2022, an amendment was prepared and promoted to directive DI 124-01 on the registration and deletion of RAIFs on the RAIF Register so that requirements checked by CySEC for the registration of a Cyprus Registered Alternative Investment Fund (RAIF) on the RAIF Register covered by DI 124-01 are in line with the requirements of article 138 (3) of L. 124 (I)2018. The Directive for the Registration and Deletion of RAIFs in the RAIF Register (amending) of 2022 was published in the Official Gazette of the Republic on 21 January 2022 as R.A.A. 29/2022.

### **The Takeover Bids Law (L. 41 (I)2007)**

On 20 July 2022, L. 111(I)/2022 amending the Takeover Bids Law was published in the Official Gazette of the Republic. The aim was to harmonise it with Article 90 of Regulation (EU) 2021/23 as regards the framework for the recovery and resolution of central counterparties and the amendment of Regulations (EU) 1095/2010, (EU) 648/2012, (EU) 600/2014, (EU) 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132.

The amendment replaced in existing article 15A of L.41(I)/2007 the referral to Directive 2014/59/EU with referrals to provisions of Cyprus law which harmonise the said European directive.

#### **Law on the Cyprus Securities and Exchange Commission (L.73 (I)/2009)**

L. 45 (I)/2022 amending the Law on the Cyprus Securities and Exchange Commission regulating issues relating to the composition of CySEC's Board was published in the Official Gazette of the Republic on 6 April 2022.

#### **3.3.3.2 Promotion of new legislation**

#### **Law on the Cyprus Securities and Exchange Commission (L.73 (I)/2009)**

CySEC is promoting an amendment to the Law on the Cyprus Securities and Exchange Commission clarifying that both the administrative fine and administrative measures as well as settlements are considered administrative sanctions.

#### **Market Abuse Law of 2017 (L.102 (I)/2016)**

CySEC is promoting an amendment to the Market Abuse Law to enable it to impose annual fees in order to implement the said law. With this amendment, CySEC will also be able to impose an annual fee on issuers whose financial instruments are traded in a Multilateral Trading Facility (MTF) such as the Emerging Companies Market of the Cyprus Stock Exchange.

#### **Law regulating Companies providing Administrative Services and Related Matters of 2012 (L. 196(I)/2012)**

With the approval of L. 13 (I)/2021 which amends the Prevention and Suppression of Money Laundering and Terrorist Financing Law (L. 188 (I)/2007), article 61 C of L. 188 (I)/2007 provides for a Central National Register for Express Trusts and Similar Legal Arrangements in the Republic which is established and maintained by CySEC.

In view of this development, a bill has been prepared with which CySEC proposes the deletion of article 25A of L 196 (I)/2012 which sets out the obligation to establish a register of trusts in the Republic by CySEC, the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus. For the time being, CySEC's proposal is under discussion.

#### **The Transparency Requirements (Securities Admitted to Trading on a Regulated Market Law (L. 190 (I)/2007)**

The Commission is promoting a bill so that:

- (a) Referrals to laws/ European directives that have been abolished will be replaced with those in force today in L.190 (I) /2007.
- (b) L. 190 (I)/2007 will set out the obligation for the issuer, at the same time as publicising 'inside information' under Regulation 596/214 to also submit them to the Commission.

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(c) To clarify in L. 190 (I)/2007 that the obligation to publicise the acquisition/sale of own shares concerns only 'share issuers' that have been listed for trading on a regulated market.

(d) The financial strength of a legal person which is taken into consideration by the Commission to determine the kind and level of administrative sanctions/measures that will be imposed under L. 190 (I)/2007 should not be determined only by the total turnover of the person responsible for the violation.

(e) To clarify in L. 190 (I)/ 2007 that the report of the directors of the issuer includes a statement on non-financial information.

(f) L. 190 (I)/2007 should clearly stipulate the obligation for the preparation of the issuer's annual financial report in a single electronic reporting format. The said amendment is proposed with the aim of harmonisation with article 2 of Regulation (EU) 2021/337 for the amendment of regulation (EU) 2017/1129 as regards prospectuses for the recovery of the EU and targeted adaptations for financial intermediaries and the directive 2004/109/EC as regards the issue of a single electronic reporting format for annual financial reports with the aim of supporting recovery from the COVID-19 crisis.

### **Bill – the Investor Compensation Funds Law**

In 2022, CySEC took part with other bodies in Finance Ministry consultations to promote the bill entitled "The Investor Compensation Funds Law," aimed once more at harmonisation with Directive 97/9/EC concerning compensation systems for investors. For the time being, the provisions of 97/9/EC have been harmonised with CySEC's Directive DI 87-07 on the operation of the Investors Compensation Fund. Once the new law is enacted, Directive DI 87-07 will be revised or abolished.

### **Bill: On Reporting Infringements Law**

CySEC is contributing actively to promoting the bill which sets out the mechanisms that make it possible for any person to submit to it complaints/reports regarding infringements or possible infringements or the intent to commit an infringement of the framework under its supervision. More specifically, among other, the bill regulates the way violations are reported to CySEC, the procedures and the monitoring of these complaints by CySEC, and the measures to protect complainants, including measures to protect their personal data. The said bill is being promoted within the framework of harmonisation with Implementing Directive (EU) 2015/2392 on Regulation (EU) 596/2014 of the European Parliament and of the Council as regards reporting to competent authorities of actual or potential infringements of that Regulation.

### 3.3.3.3 EU Regulations

#### **Regulation (EU) 2020/1503 on crowdfunding service providers**

On 10 November 2021, Regulation (EU) 2020/1503 on crowdfunding service providers for businesses entered into force, laying down uniform requirements for the provision of crowdfunding services, the operation, organisation, authorisation and supervision of the providers of such services, as well as requirements for transparency and marketing communications in relation to the provision of these services in the European Union. The Regulation applies to crowdfunding offers of up to €5 million.

On 4 February 2022, a notification of the Finance Minister was published in the Official Gazette of the Republic as R.A.A. 53/2022 designating CySEC as the competent Authority responsible for the exercise of the powers and responsibilities provided in Regulation (EU) 2020/1503.

Following this, and for the effective implementation of Regulation (EU) 2020/1503, a CySEC Directive is being studied and prepared which is expected to be published in 2023 to set out, among other:

- (a) the application procedure for a crowdfunding service provider,
- (b) the notifications that will be submitted to CySEC to supervise crowdfunding service providers,
- (c) the fees for applications and/or notifications,
- (d) the annual fee of crowdfunding service providers.

Moreover, in cooperation with the Ministry of Finance, CySEC is preparing a bill on the more effective implementation of Regulation (EU) 2020/1503 which, among other, provides for the liability of responsible persons for the key investor information document for investors (and at the level of the platform), its supervisory powers, the administrative sanctions/measures and the offences, as well as the publication of the decisions taken. The framework is expected within 2023.

#### **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**

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 (Prospectus Regulation), which was published in the Official Journal of the European Union on 30 June 2017, was fully implemented on 21 July 2019. Regulation 2017/1129 lays out the requirements for the drawing up, approval and distribution of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market situated or operating within a member state, repealing the provisions of Directive 2003/71/EC (Prospectus Directive). In view of the implementation of Regulation 2017/1129, legislation to replace the Public Offer and Prospectus Law is expected to be promoted in 2023. It will incorporate the powers afforded to CySEC by the specific Regulation and include provisions on the obligation to prepare a prospectus.

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### 3.3.3.4 Participation in meetings of the Parliamentary Committees of the House of Representatives

During 2022, the Legal Department represented CySEC in a number of meetings of the Parliamentary Committees of the House of Representatives, further to their invitation, to discuss bills relating to its supervisory responsibilities.

### 3.3.3.5 Communication with regulated entities/investors/stakeholders

In 2022, the Legal Department received a number of queries from market stakeholders, investors, lawyers, auditors and others on legislative matters and provided answers as summarised in the table below.

| Legislation  | Number of replies |
|--|-------------------|
| Prevention and Suppression of Money Laundering Law                                       | 24                |
| Investment Firms Law   | 19                |
| Other legislations (administrative services, collective investments, issuers and others) | 108               |

## 3.4 Strategy, International Relations and Communications Department

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

**Liana Ioannidou**

**Head of Strategy, International Relations and Communications Department**

### 3.4.1 Duties/competencies

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

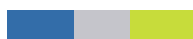
The Department is divided into three sub-departments: a) Strategy, b) International Relations and c) Communications. It is responsible for CySEC’s strategic planning, its international relations, internal and external strategic communication, and promoting CySEC’s work, as well as educating the public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

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

### 3.4.2 Objectives for 2023

In 2023, the Department will continue to oversee the implementation of CySEC’s strategic planning and ensure that its work is properly communicated. Emphasis will be given to continuing and deepening CySEC’s cooperation with its counterpart supervisory Authorities abroad, as part of its supervisory role and will apply to become a co-signatory to IOSCO’s Enhanced Multilateral Memorandum of Understanding. High among the department’s priorities is CySEC’s contribution to formulating legislative provisions governing financial activity on a European level, through its participation in the various ESMA committees and working groups. At the same time, the Department will explore new initiatives and collaborations to enhance the public’s financial literacy.

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### 3.4.3 The Department's operations

#### 3.4.3.1 Strategy

##### Strategic Planning

CySEC implements a multiannual strategic plan for the major projects it undertakes, guided by its Vision and Mission. The strategic planning includes the preparation of a three-year Strategic Plan covering the entirety of CySEC, which is updated in a way that reflects the progress achieved in the various projects, as well as the addition of new projects, depending on developments.

The preparation of a comprehensive long-term Strategic Plan, which is a responsibility of the Strategy, International Relations and Communications Department, is of the highest importance for the Commission. It is a roadmap that shows the path to growth for the Commission itself and its environment. On the one hand, it offers the Commission's individual Departments and working groups the chance to outline future projects that will add value to their own operations and work (and by extension the Commission's), and on the other, it aligns all interested parties with the strategic priorities.

The Strategic Plan is prepared following a review of the securities market's current needs and circumstances, with the aim of guiding the daily operations and large projects that are being implemented under CySEC's remit.

##### Managing CySEC's public image

The Department is responsible for the correct and fair promotion of CySEC's work, as regards strategy, and makes suggestions to CySEC's chairmanship, which contribute to the securities market's growth and progress, and to attracting new healthy and dynamic financial organisations. Furthermore, it seeks out and explores new ways of showcasing CySEC's work. In 2022, the Department managed several such issues.

##### Information and communication with decision-making centres

The Department facilitates communication with state officials, various organisations and stakeholders, with the aim of upgrading and modernising CySEC's operation and the development and progress of the securities market, as well as attracting new healthy and dynamic financial entities. In 2022, the Department prepared several documents and letters on such matters.

#### 3.4.3.2 International Relations

##### **Providing assistance and exchange of information**

Cross-border cooperation is important and essential during the exchange of information between supervisory authorities, especially in the exercise of their supervisory role, and as such is institutionalised through European Directives and Regulations. CySEC therefore attaches great importance to its cooperation with the supervisory Authorities of other countries. In 2022, the Department closely cooperated with counterpart supervisory Authorities from other EU member states and third countries and has handled requests for two-way assistance and the exchange of information. In 2022, there were 407 incoming and 227 outgoing requests.

## Coordination on ESMA issues

### i. Reorganisation of ESMA

In 2022, ESMA reorganised its Standing Committees. Within this framework, National Competent Authorities (NCA) were asked to participate in the following Standing Committees:

1. Issuers Standing Committee (ISC)
2. Markets Standing Committee (MSC)
3. Investment Management Standing Committee (IMSC)
4. Investor Protection Standing Committee (IPSC)
5. Digital Finance Standing Committee (DFSC)
6. Sustainability Standing Committee (SSC)
7. Data Standing Committee (DSC)
8. IT Standing Committee (ITSC)
9. Risk Standing Committee (RSC)
10. Senior Supervisors Forum (SSF)
11. ESMA Supervisory Policy Committee (ESPC)
12. Proportionality and Coordination Committee (PCC)
13. CCP Supervisory Committee (CCP SC)
14. CCP Policy Committee (CCP PC)
15. CCP Resolution Committee (CCP RC)

The aim of the reorganisation is to align with ESMA's strategic priorities and subject areas (ESMA strategy 2023-2028) and to reduce and unify operations under fewer committees. This will allow groups to work more effectively in the light of the limited resources at NCA and ESMA level. Due to the aforesaid reorganisation of the ESMA structure, ESMA's Supervisory Convergence Standing Committee has been abolished and its operations moved to the new Standing Committee, the Proportionality and Coordination Committee (PCC).

### ii. Supporting role at the Board of Supervisors

CySEC is represented on ESMA's Board of Supervisors by its Chairman. In 2022, the Board of Supervisors held 14 meetings to discuss important issues which affect the securities market in the EU. The Department supports the Chairman during the meetings of the Board of Supervisors.



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### iii. Coordinating role on written procedures and guidelines of ESMA

The decisions of the Board of Supervisors can also be taken through a written process, during which members of the Board of Supervisors are asked to take a position in favour or against, or to abstain. The Department plays a coordinating role, during which it consults the relevant individuals depending on the issue so as to provide support and make proposals to the Chairman as to the final position he will decide to take during the written procedure. At intervals, ESMA issues guidelines presenting its views as regards best supervisory practices and the National Competent Authorities commit to comply with these guidelines within 2 months from their date of publication. The Department plays a coordinating role and informs ESMA as to CySEC's undertaking to comply with the guidelines in each case.

### iv. Evaluation by ESMA of cross-border activities supervision

CySEC participates in peer reviews of national supervisory Authorities as well as self-evaluation exercises to check both the implementation of supervision standards as well as the promotion of best practices. During 2022, ESMA published the assessment report on the supervision of cross-border activities of investment companies.

### v. ESMA follow-up on evaluation of the compliance function

For 2022, ESMA went ahead with a follow-up of the results of a previous evaluation of the compliance function carried out in 2016.

### vi. Participation in international evaluations and questionnaires

It should be noted that CySEC contributes to the positive assessments of Cyprus by international bodies such as the Moneyval committee of the Council of Europe on the prevention of money laundering.

### **Appointment of Dr Theocharides as Chairman of RSC Committee**

In March 2022, CySEC Chairman Dr George Theocharides was appointed chair of the Committee of Economic and Markets' Analysis (CEMA) of the European Securities and Markets Authority (ESMA). He presided until 1 December 2022.

The Committee of Economic and Markets' Analysis contributes to ESMA's mission, monitoring developments in financial markets, evaluating the systemic risks and offering financial background analysis for ESMA's general tasks. These include regular reports on the trends, possible risks and vulnerabilities of the financial markets of the European Union, cross-border and by sector.

In December 2022, CySEC Chairman Dr George Theocharides was appointed chair of the Risk Standing Committee (RSC). The Risk Standing Committee is a department of the European Securities and Markets Authority (ESMA) and replaces the Committee of Economic Markets Analysis (CEMA). Dr Theocharides will chair the committee from 1 January 2023 to 31 December 2024.

## **Representing CySEC abroad**

In 2022, the Department participated as a representative of CySEC or in a supporting role, both in permanent committees/working group meetings and top-level meetings of ESMA and IOSCO, such as for example ESMA BoS, ESMA SCSC, ESMA IRN, IOSCO ERC, IOSCO GEMC and IOSCO MG. In 2022, a total of 26 meetings took place (all via teleconference).

## **Signing of protocols and memoranda of cooperation**

The signing of Memoranda of Understanding and Cooperation between CySEC and the competent supervisory Authorities or other agencies abroad, creates the framework and procedures for close transnational cooperation, which facilitates the exchange of information between the parties, for the better supervision of transactions and activities in the capital markets sector. At the same time, a framework is created to promote the exchange of experience, know-how and best practices, which will help broaden and strengthen supervisory processes and practices. Furthermore, these memoranda confirm the mutual spirit of cooperation between the supervisory Authorities and other agencies abroad, as well as the outward orientation of our economies, thus contributing towards increasing the fruitful business ties between Cyprus and other countries, to the benefit of the national financial markets.

In 2022, CySEC continued to study the relevant material to apply to become a signatory of the Enhanced Multilateral Memorandum of Understanding (EMMoU) and set as a target to proceed with the application in 2023, seeking at the same time the help of an external expert. CySEC considers the signing of the EMMoU important to further boost the exchange of information and cooperation between members of IOSCO so as:

- to keep pace with technological, social and market developments and
- reinforce the deterrence of infringements.

Through the EMMoU, signatory countries will make use of new forms of aid and continue to provide each other with the fullest possible assistance, aiming to further enhance the effectiveness of their investigations and the enforcement of Laws and Regulations in their jurisdiction.

## **IOSCO Online Self-Assessment Questionnaire**

CySEC explored the possibility of going ahead with completing IOSCO's online Self-Assessment Questionnaire as regards the 8 new principles of the International Organisation of Securities Commissions – IOSCO with the aim of submitting it within 2023. These principles concern the way supervisory Authorities should operate effectively with a view to protecting investors, ensuring that markets are fair, effective and transparent and reducing systemic risk. The online Self-Assessment Questionnaire was developed by IOSCO to encourage self-assessment of supervisory Authorities, members of IOSCO.

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### Local cooperation

CySEC works closely with all the supervisory Authorities of the financial sector and other Authorities in Cyprus. This ensures smooth cooperation and facilitates the exercise of their duties and responsibilities, the exchange of information and the provision of help between national supervisory Authorities. The Strategy, International Relations and Communications Department undertakes the negotiation and drawing up of Memoranda of Understanding with the competent supervisory Authorities in Cyprus.

i. Updating the Protocol of Cooperation with the supervisory Authorities of the financial sector of Cyprus

A series of meetings were held in 2022 between CySEC, the Central Bank of Cyprus and the Insurance Companies Control Service with a view to updating the Cooperation Protocol signed on 10 November 2003. The consultations are underway.

### 3.4.3.3 Promoting CySEC's work

#### Presentation of the national legislative and supervisory framework

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

More specifically, CySEC's Chairman and Vice Chairman participate as speakers in important conferences organised in Cyprus and abroad, presenting the regulatory and supervisory framework that governs Cyprus' capital market.

During 2022, 48 speeches and presentations were prepared for several events in Cyprus and abroad, in which the Chairmanship participated. The topics covered the institutional framework of the Cypriot capital market and other current issues of interest to the sector's stakeholders. Furthermore, in several instances, informative material and statistical data were prepared and forwarded to public organisations and authorities in Cyprus and abroad, to inform them about CySEC's work and activities.



#### **3.4.3.4 Informing the public and other stakeholders**

With the aim of informing and protecting investors, as well as informing all other market stakeholders and the broader public, CySEC issued a significant number of press releases that were posted on its website and concerned, among other, developments on new legislative provisions and/or directives on the capital market, new investment products and the imposition of sanctions or other decisions by the CySEC Board. Furthermore, announcements/warnings directed at investors were posted on CySEC's website, urging them to be especially careful and always ensure that the company they are in contact with is licensed by CySEC to provide investment services within or from the Republic.

CySEC also issued warnings to investors to inform them that individuals were falsely pretending to be CySEC officers or representatives and contacting investors asking them to submit payments in exchange to supposedly recover losses they had sustained. With these warnings, CySEC reminded investors that it never contacts investors or the public to ask for personal, financial or other information, nor does it have the authority to receive payments for any purpose by private investors, nor does it authorise anyone to do so on its behalf. CySEC is not involved in any way in class action lawsuits, compensation schemes, payments between natural or legal persons, or public or private organisations. In addition, a series of interviews and articles by CySEC's Chairman are published each year, with the aim of informing the public about the Commission's activities and work. Media representatives are also provided with statements and/or informative material. More specifically, in 2022, around 110 documents were prepared, including articles, interviews, statements, press releases, announcements and information for the media.

#### **3.4.3.5 Presentation of CySEC's annual work**

In March 2023, a press conference was held at CySEC's offices, during which the Chairman presented CySEC's work in 2022, developments in the sector and the objectives for 2023. The conference was attended by a significant number of financial reporters from various media, who provided broad coverage of the event.

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### 3.4.3.6 CySEC's website

The Department, in cooperation with all CySEC Departments, monitors and reviews the material published on CySEC's website. During the year under review, it edited/reviewed approximately 120 documents, which concerned announcements, decisions, circulars, warnings and others, which were then posted on CySEC's website. In addition, it edited CySEC's statistical and other bulletins.

### 3.4.3.7 Strategically important events

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

### 3.4.3.8 Education of the public

The smooth functioning of the financial sector and investor protection are safeguarded not only by a comprehensive legislative and regulatory framework, but also by the ability of each and every investor to assess the risks and returns of the various investment options.

European and international organisations have repeatedly highlighted the need to educate the public on basic financial concepts, including on matters regarding the capital market. However, surveys in various EU member states, including our country, show that there is a very high level of financial illiteracy in the general population. Beyond the benefits offered to the individuals themselves, financial education also has important benefits for society and the economy.

CySEC promotes the public's education on capital market issues in a number of ways, and each year takes a series of actions to this end. Among others, in 2022 it took the following actions:

- **Production and publication of educational material**

CySEC has enriched the special section on its website that is dedicated to financial literacy. This section was also enriched at regular intervals in 2022 with informative and educational information such as investors' guides with emphasis on easy to use and practical advice on investments and potential fraud, information on the rights of the public when investing, articles, audiovisual material, warnings, manuals and other useful educational material for investors and the public more generally.

The educational material is also published in newspapers, financial magazines and on websites. Further information is available [here](#).

- **Design of a National Strategy for the Financial Literacy of the public**

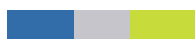
Addressing financial illiteracy in Cyprus effectively through the adoption of a National Strategy has been repeatedly highlighted by CySEC through various recommendations to the State, following also the study of the examples of other countries. The first step towards a National Strategy for the promotion of Financial Literacy and Financial Education in our country was taken in December 2020 with the establishment, on the recommendation of the Parliamentary Committee on Education, of an Ad Hoc Committee with the mandate to prepare a National Strategy for the promotion of Financial Literacy and Financial Education in Cyprus. In 2022, CySEC took part, through the Strategy, International Relations and Communications Department, in the deliberations of the aforementioned Ad Hoc Committee, which is composed of executives from the Central Bank, that coordinate its work, the Ministry of Finance, the Ministry of Education, Culture, Sports and Youth, the University of Cyprus and the Cyprus University of Technology.

The National Strategy for the promotion of Financial Literacy, as formulated by the Ad-Hoc Committee and submitted by the Ministries of Finance and Education, Culture, Sport and Youth was approved by the Council of Ministers on 29 June 2022.

The National Strategy will be implemented by a new independent body, the Cyprus Financial Literacy and Education Committee (CY-FLEC). CySEC will actively contribute, along-



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side other bodies and Authorities, to the implementation of the National Strategy and at the same time urges other relevant bodies to undertake initiatives to promote financial literacy, aspiring to cooperate with them to implement joint actions.

More information on the report on the National Strategy for the promotion of Financial Literacy and Financial Education in Cyprus is available [here](#).

- **Organisation and participation in campaigns to promote financial literacy**

CySEC participates actively in international campaigns to raise public awareness about the importance of financial education and investment risks, making the best of social media to better promote and communicate the main messages. During 2022, it participated in the following:



- (i) **European Campaign on crypto assets**

*Organiser: European Banking Authority (EBA), European Securities and Markets Authority (ESMA) and European Insurance and Occupational Pensions Authority (EEA).*

In March 2022, CySEC joined forces with European financial supervisory Authorities to inform the public through warnings and advice on social media about the dangers of investments in crypto assets. With a series of informative online posts, the supervisory Authorities warned investors about the risks involved, as a number of crypto assets are high risk and are highly speculative in nature.

## (ii) Global Money Week

*Organiser: Organisation for Economic Cooperation and Development (OECD)*

During Global Money Week of 21-27 March 2022, CySEC cooperated with all participating bodies in a series of actions to better inform and raise awareness among the public on the importance of financial education. Among other actions, CySEC published brief guides with easy to use and practical advice on investments which were posted on the special section of CySEC's website on financial education. In addition, CySEC also shared informative posts on social media.

## (iii) #ThinkBeforeYouInvest online campaign

*Organiser: Cyprus Securities and Exchange Commission*

Given the low levels of financial literacy in Cyprus as recorded by various surveys, in combination with the increased complexity of digital investments, CySEC organised a four-month online internet campaign from June to September 2022. Taking into consideration the special vulnerability of younger people, the campaign was mainly directed at youth, communicating brief messages and advice through clever puns and humorous images. With the campaign, we raised awareness and drew attention to the dangers surrounding crypto assets, investment fraud, non-licensed entities and receiving investment advice from celebrities and non-professionals, among other. All the campaign messages were posted on CySEC's website in the form of a booklet.

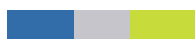
The booklet with the campaign messages is available [here](#).

It seems like everyone is investing in crypto, but it doesn't mean it's risk-free





## DEVELOPMENT OF THE SECTOR



### (iv) World Investor Week 2022

*Organiser: International Organisation of Securities Commissions (IOSCO)*

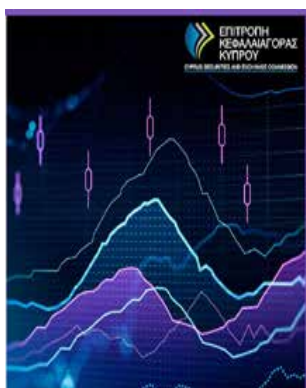
In October 2022, CySEC joined forces with supervisory Authorities worldwide with the aim of providing information and raising awareness among investors on the importance of financial education. The campaign concerned raising awareness about the financial resilience of investors and sustainable financing as well as showcasing the different initiatives taken by supervisory Authorities in these two critical sectors. During the week of 3 to 9 October, CySEC undertook a series of actions to better inform investors and raise awareness of the risks posed by investments, the appropriate investment behaviour and financial decisions. Emphasis was also given to the importance of educating the public in basic financial terms. Among others, CySEC published a short Investor Guide, with easy-to-use and practical advice on how to identify risks in a timely way and ensure protection from potential fraud. The Guide was posted in the dedicated investor information section created on the CySEC website.

#### • [Strategic initiatives on financial education](#)

### Annual student prizes

In line with its strategic aim to promote and enhance financial education in Cyprus, especially among young people, CySEC established prizes for students of Departments of Economics at public and private universities. In the academic year of 2021-2022, CySEC awarded a prize to a student of the Faculty of Economics and Management of the University of Cyprus who produced the best master's thesis on financial, monetary and capital market issues. CySEC's ultimate aim is to encourage students to choose to study and explore issues which come under the thematic areas related to the responsibilities and work of CySEC and the sector it supervises, with all the positive repercussions of academic research in increasing and disseminating knowledge.

### Online Quiz



The low levels of financial literacy in Cyprus, as recorded in recent years by various surveys, the rapid developments in the capital market sector, as well as the new trends of digital investments make the need to educate the public on basic financial terms all the more urgent. Young and inexperienced investors are more vulnerable to scams. They often take the wrong investment advice, based on assessments and beliefs stemming from excessive self-confidence as regards to what they know about investments, or at the encouragement of friends, relations and/or celebrities who promote investment products online which expose them to a high investment risk.

With this in mind, CySEC created and posted the first online knowledge quiz on its website. With the quiz, CySEC gives investors and the public in general, the opportunity through a pleasant activity, to test their knowledge about investments and basic financial terms, and at the same time to be educated. There was a huge response from the public that well exceeded our expectations. In the first month of the quiz being posted, 1.615 individuals completed the questionnaire, responding to all the questions. In addition, 2.630 attempted to answer the questions and another 6.270 were informed about the online quiz (views).

The online quiz is available [here](#).

### **Survey on Investors' Behaviours and Habits**

With the increase of complex emerging financial technologies and the wide use of social media to promote investments but also as part of a wider programme aiming to highlight the importance of financial literacy for the public, CySEC carried out a survey on investors' behaviours and habits in Europe. The findings of the survey provide a clearer picture on how investors take investment decisions and as regards the challenges supervisory Authorities face in their effort to protect investors in a rapidly developing sector. The survey compared the investment habits of investors in four countries in Europe, specifically the United Kingdom, France, Germany and Cyprus.

The CySEC's survey on the behaviours and habits of investors is available [here](#).



#### **3.4.4 Social responsibility actions**

Aware of the positive impact on society of responsible voluntary action by organised bodies, CySEC's long-term strategy encourages and supports its staff's participation in social responsibility actions. These actions are part of a comprehensive programme aimed at combining the raising of awareness, active support and personnel's commitment to their social responsibility. To this end, staff from the Strategy, International Relations and Communication Department undertake with enthusiasm to suggest, organise and coordinate social responsibility actions by CySEC personnel. Further information on the main actions carried out during the year can be found in the chapter Corporate Social Responsibility - CSR at CySEC.

## 3.5 Financial Services, Personnel and Training Department

*“The Financial Services, Personnel and Training Department provides significant support to CySEC on multiple levels. CySEC’s smooth operation depends on the Department’s work, particularly when it comes to preparing the Commission’s budget, public procurements, human resource management, certification matters as well as other multifaceted issues. Our Department aims to assist the Commission in achieving its strategic planning, providing it with all the necessary means.”*

**Costas Angastiniotis**

**Head of Financial Services, Personnel and Training Department**

### 3.5.1 Duties/competencies

The duties of the Financial Services, Personnel and Training Department are divided into two pillars. The first involves preparing the Commission’s budget, monitoring the revenue and implementing and controlling the Organisation’s expenditure, announcing and awarding public tenders, managing equipment and building facilities, and maintaining the accounting books and archives of the Organisation as well as of the personnel’s Provident Fund and Welfare Fund.

As for the second pillar, the Department’s competencies include, among others, ensuring compliance with the Personnel Regulations, monitoring CySEC’s staff needs and filling vacancies, including new vacancies in the annual budget, promotions, managing secondment procedures, preparing circulars on various personnel matters, carrying out annual and interim assessments, implementing the group healthcare plan and the General Healthcare System, as well as installing and operating a specialised automated human resource management programme.

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

Furthermore, the Department is responsible for organising exams for the certification of individuals employed in IFs, Credit Institutions, Management Companies and Variable Capital Investment Companies, and for maintaining the Public Register of Certified Persons. In addition to the exams, the Department organises training seminars addressed to both certified persons and CySEC’s staff.



The Department can be contacted via email at: [hr@cysec.gov.cy](mailto:hr@cysec.gov.cy)

## DEVELOPMENT OF THE SECTOR



### 3.5.2 Objectives for 2023

The Financial Services, Personnel and Training Department, in cooperation with other CySEC departments, will continue to study changing its pricing policy, which was initially implemented for CIFs. The preparation of the plan to further change CySEC's pricing policy to include other regulated entities was interrupted due to problems that arose in the economy as a result of the pandemic. In 2023 CySEC is expected to launch exams for the certification of professionals who provide information to individuals wishing to receive investment services. CySEC will keep a relevant register, in line with the Directive on the Certification of Persons and the Certification Registers (R.A.A. 44/2019). The problems caused by the pandemic did not allow the launch of the new exams earlier, as originally planned.

It is worth noting that in 2022, the Department announced vacancies for an Officer, an IT Technician and an Assistant Clerical Officer, which are expected to be filled in 2023.

The increase in the Department's staff led to the need to prepare manuals, aiming at a clearer description of the procedures followed and the better organisation of its operations. In 2023, the Department will continue to record new and existing internal procedures.

The Department will place special emphasis on the ongoing implementation of CySEC's "Culture Reinforcement Programme." The fifth part of the programme, as well as the sixth and last which concerns the carrying out of a final study to determine what needs remain once the programme is finished, will be completed in 2023. In addition, a new tender will be launched to organise new training on issues of culture.

### 3.5.3 The Department's operations

#### 3.5.3.1 CySEC personnel

At the end of 2022 CySEC employed 11 Senior Officers, 26 Officers A', 79 Officers, 7 Clerical Officers, 25 Assistant Clerical Officers and 1 Office Assistant.

Four officers left CySEC during the year.

Moreover, in 2022, two clerical officers, two Officers A' and four Senior Officers were promoted.

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

| DEPARTMENT   | PERSONNEL  |
|--|------------|
| Financial Services, Personnel and Training           | 14         |
| Legal  | 7          |
| IT and Operations                                    | 10         |
| Authorisations                                       | 23         |
| Supervision  | 24         |
| Strategy, International Relations and Communications | 11         |
| Risk Management and Statistics                       | 9          |
| Policy   | 6          |
| Issuers  | 9          |
| Market Surveillance and Investigations               | 12         |
| AML  | 17         |
| Internal Audit Unit                                  | 3          |
| Chair Support/ Reception                             | 2          |
| <b>TOTAL</b>   | <b>147</b> |

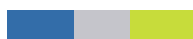
In addition, as from 1 August 2018, an Officer is employed at CySEC on secondment from the Office of the Commissioner for Electronic Communications and Postal Regulation, in accordance with the Law on the Secondment of Civil Service Employees and Public Law Organisations (L.47(I)17)

### 3.5.3.2 Representation abroad

#### Permanent Representation of the Republic in Brussels

During 2022, an Officer of the Supervision Department was seconded to the Permanent Representation of Cyprus to the European Union, to monitor and handle financial issues that fall within CySEC's remit, as well as other issues at the various committees in relation to financial services and other matters of a technical nature.

## DEVELOPMENT OF THE SECTOR



### **3.5.3.3 Educating CySEC personnel and professionals at regulated entities**

#### **3.5.3.3.1 Staff training**

CySEC ensures the continuous training of its personnel through seminars organised either internally by CySEC, or through its personnel's participation in training and seminars carried out both in Cyprus and abroad. CySEC also participates in the eLearning programme offered by ESMA, training organised by IOSCO and at the EU Supervisory Digital Finance Academy (EU-SDFA) with training carried out at EUI's Florence School of Banking and Finance (Florence, Italy).

During 2022, a large number of internal seminars were organised for staff on specialised issues such as Regulation of Digital Finance: Law and Practice governing crypto-assets and crypto-asset service providers, Anti-Money Laundering (AML) Regulatory Framework, CIF Organisational Requirements and Operating Conditions, CySEC workshops on strategy against corruption, Introduction to Sustainability and ESG (Environmental, Social, Governance), and safety in the workplace. Moreover, the "Empowerment Messages" scheme continued, where in the framework of asynchronous e-learning, messages are regularly sent to all personnel so as to enhance their skills.

#### **Culture Reinforcement Programme**

Implementation of the "Culture Reinforcement Programme" continued in 2022, with the aim of strengthening the Organisation's existing culture and the managerial skills of supervisors, as well as improving the overall working environment. In particular, the first three parts of the Programme were implemented in 2021. The first part included a questionnaire-based survey on culture issues and the second the analysis of the results. The third part included training in groups of all CySEC's personnel. Another two parts of the programme were implemented in 2022. Specifically, in the fourth part, specialised training was carried out per staff member per post. This training was an opportunity to train staff, based on the needs of their position, aiming to strengthen both managers and remaining personnel. In addition, part five of the programme was partially implemented. In this, managers of departments attended one-to-one coaching during which they had the opportunity to discuss issues pertaining to their department and the management of their human resources.

#### **Great Place to Work**

In 2022, after procedures implemented by the Department, CySEC received the 'Great Place to Work' certification, something which fills us with satisfaction while at the same time pushes us to continue our efforts to improve the culture of our organisation, better working conditions and maximise the feeling of job security so that CySEC personnel continue to feel proud of the organisation where they work, as this certification demonstrates. Over and above training to strengthen culture, in 2023, training is planned on a variety of issues such as Blockchain and Cryptocurrencies, Digitalisation of Assets, best practices for safe use of the internet and detecting dangers and risks through examples, among other.



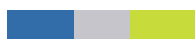


### 3.5.3.3.2 Certification and vocational training of professionals of the sector

During 2022, 103 certification exams were held, in which 1,567 people registered to participate. Of these, 32% registered to take the Compliance Officer exam, 51% the upgraded exam and 8% the basic exam. Of those who took the exams, 963 were successful. At the end of 2022, there were 4,550 persons registered with CySEC's public register and 1,586 with the Compliance Officers Register.



## DEVELOPMENT OF THE SECTOR



### Improving the compliance of regulated entities

With the aim of improving the regulated entities' compliance with the law, CySEC now requires persons registered in the public register to submit information on their Continuing Professional Development in order to maintain their registration.

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

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

In 2022, CySEC organised and held 18 seminars online. The seminars were attended by 375 people, of whom the majority were registered professionals in the sector or individuals wishing to register with CySEC's certified persons register.

The new European Market Abuse Regulation, the institutional framework governing Collective Investment Firms and their managers, an analysis of financial innovation issues and the requirements for the operation of CIFs and AML issues were among the topics discussed at these seminars.





MARKET SUPERVISION  
AND COMPLIANCE  
OF REGULATED ENTITIES

## 4. MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



### 4.1 Supervision Department

*“The effective supervision of financial sector participants is one of CySEC’s main responsibilities, with the ultimate aim of ensuring the smooth operation of the market and protecting the interests of investors. In the constantly changing investment landscape, CySEC strives to respond in a timely and effective manner, to monitor the efforts of regulated entities to comply with the legislative framework, as well as prevent and/or promptly address adverse incidents that may affect the interests of investors and/or the smooth operation of the market.”*

**Eftychia Georgiou**  
**Head of Supervision Department**

#### 4.1.1 Duties/competencies

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

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



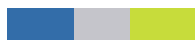
The Department can be contacted via email at: [supervision@cysec.gov.cy](mailto:supervision@cysec.gov.cy)

#### 4.1.2 Objectives for 2023

In 2023, the Supervision Department will continue to carry out its work with a view to ensuring the smooth operation of the market and protecting the interests of investors. More specifically, in 2023 emphasis will be placed on the following operations/projects:

##### A. CIFS

- Conducting remote and /or onsite inspections for a number of CIFs with regard to their organisational requirements and the code of conduct rules.
- Conducting remote thematic inspections, per sector of activity, to investigate practices that may have a negative impact on investors and markets. The thematic inspections will cover:
  - information aimed at investors through marketing announcements (joint supervisory action with ESMA and other supervisory authorities).
  - the persons who direct information to investors.
- Conducting remote inspections on the transparency requirements by systematic internalisers.
- Conducting remote inspections on a number of CIFs in relation to client money protection requirements
- Conducting remote inspections on a number of CIFs on transaction reporting requirements.
- Monitoring the marketing announcements of a number of CIFs.
- Monitoring CIFs' compliance with capital adequacy requirements (Pillar 1), Pillar II capital requirements (ICAAP) and disclosure of relevant information (Pillar III).
- Assessing the recovery plans of a number of CIFs
- Monitoring the compliance of a number of CIFs with requirements arising from the MiFIR, EMIR, CSDR, STFR and Securitisation Regulations
- Issuing circulars and documentation to help CIFs comply with their legal obligations.
- Monitoring and study/analysis of new developments in the financial sector, such as sustainable finance, neobrokers and fractional shares
- Examining and upgrading the regulatory and supervisory framework governing the operation of CIFs.
- Automating/improving the Department's functions/procedures to ensure a more effective supervision.
- Actively participating in committees tasked with defining the regulatory framework governing CIFs, both in Cyprus and abroad.



## B. Managers of Undertakings for Collective Investments and Undertakings for Collective Investments

- Conducting thematic inspections on a number of Managers of UCIs and UCIs, in the context of ESMA's Joint Supervisory Action, regarding sustainability risk requirements and relevant disclosure obligations.
- Completing thematic checks on asset valuation requirements.
- Assessing the compliance of UCITS MCs with inspection findings on liquidity management requirements, as well as costs and charges.
- Monitoring compliance with legal obligations and in particular with:
  - The obligation of AIFs for raising minimum assets
  - The obligation of AIFs to raise capital from a number of investors
  - The obligation of sub-threshold AIFMs to continuously monitor the asset value of all the AIFs under their management in relation to the thresholds set out in the AIFM Law and Regulation.
- Issuing circulars on costs and charges, asset valuation as well as other circulars, where necessary, to help regulated entities comply with their legal obligations.
- Continuously monitoring developments on a European and global level with regard to collective investment management issues, in particular those related to sustainable finance and crypto assets and taking action where necessary.
- Examining and making recommendations to upgrade the regulatory and supervisory framework governing the operation of managers of undertakings for collective investment.
- Automating the Department's operations/procedures to enhance the exercise of effective supervision.
- Actively participating in committees, in Cyprus and abroad, where the regulatory framework governing regulated entities is formulated.

### 4.1.3 Operations/projects carried out in 2022

#### 4.1.3.1 Inspections - compliance monitoring

In 2022, the Supervision Department monitored the compliance of regulated entities with their ongoing legal obligations by carrying out remote inspections, document inspections and monitoring of activities. More specifically, it carried out the following:

#### A. CIFs

- Remote inspections of 22 CIFs on requirements relating to the provision of investment services, namely
  - Organisational requirements, including the responsibility of the Board of Directors and the suitability of individuals.

- Code of conduct rules, such as compatibility assessment, product suitability (e.g. copy trading), marketing announcements, remuneration, conflicts of interest, product monitoring, compliance.
- National intervention measures as regards the placement, distribution and sale of contracts for differences.

It is noted that, in 2022 the Department continued to assess the findings from a number of remote inspections initiated in 2021.

- Onsite inspections at 2 CIFs on prudential supervision requirements, in particular on clients' money requirements and risk management.
- Thematic inspections of 6 CIFs on requirements on information on all costs and charges within the framework of ESMA's Joint Supervisory Action, and 30 CIFs as part of ESMA's Mystery Shopping Exercise on cost and charges.
- Evaluation of 14 annual compliance reports and 30 annual internal audit reports.
- Monitoring of the marketing announcements of CIFs.
- Monitoring of transactions/derivative contracts reporting requirements as follows:
  - 167 CIFs and non-financial counterparties on derivative contract reporting, as required by the EMIR Regulation.
  - 55 CIFs on transaction reporting, as required by the MIFIR Regulation.
  - 1 CIF on securities financing transaction reporting, as required by Regulation SFTR.
  - 76 CIFs on internalised settlement reporting, as required by the CSDR Regulation.

## **B. Managers of Units of Collective Investments and UCIs**

In 2022, the Supervision Department conducted:

- Remote inspections at 6 AIFMs and 37 AIFs on asset valuation requirements.
- Completed checks relating to requirements on costs and charges.
- Monitoring of the requirements of a total of 20 Managers of UCIs and 56 UCI/investment departments in terms of:
  - Asset acquisition by AIFs/AIFLNPs/RAIFs.
  - Raising capital from a number of investors by AIFs/AIFLNPs/RAIFs
  - The thresholds set out in the AIFM Law and Regulation for the AIF assets under the management of sub-threshold AIFMs.
- Monitoring the impact of Russia's invasion of Ukraine on the Managers of Units of Collective Investments and UCIs and use by these entities of liquidity management tools.

## MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES

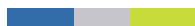


### **4.1.3.2 Supervisory measures**

In cases where CySEC found that CIFs and Managers of UCIs did not comply with their legal obligations, it imposed supervisory measures, such as revoking an operating licence, suspending an operating licence, prohibiting the acceptance of new clients and deposits, reaching settlements, and identifying weaknesses and requiring these be corrected. In 2022, CySEC also issued several circulars to the entities it regulates.

### **4.1.3.3 Participation in various groups in Cyprus and abroad**

The Department also participates in a number of ESMA groups. More specifically, it participates in the Investors Protection and Intermediaries Standing Committee, the Secondary Markets Standing Committee, the Post-Trading Standing Committee, the Data Standing Committee and the Investment Management Operational Working Group. It also participates in Subgroups of the European Banking Authority on Investment firms (Subgroup on Investment firms, Network for Investment Firms in EUCLID for Supervisory, Subgroup on Analysis Tools (SGAT).



## 4.2 Anti-Money Laundering Department

*“The effective prevention and suppression of money laundering and terrorist financing is of crucial importance in protecting the integrity of markets and the global financial framework and as such remains one of CySEC’s main goals.”*

**Charalambos Paraskeva**

**Head of Anti-Money Laundering Department**

### 4.2.1 Duties/competencies

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

The Department monitors the compliance of regulated entities with their ongoing legal obligations, through scheduled onsite and desk-based inspections, which aim to assess the adequacy and suitability of the relevant policies, measures and procedures in place for the effective management and mitigation of money laundering and terrorist financing risks. In addition, it issues and publishes Directives, Guidelines and Circulars for the regulated entities, relating to the prevention of money laundering and terrorist financing. The Department also uses a specialised electronic system with which, among other, an analysis is carried out of the risk profile of applicants for registration in the register of Crypto Asset Service Providers (CASP) and transactions in crypto assets are monitored.

Its duties also include, among other, the training of the regulated entities on matters of Prevention of Money Laundering and Terrorist Financing, as well as participating in European Institutions which are responsible for the preparation of European Directives, Regulations, Standards and Guidelines. Finally, the Department coordinates the evaluation procedure of the Republic of Cyprus by the Council of Europe’s committee of experts (Moneyval Committee) on issues which concern CySEC.



**The Department can be contacted via email at: [aml@cysec.gov.cy](mailto:aml@cysec.gov.cy)**

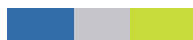
### 4.2.2 Objectives for 2023

The priorities of the Department for the Prevention of Money Laundering for 2023 are as follows:

- Continue and carry out inspections on regulated entities that have or had business ties with individuals who were granted Cypriot citizenship under the Cyprus Investment Programme (CIP).
- Continue and carry out new checks on regulated entities that have or had business ties with individuals subject to restrictive measures of the Council of the European Union against Russia that were imposed as a result of Russia’s military intervention in Ukraine.



# MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



- Carry out other work relating to the continuing restrictive measures of the Council of the European Union imposed against Russia, such as providing guidance through circulars, notifications and guidelines, collecting and evaluating information from regulated entities on the measures being taken and replying to requests and questionnaires from relevant authorities in the Republic and abroad.
- Examine the compliance officers and internal audit Annual Reports as regards the prevention of money laundering, including the relevant minutes of the Board of Directors meetings submitted by regulated entities for the year 2022.
- Implement an Action Plan, based on the findings/recommendations of the assessment report on Cyprus of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures of the Council of Europe, known as Moneyval, which was published on 12 February 2020.
- Continue implementation of an Action Plan based on the findings/recommendations of the National Risk Assessment as regards risks of money laundering and financing of terrorism financing in relation to crypto assets and CASP which was prepared in 2022 and participate in the National Action Plan.
- Continue implementation of the Action Plan based on the findings/recommendations of Cyprus' 1<sup>st</sup> and 2<sup>nd</sup> Progress Report by Moneyval relating to Recommendation 15 of FATF.
- Participation in the procedures and coordination relating to Cyprus' 3<sup>rd</sup> Progress Report by Moneyval relating to Recommendation 15 of FATF.
- Prepare internal memos on the risk profile of CASP register applicants. Checks on the specialised system that analyses and monitors transactions in crypto assets and preparation of a plan of checks.
- Implementation of the guidelines issued by the European Banking Authority on combatting money laundering and terrorist financing
- Implementation of the guidelines of European Supervisory Authorities (ESA) as concerns cooperation and the exchange of information for the purposes of directive (EU) 2015/849 between the Authorities that supervise credit institutions and financial organisations with a view to creating AML/CFT Colleges, in which the Leader Supervisor will be CySEC.
- Participation in the working group on the preparation of a new European legislative package on combating money laundering and financing of terrorism
- Establishment of internal procedures governing the submission by CySEC of data to the European data base "EuReCA" – 'European Reporting System for material AML/CFT weaknesses', which was set up under article 9a (1) and (3) of Regulation (EU) 1093/2010 as applicable and the final draft of Regulatory Technical Standards (RTS) for the establishment of a central AML/CFT data base.

## 4.2.3. The Department's operations

### 4.2.3.1 Monitoring the compliance of regulated entities

In 2022, the AML Department conducted inspections to assess the adequacy and suitability of the relevant measures and procedures implemented by the regulated entities or the prevention of money laundering and terrorist financing.

More specifically, in 2022, the Department:

- Completed 14 inspections. In addition, it is completing examination of 15 inspections for which possibly potential violations may arise of the Prevention and Suppression of Money Laundering Law of 2007 as applicable, (Law 188 (I) 2007) as well as Cyprus Securities and Exchange Commission's Directive on the Prevention and Suppression of Money Laundering, as applicable, (the 'Directive').
- Conducted an inspection and gathered information on the Monthly Prevention Statements submitted by the regulated entities.
- Examined the Annual Reports of the Compliance Officers and the Internal Audit Reports on the prevention of money laundering and financing of terrorism, as well as the relevant Board of Directors minutes, submitted by CIFs, ASPs and UCITS Management Companies. The reports mainly concern risk management, policy, practices, measures, procedures and control mechanisms in place to prevent money laundering and financing of terrorism. In cases where weaknesses and/or omissions are identified letters are sent to the regulated entities for corrective measures.

As concerns the inspections, CySEC reached two settlements for potential violations of Law 188(I)/2007 and the relevant CySEC Directive. In addition, seven regulated entities were told to take specific measures within a specific time frame to fully comply with the provisions of the said Law and relevant Directive.

In addition, in 2021, under Circular 416 of 11/2020 titled "Business relationship with persons who have acquired Cypriot citizenship under the Cyprus Investment Programme (CIP)," CySEC requested and received information from 431 regulated entities, on whether they maintain or had maintained a business relationship over the past five years with clients and/or clients' beneficial owners, who have acquired, either themselves or their spouses and/or children, Cypriot citizenship through the naturalisation by exception scheme, under the Cyprus Investment Programme (CIP). Following an evaluation of the information received by CySEC under Circular 416, the Department launched a series of specific inspections, which are expected to be completed in 2023.

In addition, under Circular C489 of February 2022 on "Restrictive Measures of the Council of the European Union and other sanctions against Russia because of the crisis in Ukraine", CySEC asked and is receiving information from all regulated entities on business relationships with persons subject to Restrictive Measures of the Council of the European Union against Russia, that were adopted as a result of Russia's military intervention against Ukraine. Taking into consideration and assessing the information CySEC receives under Circular C489, the Department started the process of specific inspections which will continue in 2023. Finally, the Department uses a specialised electronic system based on which, among other, it assesses the risk profile of the CASP Register applicants and monitors transactions in crypto assets.



#### **4.2.3.2 Trusts Register**

Within the framework of harmonisation with the 4th and 5th European Directives, CySEC undertook the creation, management and supervision of the Trusts Register, as provided in article 31 of the European Directive and article 61C of the Law. The ultimate objective of the Register is, among other, to improve transparency, as it introduces the obligation to keep information on the beneficial owners of express trusts and other types of legal arrangements whose structure or function are similar to trusts in the central Trusts Register.

On 17 May 2022, CySEC set in operation the Cyprus Trusts Beneficial Owners Register (the 'Register') through the electronic platform 'CyTBOR' (the 'System').

CySEC issued a relevant Directive on the Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements regulating specific matters that have to do with the characteristics, establishment and operation of this Register, access to it as well as any other related matter. Moreover, to facilitate users of the System, CySEC issued System User Manuals as well as Q&A.

Registration, disclosure, management, keeping and updating of information on beneficial owners of Express Trusts and Similar Legal Arrangements as well as access to the Register is carried out through CyTBOR.

As regards access to the Register, other than CySEC, all the supervisory Authorities, the Department of Customs, the Taxation Department, MOKAS (Unit for Combating Money Laundering) and the Police have unimpeded access within the framework of their competencies. In addition, it is possible to provide timely information on beneficial owners of Express Trusts and Similar Legal Arrangements to corresponding competent Authorities of other European Union member states. Moreover, obliged entities have access to the Register in the framework of due diligence measures and determining the identity of their clients, as do natural and legal persons who demonstrate a legal interest, as also natural or legal persons as concerns the express trust or similar legal arrangement who has, or controls, a controlling stake in a company or other legal entity among other, either through direct or indirect ownership, or through bearer shares or through controls by other means, excluding participation in a company or other legal entity referred to paragraph (1) of article 61A and paragraph (1) of article 61B or that was set up in a member state other than the Republic.

#### **4.2.3.3 National Risk Assessment for Crypto Assets and Crypto Assets Services Providers – National Action Plan**

To comply with the international standards of the Financial Action Task Force (FATF), a national risk assessment was carried out regarding the money laundering and terrorist financing risks as concerns crypto assets and CASP. CySEC participated in this assessment as a stakeholder. The aforementioned national risk assessment has been completed and CySEC posted a relevant circular on its webpage publishing the results. In addition, in line with the recommendations of this report, CySEC drew up and implemented an action plan to address risks on issues that concern it.

In 2023, the Department will participate in the drafting of a national action plan, which among other, will feature all the necessary programmes and actions of CySEC to address the risks identified by the aforementioned report.

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

Cyprus' regulatory and supervisory framework for the prevention of money laundering and financing of terrorism is subject to the evaluation procedures of Moneyval, in line with the international standards of the Financial Action Task Force (FATF).

After the Moneyval Committee completed its 5th round of the mutual evaluation of Cyprus, it published the Moneyval Mutual Evaluation Report – Cyprus ("Report") on 12 February 2020. The Moneyval Committee assessed the level of technical compliance and the effectiveness of the measures taken by all the competent authorities in Cyprus, including CySEC, in terms of their role in combating money laundering and financing of terrorism.

Based on the contents of this report, an Action Plan was prepared for CySEC, with specific implementation deadlines, which has been incorporated in CySEC's Strategic Plan and is based on the findings and recommendations of Moneyval's evaluation report.

In addition, in December 2021, Moneyval published Cyprus' 1st Progress Report. Moreover, in November 2022, Moneyval published Cyprus' 2<sup>nd</sup> Progress Report, which refers to the significant progress which has been achieved in implementing the technical compliance of the Republic of Cyprus as concerns Recommendation 15 of FATF. CySEC participated in the above evaluations. It is noted that in 2023, the Department will participate and coordinate the process for Cyprus' 3<sup>rd</sup> Progress Report on issues which concern CySEC.

#### **4.2.3.5 Issuing Circulars**

During 2022, the Department prepared and published the circulars listed below on the prevention of money laundering and financing of terrorism:

C489 - EU Council's Restrictive Measures and other sanctions against Russia in response to the crisis in Ukraine

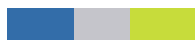
C494 - Information on potential Russian Sanctions Evasion Attempts

C501 - EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine

C511 - EU Council's Restrictive Measures against Russia – Existing Trusts

C517 - EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine – EU adopts sixth package of sanctions

C519-EBA/GL/2021/16 Risk Based Supervision Guidelines



C527 - EU Council's Restrictive Measures against Russia due to its military aggression against Ukraine – “maintenance and alignment” sanctions package

C535 - EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849

#### **4.2.3.6 Participation in Committees and cooperation with other Authorities in the Republic and abroad**

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

It also participates in the Advisory Authority for Combating Money Laundering and Financing of Terrorism and the Extended Special Technical Committee comprising all the supervisory Authorities of Cyprus, to prevent money laundering and the financing of terrorism.

Furthermore, CySEC is a member of the Ministry of Finance's Advisory Body on Financial Sanctions whose mandate is to examine requests by credit and financial institutions for the release of frozen funds. As concerns the issue of Sanctions/Restrictive Measures, CySEC participates in relevant ad-hoc meetings with other competent Authorities of the Republic, depending on developments, as well as in online meetings of relevant committees of the EU Council (Expert Groups) charged with issues related to Sanctions/Restrictive Measures.

Moreover, it participates in the Standing Committee on anti-money laundering and counter-terrorist financing (AMLSC) of the European Banking Authority and the Expert Group on Money Laundering and Terrorist Financing (EGMLTF) and Committee on the Prevention of Money Laundering and Terrorist Financing on the Interconnection of Beneficial Ownership (BO) Registers (CPMLTF) of the European Commission.

## 4.3 Issuers Department

*“The supervision of issuers’ compliance with their obligations under the law is a priority for the Issuers Department in order to ensure the protection of investors and the smooth operation of the market. The Department closely monitors developments on issues that concern issuers and adjusts its inspections and procedures accordingly.”*

**Koulla Theocharous**  
**Head of Issuers Department**

### 4.3.1 Issuers Department

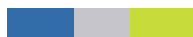
The Issuers Department is responsible for monitoring the compliance of companies whose member state of origin is the Republic of Cyprus and have transferable securities admitted to trading on a regulated market (‘issuers’) with their ongoing obligations as set out in the applicable legislation. The Department is also responsible for examining applications, approving prospectuses for the public offer of securities or their admission to trading on a regulated market, the examination of Public Takeover Bid documents for the acquisition of companies whose securities are listed on a regulated market, monitoring the implementation of Regulation (EU) 2017/1129 regarding Prospectuses and the Public Offer and Prospectus Law, monitoring the implementation of both the Public Takeover Bids Law and the Law providing for Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law.



The Department can be contacted via email at: [issuers@cysec.gov.cy](mailto:issuers@cysec.gov.cy).

### 4.3.2 Objectives for 2023

In 2023, the Issuers Department will focus on monitoring the compliance of issuers and other liable persons with their ongoing obligations arising from the relevant legislation. In this context, it will examine the issuers’ compliance with the obligation to prepare their annual financial report in accordance with the European Single Electronic Format, in line with the increased requirements provided by the relevant European Regulation for annual financial reports for financial years beginning on or after 1 January 2022. In addition, emphasis will be placed on examining issuers’ financial statements to determine their level of compliance with the International Financial Reporting Standards, in view of the revised ESMA Guidelines on the enforcement of financial information. The Department will also focus on monitoring the issuers’ compliance with the obligations provided by the Law on the Encouragement of Long-term Shareholder Engagement.



### **4.3.3. The Department's operations**

#### **4.3.3.1 Market Supervision and Monitoring**

##### **Monitoring the implementation of the Public Offer and Prospectus Law and Regulation (EU) 2017/1129 on the Prospectus**

In 2022, Officers of the Issuers Department continued to monitor, on an ongoing basis, announcements by issuers concerning the issue/offer of transferable securities or the admission of transferable securities on a regulated market, to determine their compliance with the legislation, as regards their obligation to issue a Prospectus or a Supplementary Prospectus, or whether they fall under exemptions provided by the legislation.

Furthermore, the Issuers Department continued to monitor, on an ongoing basis, the notifications of approved prospectuses from competent supervisory authorities of other member states, which mainly concern public offers in the Republic of Cyprus, of transferable securities of issuers whose home member state is not Cyprus. These notifications are posted on CySEC's website. During 2022, CySEC received notifications from the competent authorities of other member states for 14 Prospectuses and 30 Supplementary Prospectuses.

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

##### **Monitoring the implementation of the Public Takeover Bids Law of 2007, as amended**

Officers of the Issuers Department continued to monitor, on an ongoing basis, the announcements/publications as well as the acquisition of voting rights to issuers, to ascertain the compliance of the parties involved with the Public Takeover Bids Law and especially whether the obligation is triggered to carry out a public takeover bid to shareholders of the issuer or the publication of a relevant announcement on the intention/definitive decision to carry out a public offer. In 2022, the Issuers Department did not investigate any cases involving potential breaches of the provisions of the specific Law.

##### **Monitoring the implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, as amended**

In the context of monitoring the compliance of issuers whose securities are listed on a regulated market with their ongoing obligations in accordance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the law in regard to their obligation to publish an Annual Financial Report and Interim Financial Report, and the content of the aforementioned reports/announcements. In particular, it examined whether the financial information was prepared and disclosed in accordance with the relevant provisions of the aforementioned Law as well as the relevant EU Regulations. CySEC also continued to monitor and evaluate the notifications submitted to it regarding significant participation by shareholders or other liable persons in issuers, to ensure compliance with the above Law.

- **Annual Financial Report**

Annual Financial Report for the financial year 2020

Within the framework of reviewing the compliance of issuers with their obligation to publish their Annual Financial Report for the financial year 2020, CySEC investigated 19 cases of potential breach of article 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to their failure to publish an Annual Financial Report within the deadline specified by the Law and/or pursuant to article 37(2) (a) of the same Law regarding failure to submit the report to CySEC.

The review of the cases was completed in 2022 and CySEC decided to impose administrative fines on 13 issuers as follows:

- Administrative fine on 9 issuers for violating articles 9(1) and 37 (2) (a) of the above Law.
- Administrative fine on 3 issuers for violating article 9 (1) of the above Law.
- Administrative fine on 1 issuer for violating article 37 (2) (a) of the above Law.

As part of the same review, CySEC also sent out letters to a number of issuers regarding minor shortcomings or omissions in the publication of their Annual Financial Report for the year 2020, drawing their attention to the provisions of the legislation on Annual Financial Reports and their publication.

Annual Financial Report for the financial year 2021

In 2022, CySEC also started reviewing the issuers' compliance with their obligation to publish their Annual Financial Report for the financial year 2021. It is noted that as from the financial years which start on or after 1 January 2021, issuers must prepare and publish their annual financial reports in a single electronic format, the European Single Electronic Format – 'ESEF' in line with Regulation (EU) 2019/815. More specifically:

- All annual financial reports are prepared and published in XHTML.
- In cases where the annual financial reports contain consolidated financial statements based on International Financial Reporting Standards, issuers mark-up these consolidated financial statements using XBRL.

In view of the above, in 2022 CySEC launched a new web portal for issuers to submit their annual financial reports in ESEF format, called the CySEC XBRL Portal. Through this portal, CySEC can receive, read, check and review the annual financial reports submitted in this format. In 2022, emphasis was given to monitoring issuers' compliance with the above obligation. The Department offered assistance to issuers on issues which arose during the preparation/submission of their annual financial report for 2021 in ESEF format. These checks continued in 2023.



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- **Interim Financial Report**

Interim Financial Report for the first half of the financial year 2021

Within the framework of reviewing issuers' compliance with their obligation to publish interim financial reports for the first half of the financial year 2021, CySEC decided in 2022 to investigate:

- 12 cases which concern potential violation of article 10 (1) due to failure to publish the interim financial report within the deadline set by the Law and/or article 37 (2) (a) of the same Law concerning failure to submit it to CySEC,
- one case of potential violation of article 10(3)(b) of the same Law, as the Interim Financial Report for the first half of the financial year 2021 of the issuer in question did not appear to include the Interim Management Report and
- one case of potential violation of article 10(3)(c) of the same Law, as the Interim Financial Report for the first half of the financial year 2021 of the issuer in question did not appear to include a statement of Members of the Board of Directors and Other Responsible Persons.

The investigation into these cases continued in 2023.

As part of the same review, CySEC also sent out letters to a number of issuers regarding minor shortcomings or omissions in the publication of their Interim Financial Report for the first half of 2021, drawing their attention to the issues identified and to the provisions of the relevant legislation.

Assessment of the content of the Interim Management Reports of Issuers for the first half of the financial year 2021

In 2022, CySEC reviewed issuers' compliance as regards the content of their Interim Management Reports for the first half of the financial year 2021, which were included in their published Interim Financial Reports for the specific period, as required by article 10(3) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007. The review also covered the issuers' compliance with the ESMA Guidelines on Alternative Performance Measures.

Within the framework of this review, CySEC decided to investigate one case which concerned the potential violation of article 10 (6) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, as the Interim Management Report, which was included in the Interim Financial Report of the issuer for the first half of the financial year 2021, did not appear to contain all the information required by the article in question. Investigation of this case continued in 2023.

As part of the same review, CySEC also sent out letters to a number of issuers regarding minor shortcomings or omissions in the content of their Interim Management Report for the

first half of 2021, drawing their attention to the issues identified and to the provisions of the relevant legislation and/or the above Guidelines.

#### Interim Financial Report for the first half of the financial year 2022

In 2022, CySEC also started reviewing the issuers' compliance with their obligation to publish their Interim Financial Report for the first half of the financial year 2022 as well as their compliance with regard to the content of their Interim Management Reports for the first half of the financial year 2022, which are included in the published Interim Financial Reports of the Issuers for the period. This review continued in 2023.

- **Content of financial information**

CySEC has assessed the annual and/or interim financial statements of a number of issuers with securities listed on a regulated market, to determine whether the financial information included therein was drafted within the framework of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law. In particular, the assessment 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, as for example with regards to the content of the Management Report.

It is noted that the selection of the sample of financial statements assessed annually by CySEC is based on a mixed option model which combines the risk-based approach with the random sampling and rotation approach, in line with the ESMA Guidelines on Enforcement of Financial Information, which CySEC has adopted. The risk-based option is carried out based on the Risk Based Supervision Framework developed by CySEC, which takes into account the risk of inaccuracies in the financial statements, as well as the repercussions of an inaccuracy on the stock market. The sample selection criteria also take into account the Common European priorities on the supervision of financial statements, which are determined each year by ESMA in cooperation with the European supervisory Authorities. More information on how the sample is selected can be found in the Practical Guide "Listed Companies RBS-F Handbook" which is available on the CySEC website.

The selection of the financial statements for assessment in 2022 was made on a sample basis, as described above. In total, the annual and/or interim financial statements of eleven issuers were selected for assessment. In some cases, an overall assessment was made in relation to their compliance with IFRS, while in others, a focused/thematic review was conducted in relation to a specific accounting treatment or for the purposes of the common European priorities on the supervision of the financial statements for the year 2021, as determined by ESMA in cooperation with the European supervisory Authorities. In cases where the sample concerned the common European priorities, the assessments' results were also sent to ESMA. CySEC continued examining some of the selected financial statements in 2023.

# MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



## Monitoring the implementation of the Auditors Law of 2017 in relation to the Audit Committee

CySEC continued to monitor the issuers' compliance with article 78 of the Auditors Law of 2017 regarding their obligation to establish an audit committee. This ongoing monitoring covers both the establishment of the audit committee and, on a sample basis, the composition of the audit committees, to determine whether they comply with the provisions of the said Law.

## Circulars

A number of announcements and circulars were issued to issuers throughout the year, aiming to draw their attention to various issues relating to their ongoing obligations or the preparation of their financial reporting. A number of documents that concern issuers were also posted on CySEC's websites. Among others, these include public statements and reports of ESMA and ESMA Q&A on the Prospectus Regulation.

### 4.3.3.2 Authorisation and Approval

#### Applications for approval of Prospectuses for public offer or admission of securities to trading on a regulated market

The review of applications to have a Prospectus approved based on the existing institutional framework includes verifying that the Prospectus meets the standards of completeness, comprehensibility and coherence as prescribed in Regulation (EU) 2017/1129 and the relevant delegated acts. Two applications for Prospectus review were submitted to CySEC in 2022, for a public offer and/or admission of securities to a regulated market, pursuant to the existing law. CySEC examined these applications, as well as two applications submitted in 2021, and approved two Prospectuses while two applications were withdrawn by the issuers.

In 2022, CySEC did not receive any requests to approve Supplementary Prospectuses. It is noted that in July 2022, ESMA published a peer review report on the scrutiny and approval procedures of prospectuses by competent authorities emanating from article 20(13) of Regulation (EU) 2017/1129. The peer review covered all the National Competent Authorities (NCAs) which were sent a relevant questionnaire. In addition, six NCAs were selected for onsite checks. The peer review covered the following issues which relate to Regulation (EU) 2017/1129: Scrutiny of prospectuses, approval process and notification of approvals, guidelines on risk factors, NCA resources and Independence and liability. The results of the peer review as concerns CySEC are as follows:

| Scrutiny of prospectuses   | Approval process and notification of approvals | Guidelines on risk factors | NCA resources              | Independence and liability   |
|----------------------------|--|----------------------------|----------------------------|------------------------------|
| Fully meeting expectations | Largely meeting expectations                   | Fully meeting expectations | Fully meeting expectations | Largely meeting expectations |

As illustrated above, CySEC was found to be fully meeting expectations in three categories and largely meeting expectations in two. The results of the peer review of CySEC are considered to be very satisfactory.

### **Transfer of competency to approve the Prospectus**

In 2022, CySEC received three requests from two issuers, whose member state of origin under Regulation (EU) 2017/1129 is the Republic of Cyprus, to transfer the competency for approving their Prospectus to the competent supervisory Authority of another EU member state. CySEC examined the requests and decided, in accordance with article 20(8) of Regulation (EU) 2017/1129, to transfer the competency of approving the three Prospectuses to the competent supervisory Authority of the other member state on the basis of the relevant request, given that the competent supervisory Authority concerned had agreed to the transfer. In 2022, CySEC did not receive any requests from other supervisory Authorities to transfer their competency for approving Prospectuses to CySEC.

### **Public Takeover Bid Documents**

In 2022, two Public Offer Documents were submitted to CySEC following relevant announcements by the Bidders for a voluntary or compulsory public offer to acquire 100% of the share capital of a corresponding number of issuers with transferable securities listed on the CSE. CySEC examined these Documents and decided to approve and allow publication of one of these. CySEC prohibited the publication of one Public Takeover Bid Document after finding it did not satisfy the preconditions of the Takeover Bids Law of 2007 as amended.

### **Exemptions from the obligation to conduct a Public Bid**

In 2022, four applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined these applications and issued relevant decisions (approval or rejection) for three applications while examination of one continued in 2023.

### **Applications to exercise squeeze-out right**

In 2022, CySEC received one application from Bidders in a Takeover Bid to acquire the remaining shares of a company under acquisition which they had not acquired during the Public Takeover Bid to the shareholders of the company under acquisition. CySEC examined and approved this application.

### **Application to widen/change operations**

Within the framework of the procedure provided by the relevant Regulatory Decisions of the Council of the Cyprus Stock Exchange, in 2022 the Cyprus Securities and Exchange Commission, examined and agreed with the decision of the Council of the Cyprus Stock Exchange to approve the application of one issuer to widen their operations and exempt them from investment restrictions, in line with these Regulatory Decisions.



## **Delisting/suspension of trading**

In 2022, CySEC examined and approved the decision of the CSE Council to delist the transferable securities of three issuers from trading on the CSE's regulated markets, on the grounds that the conditions for the smooth operation of the stock market in respect to the securities of these issuers had ceased to exist and important ongoing obligations were not complied with.

It also approved, in the case of five issuers, the decision of the CSE Council to continue the suspension of trading of their transferable securities on the CSE's regulated market. In addition, for the above issuers, as well as another nine, after taking into consideration that the CSE did not have authority to suspend the trading of their transferable securities for a further period of time, CySEC decided, pursuant to the power conferred on it by article 70(2)(ic) of the Investment Services and Activities and Regulated Markets Law, to request from the CSE Council to suspend the trading of their transferable securities on the CSE's regulated market. The suspension would apply until their compliance with their ongoing obligations or until a specific date set by CySEC, as the issuers had not complied with specific obligations, resulting in investors not being given the necessary information.

### **4.3.3.3 Upgrading of the regulatory and supervisory framework**

In 2022, the Department continued to identify matters where the various laws that fall under the Department's competency needed to be amended or improved and briefed the Legal Department accordingly. Comments were also submitted to the Legal Department on the draft law for the transposition into Cypriot law of the discretionary powers provided in the Regulation of the European Parliament and Council as regards the prospectus. In view of the publication on the Encouragement of the Long-term Active Participation of Shareholders Law, the Department carried out a study to define the quantitative ratios for the identification of material transactions of issuers with related parties with a view to preparing the relevant Directive provided by the Law in question.

### **4.3.3.4 Participation in various groups in Cyprus and abroad**

The Department also participates in various ESMA groups. Specifically, in 2022 it participated in the Corporate Reporting Standing Committee, the European Enforcers Coordination Sessions (EECS), the Corporate Finance Standing Committee, the Narrative Reporting Working Group and the Takeover Bids Network.

## 4.4 Market Surveillance and Investigation Department

*“Investor protection and ensuring the smooth operation of the Cypriot capital market guide us in the execution of our duties as the Market Surveillance and Investigations Department.”*

**Alkis Pierides**

**Head of Market Surveillance and Investigations Department**

### 4.4.1 Duties/competencies

The Market Surveillance and Investigations Department (‘Department’) is responsible, among others, for investigating complaints filed with CySEC, carrying out own-initiative investigations, carrying out investigations on behalf of foreign supervisory Authorities and issuing investor warnings regarding companies that provide investment services in the Republic without holding a CySEC licence.

More specifically, the Department is responsible for:

- Investigating potential violations of legislation for which CySEC has been named the competent Authority.
- Investigating investor complaints.
- Monitoring stock market meetings on a daily basis with modern electronic monitoring systems.
- Receiving and monitoring notifications submitted to CySEC under Regulation 596/2014 on market abuse.
- Participating in ESMA committees that concern the Department’s operations.
- Issuing circulars and announcements to regulated entities and to investors.
- Cooperation with other Authorities and organisations of the Republic, EU member states and third countries within the framework of its aforementioned responsibilities.

### 4.4.2 Objectives for 2023

In 2023, the Department will focus on issues relating to CIFs with cross-border operations for which foreign supervisory Authorities submit repeated complaints about their aggressive sales practices.

### 4.4.3 The Department’s operations

#### 4.4.3.1 Investigations and administrative sanctions

In 2022, the Department conducted an entry and investigation on 15 CIFs and completed 39 investigations on regulated entities. At the end of 2022, 48 investigations were underway on various regulated entities. During the year, CySEC imposed administrative sanctions on a number of CIFs, as well as other natural or legal persons, over cases investigated exclusively by the Department. In a number of cases, CySEC reached a settlement.

# MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



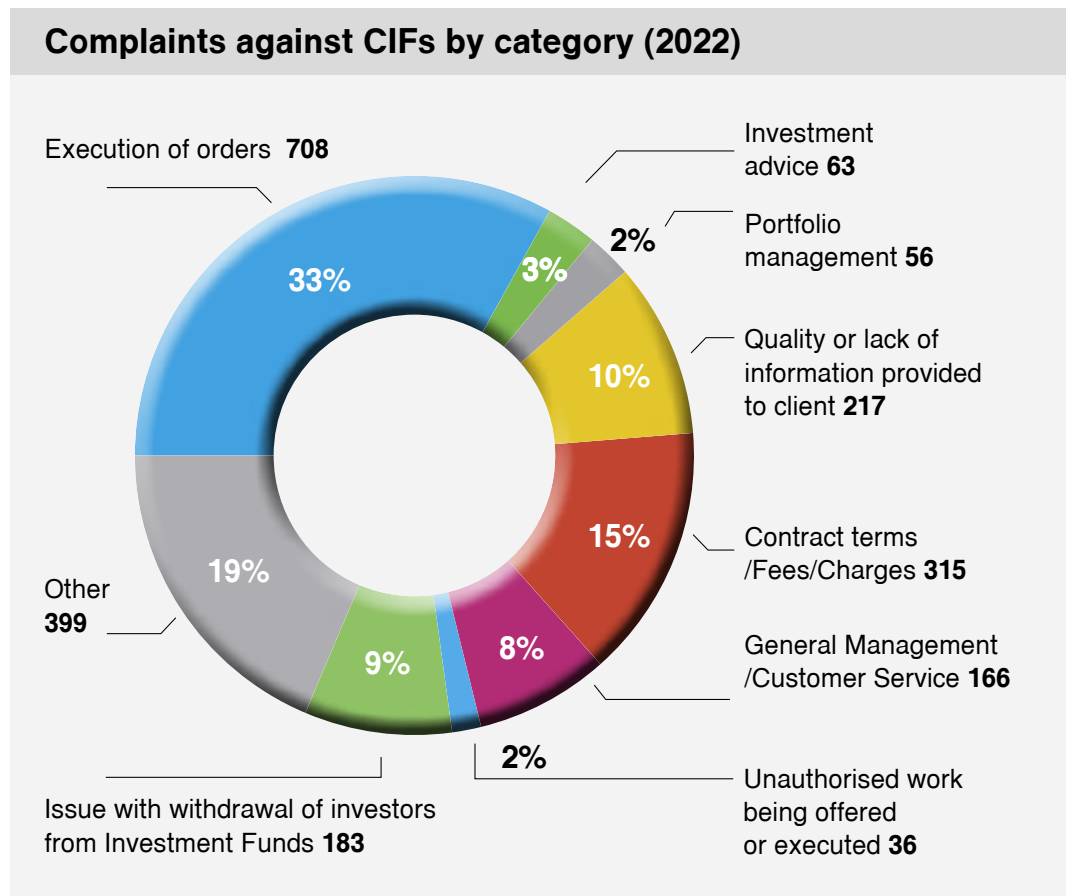
## 4.4.3.2 Investigating investor complaints

CySEC receives complaints from investors against regulated entities which it investigates. CySEC does not have the competency to compensate investors. All the complaints submitted to CySEC are taken into consideration within the framework of the exercise of its supervisory role, to the extent which these reveal more general (systemic) weaknesses at the aforementioned regulated entity.

### 4.4.3.2.1 CIFs

#### Investor complaints submitted to CySEC through the CIFs' complaints system

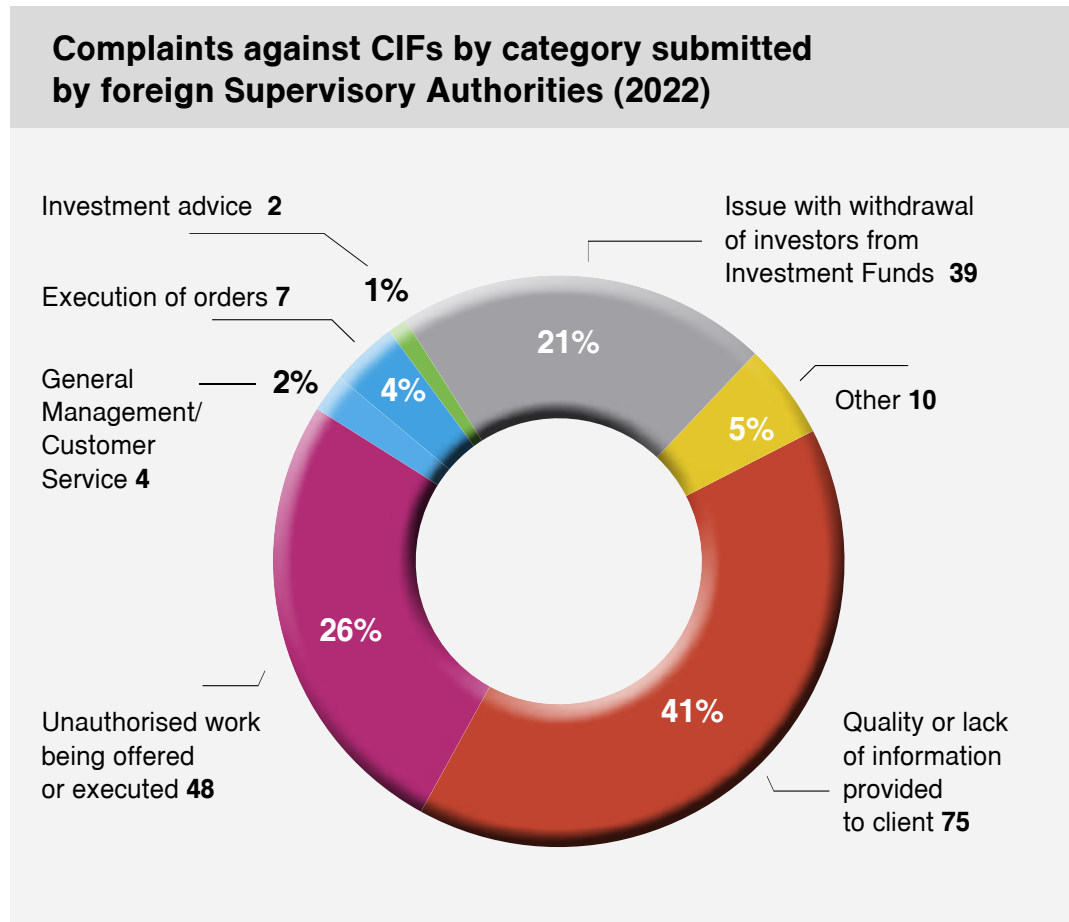
In 2022, CIFs submitted a total of **2,143** investor complaints to CySEC as shown in the diagram below:



The Department analysed the data based on set criteria and took specific supervisory actions.

### Investor complaints submitted through foreign Supervisory Authorities

In 2022, CySEC received 185 complaints against CIFs from foreign Supervisory Authorities, regarding a number of issues, as shown in the diagram below:



In line with the internal handbook on procedures for the handling of complaints, these complaints are initially examined by the Surveillance Department and cases requiring further investigation are forwarded to the Department to be dealt with.

### Investor complaints submitted to CySEC by investors

In 2022, a total of 99 individual investor complaints were submitted directly to CySEC through the CySEC website's complaints section.





### 4.4.3.3 Complaints against entities that may have provided investment services illegally

In 2022, a total of 267 complaints were filed by investors against entities that allegedly provided investment services illegally.

To investigate these cases, the Department generally acts as follows:

- carries out onsite inspections in premises to determine whether an entity providing investment services illegally is physically present in Cyprus.
- carries out checks through the website of the respective entities to determine whether they appear to be providing investment services from Cyprus without holding a CIF licence.
- gathers information by sending letters to natural or legal persons who are believed to be in a position to provide useful information to CySEC.

In addition, the Department issues announcements (warnings), at regular intervals, informing investors and the broader public that the websites cited in these announcements are not websites maintained by CIFs that have a relevant licence from CySEC to offer investment services.



CySEC urges the investing public to consult its website to be informed about the authorised (<https://www.cysec.gov.cy/entities/investment-firms/approved-domains/>) and unauthorised domains (<https://www.cysec.gov.cy/en-GB/investor-protection/non-approved-domains/>).

### 4.4.3.4 Submission of evidence to the Law Office of the Republic

Pursuant to article 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where a potential infringement may at first sight constitute a criminal offence, CySEC compiles a findings' report or a facts' report and submits them together with all the evidence at its disposal to the Attorney General of the Republic. In 2022, CySEC referred one such case to the Attorney General of the Republic, to decide whether any criminal offences were committed by companies or natural persons.

### 4.4.3.5 Cooperation with other Supervisory Authorities in framework of investigating cases

In 2022, CySEC received 51 requests from foreign Supervisory Authorities to provide assistance. CySEC gathered information from legal and natural persons, as provided for in article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), on behalf of these Supervisory Authorities. Six of the 51 requests for data collection, concerned the lifting of banking secrecy.

## 4.5 Risk Management and Statistics Department

*“Risk Management is integral for the achievement of CySEC’s objectives and mission, and by extension of its strategic plan. The right Risk Management process is based on timely and systematic identification, the correct evaluation and classification and the taking of the appropriate mitigating actions for the effective handling of risks. Risk Management identifies the sectors which need more attention, risks are prioritised and the relevant trends of the risks which affect CySEC are assessed, aiming at addressing them in a timely fashion and at defining CySEC’s supervisory plan”.*

**Marinella Georgiadou**  
**Head of Risk Management and Statistics Department**

### 4.5.1 Duties/competencies

The aim of the Risk Management and Statistics Department (RMSD) is to effectively manage all types of risks which concern CySEC (domestic and foreign), ensure their integrated monitoring, address them in a specialised manner and embed risk management as a key element in all substantive decisions taken by CySEC on every level. Within the framework of its duties and role as the Second Line of Defence of the Organisation, it monitors risk management procedures, supports and assists those involved in identifying and assessing risks and prepares reports on issues relating to risks for CySEC.

As regards risks which concern the operation of CySEC, the RSD has started creating an Operational Risk Management Framework. Every year, it prepares a risk management report for the entire organisation which is submitted to the Finance Ministry. Since 2023, the RMSD participates as an observer and coordinates the operations of the Special Risk Management Committee (SRMC) of the Board of CySEC. It also participates in the Risk Committee of ESMA and on the ESRB General Board as a non-voting member, representing CySEC.

Regarding the risks that concern CySEC-regulated entities, the RMSD has a coordinating role in implementing the Risk Based Supervision Framework (RBS-F), which assesses the risks for each regulated entity. It also has the role of coordinating and organising the meetings of the Executive Committee on RBS-F, which monitors its operation and implementation. Within the framework of assessing risks and to assist the supervisory role and strategic objectives of CySEC, as well as informing investors, the Department deals with the collection of a wealth of data from the regulated entities, its analysis and the mitigation of risks, and prepares various statistical publications/bulletins and other analyses, with the aim of assessing risks.



The Department can be contacted via email at: [risk.statistics@cysec.gov.cy](mailto:risk.statistics@cysec.gov.cy)



## 4.5.2 Objectives for 2023

The Department is working towards completing within 2023 the Enterprise Risk Management Framework (The ERM-F), a project which began in 2020. At the same time, the Risk Register is expected to be transferred to a special software for this purpose, which will provide a number of functions, including among other access to all Risk Owners.

In addition, monitoring risk management will be bolstered with the launch of meetings of the newly established Special Risk Management Committee (SRMC) of the Board of CySEC. Ensuring the effectiveness of Risk Management procedures is a priority both for the SRMC and for the RSD, which, in this context, is expected to bolster its role and duties as the Second Line of Defence at CySEC. The RSD will monitor the work of the SRMC as an observer, will act as a coordinator with all the departments of CySEC as regards the issues/reports conveyed to it for study/proposals/decisions, will submit reports and memos relevant to CySEC's risks to Management, to the SRMC and the Board and at the same time will provide secretarial support. In addition, within the framework of its responsibilities, the RSD will prepare and submit to the Finance Ministry within the second quarter of 2023 CySEC's third Risk Assessment report for 2022.

As regards the Risk Based Supervision Framework ('the RBS-F'), the RSD is continually working to upgrade it so that it is always up to date, monitoring the various developments which arise both in the legislative framework, the regulated entities as well as developments in the environment in which CySEC operates. Within the framework of expanding the RBSF with the inclusion of risk indicators which concern ESG factors and climate related risks, the RMSD has submitted a request to the Technical Support Instrument (TSI) on "*ESG risk management framework for the financial sector - Enhancement of CySEC's Risk Based Supervision frameworks on ESG risks*" and has received approvals from European Union's Directorate General for Structural Reform (DG Reform) within the framework of the programme for technical support for 2023 (TSI 2023). The project is expected to start in the third quarter of 2023 and with the participation of other supervisory Authorities. Moreover, the Department in cooperation with the AML/CFT Department will announce a project for compliance with the Guidelines 'EBA/GL/2021/16' published by the European Banking Authority with the aim of the tender being launched and the contract awarded to an external consultant within 2023. At the same time, the RMSD is working to complete a comprehensive risk management system and to develop a software application which will contribute to automating risk assessment. Finally, the Early Warning Tool 'EWT' is a project which is underway and will continually be enhanced with new indicators and data depending on developments in the market and emerging risks. The aim is for it to be implemented in stages for all regulated entities and all risk categories.

In addition, the Department in cooperation with the Supervision Department, monitors the implementation of a consistent methodology during the assessment of systemic risk resulting from leverage in the AIF sector according to article 25 of Directive 2011/61/EU (Guidelines).

In addition, the Department will explore whether there are needs for new/additional data and new infrastructure and tools with the aim of a thorough examination of internal and external risks to CySEC, as well as other statistical data on all regulated entities and will proceed with collecting and analysing it.

At the same time, in the context of informing investors, regulated entities and other stakeholders, the Department will continue to prepare a series of Statistical Bulletins, on an annual or quarterly basis, with the main market statistical data/indices.

It will also continue to monitor developments in innovation and technology and the risks/opportunities that arise. Within the framework of the technological upgrade of CySEC on issues data analysis, the RMSD is working to transfer all its current reports (statistical reports, bulletins, risk analyses) to the new MS BI system.

#### **4.5.3 The Department's operations**

##### **4.5.3.1 Enterprise Risk Management Framework - 'The ERM-F'**

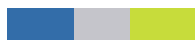
The ERM-F is at an advanced stage and aims to enhance existing procedures and tools used to assess, mitigate, monitor and report CySEC's risks.

The ERM-F aims, among other, to build and bolster the risk culture of the Organisation, to assign specific roles and responsibilities to all involved and highlight the most important risks which require the greatest care and management from the Organisation. In addition, the RBS-F will be incorporated into the ERM-F, with a view to streamlining the existing risk management procedures followed.

In 2022, CySEC drew up a Risk Register, which among other, lists the internal and external business risks surrounding CySEC as well as their sub-risks. During 2022, Risk Owners were asked to complete a Risk and Control Self-Assessment – RCSA assessing the risks that concern them. Within the framework of these questionnaires, the effectiveness of the controls implemented for each risk was assessed and further action was noted with a view to reducing risk.

Based on these findings, CySEC's second annual Risk Evaluation report was prepared and submitted to the Finance Ministry.

The ERM-F is expected to be fully implemented within 2023.



### 4.5.3.2. Risk Based Supervision Framework, RBS-F

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

The RBS-F is implemented for CIFs, ASPs, Collective Investment Management Companies and Issuers, on an annual and recurring basis. When implementing the framework, the Risk Cycle is followed, which was developed on the basis of international, risk management practices.

As in every year, various adaptations are made which concern the parameters and/or the architecture of the RBS-F. One of the most significant changes implemented concerns the architecture of the model (Pillar 1) for CIFs and concerns the separation (for the first time) of the risk for issues of Conduct from that for Prudential issues. Moreover, new parameters of risk have been incorporated to represent and include all the types of risk featured in the ESMA Heatmap Report, while new risk indicators were included for CIFs' activities in other countries (Cross-Border Risk).

In 2022, the Department completed its assessment of all CySEC-regulated entities, so as to classify them under one of the four risk categories (High, Medium-High, Medium-Low and Low Risk). Based on the results of the risk assessment, the Supervision, AML and Issuers Departments prepare their annual supervision action plans, in order to address the risks.

The Department took on the role of coordinating and organising the sessions of the RBS-F Executive Committee, which monitors the framework's operation and implementation. In 2022, the Executive Committee held three sessions, discussing various current issues involving the risk management of regulated entities.

The RMSD in cooperation with the Supervision Department set up an Early Warning Tool 'EWT', initially for the purpose of Conduct Risk for CIFs which will contribute to bolstering and enhancing CySEC's RBS-F supervisory framework so as to address risks in a timely manner. This tool can identify significant changes in the risk profile of companies as well as new or emerging risks in real time. It will be used in parallel with the RBS-F and will boost CySEC's prudential supervision, both for domestic and cross-border issues. The basic objective of the tool is to give CySEC the ability to act preventively, immediately and effectively at all times, as it assesses and adapts the frequency and intensity of its supervision according to market developments. The EWT analyses data through the information collected from various publications submitted to CySEC by CIFs.

#### **4.5.3.3. ESRB Bottom–up Quarterly Survey – preparation of Quarterly Systemic Risk Survey**

As part of its duties to monitor and assess external risks for CySEC, the RMSD participates as an observer in the European Systemic Risk Board (ESRB - General Board). It also contributes on a quarterly basis by completing ESRB's Quarterly Systemic Risk Survey. This Survey is sent every quarter by the Central Bank of Cyprus on behalf of all Cypriot supervisory Authorities.

#### **4.5.3.4. ESMA Guidelines in relation to Article 25 of the AIFMD Directive**

In cooperation with the Prudential Supervision Team (Supervision Department), the RMSD in 2022 carried out its first assessment of systemic risk arising from leverage in the AIF sector, based on ESMA Guidelines on Article 25 of the AIFMD Directive. The aim of this work is to ensure that supervisory Authorities will follow a consistent methodology when assessing the systemic risk arising from leverage in the AIF sector, as well as a common methodology for assessing and imposing any measures related to leverage. This assessment was carried out to identify the AIFs which are more likely to pose risks for the financial sector and to assess the potential systemic risks related to leverage for those AIFS identified above. The results of this assessment were conveyed to ESMA.

#### **4.5.3.5 Data Policy document**

With the completion of the Data Governance Framework project, the RMSD finalised the Policy Document for CySEC's Data Governance. The document covers the protocols which the organisation will use for Data and will include the basic provisions of the Framework which cover the management of Data at CySEC.

#### **4.5.3.6 Statistical Analysis and Surveys**

The RMSD collects a wealth of data and information from the regulated entities, as part of assessing their risks, but also for further statistical analysis and the preparation of reports and specialised surveys, as well as statistical bulletins.

#### **4.5.3.7. Publications**

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

# MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



## Annual Statistical Bulletin

The Department published the Annual Statistical Bulletin, which included basic statistical data for all CySEC-regulated entities for the years 2018-2021, with greater emphasis on 2021. The Annual Statistical Bulletin for all CySEC-regulated entities is published once a year and is enriched with new findings and additions. In 2023, the 6th Annual Statistical Bulletin will be prepared and published on CySEC's website, with data for 2022.

## Quarterly Statistics for Management Companies and Undertakings for Collective Investment Sector

The RMSD prepared the quarterly statistical bulletins for the last quarter of 2021 and the first two quarters of 2022, for Management Companies and Undertakings for Collective Investment. The bulletins are published on CySEC's website and are one of the main tools to keep the market up to date on the collective investment sector in Cyprus.

### **4.5.3.8. Participation in various groups in Cyprus and abroad**

In 2022, the Department participated in ESMA's Senior Supervisors' Forum, whose aim was to facilitate the exchange of experience between supervisory Authorities regarding Risk Based Supervision (RBA).

It also participated in the Committee for Economic & Markets Analysis, in the CEMA AIFMD Task Force, the CEMA MiFID Task Force and the CEMA EMIR Task Force.

The RMSD also monitored the meetings of the Data Standing Committee (DSC) on the preparation of guidelines/standards of MIFIR, EMIR and AIFMD.

The RMSD also represents CySEC as a non-voting member on the General Board of the European Systemic Risk Board ('ESRB'). Moreover, in cooperation with other CySEC departments, the RMSD participates actively in the Peer review on supervision of cross-border activities of investment firms.

## 4.6 IT and Operations Department

*“The IT Department and digital transformation are inevitably fellow travelers in the ever-evolving technological landscape. The Department bolsters CySEC with innovative systems and upgrades existing infrastructure. The impact of the pandemic has led the IT Department to adapt, to make the best and adopt cutting edge technologies. In addition, with the growing trend of remote work, complex and advanced methods to avert cyberattacks have been developed. The IT Department takes the lead in protecting and safeguarding CySEC’s systems, networks and data.”*

**Yiannis Kallis**

**Head of IT and Operations Department**

### 4.6.1 Duties/competencies

The IT and Operations Department is responsible for managing and upgrading CySEC’s IT systems infrastructure, its website and internal network, as well as other matters relating to the adoption of modern technologies. The main goal is to ensure effectiveness, the safety of data management and seamless communication in the fulfilment of CySEC’s duties, as well as to increase productivity and reduce costs.



The Department can be contacted at: [information.technology@cysec.gov.cy](mailto:information.technology@cysec.gov.cy)

### 4.6.2 Objectives for 2023

The IT Department’s main task is the digital upgrade of CySEC. To this end, two important projects are underway at the Organisation. The first concerns checking and managing licence applications by CySEC and the second concerns the process of registering and examining certifications offered by CySEC. These two projects will drastically reduce the times needed to check applications, as these will be carried out digitally with automatic control mechanisms, averting errors to a great extent.

At the same time, the IT Department has acquired the Power BI reporting platform. Power BI is an innovative reporting and analysis platform which at the same time is in step with the constantly changing digital landscape. In addition, training seminars have been carried out for personnel who will be using the Power BI reporting platform. The Power BI reporting platform is expected to be fully operational in 2023 with the completion of the transfer of reports from the current SAS VA system to the new Power BI reporting platform.



# MARKET SUPERVISION AND COMPLIANCE OF REGULATED ENTITIES



In addition, because of the increase in the number of cyberattacks observed globally, and taking this issue seriously into consideration, the IT Department is planning a series of actions which will include, among other, training, announcements to personnel, implementation of security systems and recording of the policies/procedures to mitigate cyberattacks and develop awareness about cybersecurity.

The link between our XBRL system with the European Banking Authority so that all CIF reports will be sent automatically will be completed in 2023. Data from the MiFIR regulatory framework is expected to be transferred to a Microsoft Azure cloud in 2023, significantly facilitating the management and processing of data.

## **4.6.3 The Department's operations**

### **4.6.3.1 Infrastructure Upgrade Projects**

2-factor authenticator security systems and training of staff to improve awareness on cybersecurity

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2022 was a year of rapid developments and changes centered on digital transformation. In parallel, the IT Department gave special emphasis to cybersecurity. Taking into consideration the dangers of cyberattacks, the IT Department has implemented 2-Factor Authenticator (2FA) controls on CySEC's systems.

This procedure requires users to provide two forms of identification to access their accounts. Other than a password, a user is also obliged to provide a one-time password which is created by an authentication app or is received by SMS.

2FA is a simple and effective way to bolster the security of sensitive information and protection from cyberattacks. The implementation of 2FA improves CySEC's protection and drastically reduces the possibility of its systems, data and networks being breached.

At the same time, it makes training of CySEC staff on best practices and appropriate safety protocols of vital importance.

To this end, all CySEC staff attended a seminar on cybersecurity. Personnel were informed about the importance of cybersecurity and how to implement best practices in their daily work. In general, cybersecurity training seminars are a valuable investment for CySEC as they contribute to reducing the risk of security breaches and improving its overall protection from such incidents.

#### Installation of Ticketing system

In 2022, the IT Department went ahead with the implementation and operation of a Ticketing system. This is a digital tool which enables the IT Department to handle queries and requests from regulated entities or internal users. In parallel, it allows it to carry out analyses and to issue reports in various forms which serve as decisions on a strategic level as below:

- Analysis and reports on the number of ‘tickets’ that have been resolved, that cannot be resolved as well as those that are pending.
- Analysis and reports on which officer or which Department has resolved most ‘tickets’ and how much time was needed.
- Analysis as to which Department received the most tickets.
- Maintains a record with customary answers, enabling officials to reuse them
- Makes it possible to check the flow of a ticket as well as its status (pending, resolved), who resolved it, the history, the importance of the ticket and other.
- Makes it possible to provide automated answers.
- Makes it possible to distribute the tickets to multiple officers when cooperation is needed to resolve them.
- In addition, makes it possible for senders of the tickets to issue reports, for example which entity has sent the most tickets.

In conclusion, ‘Ticketing’ can benefit CySEC, improving the effectiveness and quality of its support services to regulated entities as well as its staff. It develops a more positive relationship between regulated entities and ensures that all queries are handled in a consistent and effective way.

## CORPORATE SOCIAL RESPONSIBILITY



At CySEC we all work together to create a positive impact on the society in which we live and work, turning the values of our organisation on every aspect of our daily lives into action.

The term Corporate Social Responsibility – CSR refers to the actions of organisations aiming to contribute to addressing social issues. As organisations and as the people who compose them, we have a debt to recognise the responsibility that each and every one of us has to society and the environment. At CySEC, Corporate Social Responsibility is implemented on an organised basis, promotes volunteerism, participation, collective effort and embraces a wide spectrum of sectors.

### **Our actions in society**

CySEC considers social action and the organisation's substantive contribution to society a significant objective. Within this context, actions are developed that have a positive impact on society more widely, cultivating a culture of social awareness. Our actions support social bodies such as public benefit and non-profit organisations and charitable institutions in various ways. The people of CySEC participate actively and on a volunteer basis in the implementation of social contribution activities coordinated by the Social Responsibility Team that has been set up by members of the staff. The main activities carried out in the year under review are described below in brief:

- **Financial aid to the Cyprus Anti-Cancer Society**  
In February 2022, CySEC's personnel provided financial support for the work of the Society by buying bracelets of a total value of €219.

- **Humanitarian help for the people of Ukraine**

In a spirit of solidarity and the unbridled desire to support fellow human beings in distress, in March 2022 CySEC personnel offered humanitarian help to the people of Ukraine, making monetary donations to a special bank account set up by the government and collecting foodstuffs at collection points.

- **Participation in the campaign 'Adopt a Family for Easter'**

In a gesture of respect for our fellow human beings and inspired by a sense of solidarity, CySEC staff donated €400 to the Pancyprian Volunteerism Coordinative Council (PVCC) campaign in April 2022, bringing smiles of happiness to vulnerable families.

- **13<sup>th</sup> CySEC Blood Donation**

Aware of the serious shortage in blood reserves, CySEC organises at least two group blood donations annually. To this end, in May 2022, a group of CySEC employees donated blood at the Engomi Blood Donation Centre.

- **Participation in the campaign 'All children with school supplies'**

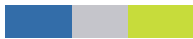
In August 2022, CySEC personnel supported the campaign of the Pancyprian Volunteerism Coordinative Council (PVCC) 'All children with school supplies'. In a gesture of substantial solidarity and support, CySEC's personnel cooperated, offering school supplies and clothes to children of vulnerable families with the aim of helping all children start the new school year with all necessary items and smiles of hope and happiness.



- **Collection of books in cooperation with Alkinoos Artemiou Foundation**

A collection and in-house bazaar were held in September 2022 with the aim of supporting the multifaceted work of the Alkinoos Artemiou Foundation. The specific action was carried out in two stages. In the first, CySEC personnel donated books they no longer needed and in the second, an in-house bazaar was held, with sales raising €495.

## CORPORATE SOCIAL RESPONSIBILITY



- **14th CySEC Blood Donation**

In November 2022, the second group blood donation of the year was organised with a group of CySEC employees going to the Engomi Blood Donation Centre to boost the blood bank.



- **Christmas Charity Bazaar**

CySEC's established annual Christmas Charity Bazaar was held in December 2022, aiming to relieve and support people in need. More than €2000 was raised through this act of love and warmth. Part of the proceeds were donated to support the Pancyprian Volunteerism Coordinative Council (PVCC) campaign 'Adopt a family at Christmas' with the purchase of supermarket coupons of a total value of €1000 so that ten vulnerable families could purchase necessities for their Christmas table. In addition, financial support was given to the Cyprus Anti-Cancer association with the direct purchase of items worth €317. The remaining sum was shared out among eight charity associations and institutions, with each receiving a donation of €100.





- **Boosting CySEC's culture**

Efforts to boost CySEC's culture continued in 2022 with the organisation of seminars for all members of the staff.

- **Digital transformation - Paperless Office**

To minimise the Organisation's ecological footprint by reducing the use of consumables, such as paper and ink, CySEC has operated a modern Central Archiving and Document Management system since 2014. Under this technologically advanced system, documents created or received and/or archived by CySEC are entirely digital. Furthermore, CySEC adapted its procedures with a digital signature to enable the easy and secure submission of documents and data by regulated entities. In this context, CySEC decided that all its publications, such as the Annual Reports and the Statistical Bulletins, will be available exclusively in digital form.

- **Recycling and energy saving**

In 2022, CySEC continued to recycle various materials used by the Organisation in large quantities, such as paper, plastic and batteries, contributing in this way to both the saving of energy and raw materials, and to reducing the volume of waste and its negative impact on the environment. In addition, CySEC's Department of Finance, Personnel and Training is in constant contact with personnel, encouraging them to save energy and informing them about actions which concern protection of the environment.

- **Protection of the environment**

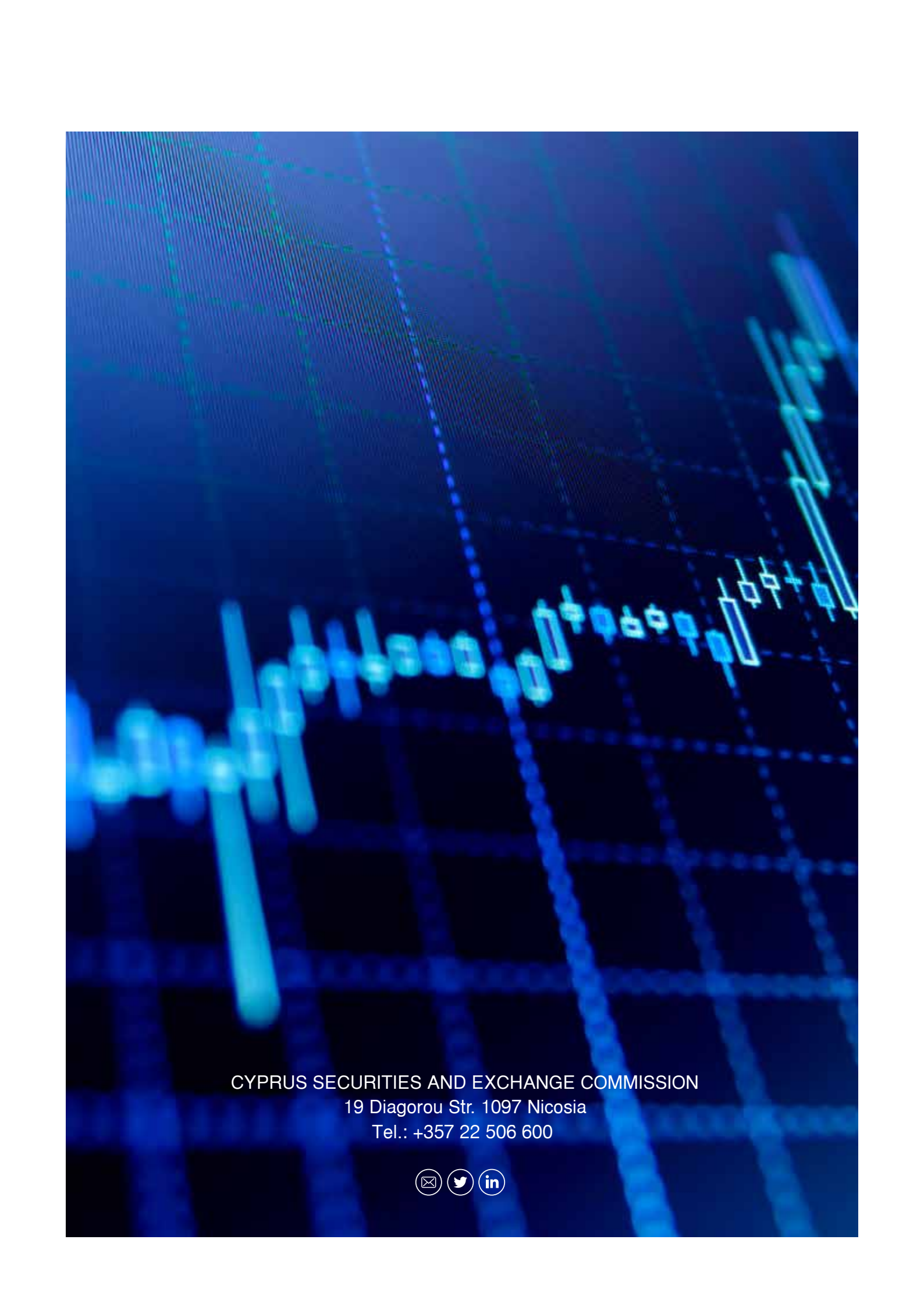
It is worth noting that CySEC follows all the proposed measures/guidelines issued by the Energy Service of the Ministry of Energy, Commerce and Industry, as well as the recommendations of the Cyprus Energy Foundation. In this context, the tenders published by CySEC for the purchase of products include special provisions related to environmental protection.

- **Honorary distinction for CySEC**



Within the framework of the 7th Corporate Volunteering Competition and Volunteering Contribution of the Pancyprian Volunteerism Coordinative Council (PVCC), CySEC was honoured for the active participation of its personnel in social responsibility actions. More information on the award is available [here](#).





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