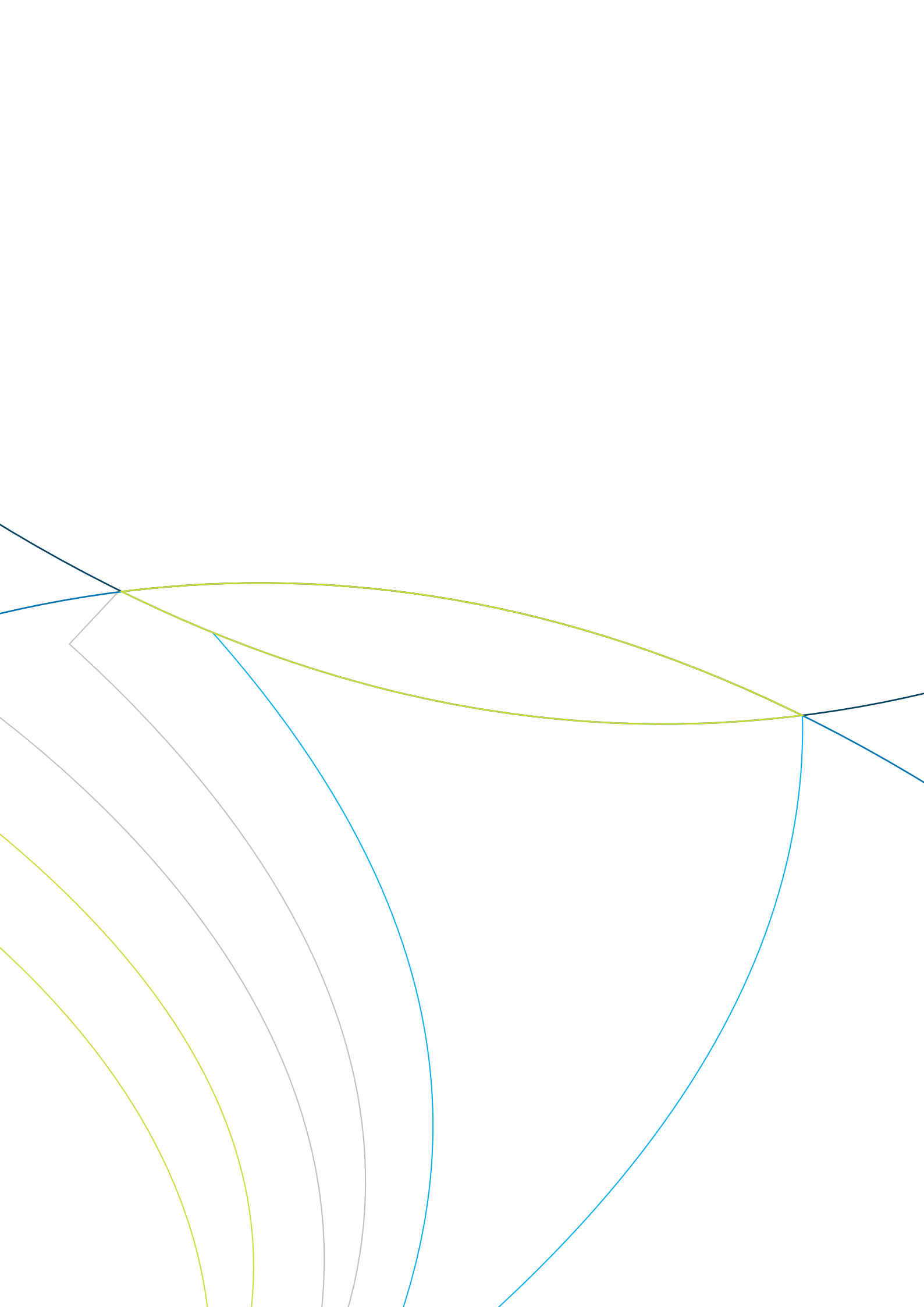




ΕΠΙΤΡΟΠΗ  
ΚΕΦΑΛΑΙΑΓΟΡΑΣ  
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

Annual Report 2021



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**Dr. George Theocharides**  
Chairman of CySEC

In 2021, the investment services sector continued to grow at a steady pace despite the challenges due to the coronavirus pandemic (COVID-19). The Cyprus Securities and Exchange Commission (CySEC) took all the measures prescribed by the Government's decrees to ensure the wellness of its staff and market stakeholders, as well as the smooth continuation of its operations.

Great importance was also attached to keeping investors up to date on all developments in the investment services sector, through notifications and announcements published in the special section of the CySEC website, as well as through articles in the press. CySEC's priority throughout this very difficult year was to ensure the smooth and uninterrupted operation of the securities market and, in extent, protect investors, especially at a time when investment interest for high-risk products was particularly strong, while at the same time the environment favoured unscrupulous activity.

By the end of the year, CySEC had 806 entities under its supervision, compared to 788 at the end of 2020, recording a 2.28% increase. Compared to 2019, before the outbreak of the pandemic, the increase is of the order of 8.04%. In 2021, CySEC continued to examine applications to license new regulated entities. In total, 84 entities were approved, of which 69 are active in collective investments, 12 in the provision of investment services and 3 in the provision of administrative services. The total number of entities under CySEC's supervisory authority is expected to increase further, as 116 applications are currently under review.

The growth in the investment sector is creating new jobs for highly qualified individuals, both in the sector and in other related supporting services.

Due to the difficult circumstances created by the pandemic, CySEC's Supervisory Departments monitored the compliance of regulated entities with their legal obligations, mainly by conducting remote and desk-based inspections and monitoring of activities.

More specifically, in 2021 the Supervision Department carried out, inter alia, 308 remote and thematic reviews on CIFs and completed the assessment of the results of the remote inspections conducted in 2020. The Supervision Department also carried out 460 remote and desk-based inspections on Undertakings for Collective Investment and a remote inspection of the Central Securities Depository (CSD).

In 2021, the CySEC Department responsible for anti-money laundering and countering the financing of terrorism (AML/CFT) completed the onsite inspection process for 60 regulated entities and audited 478 compliance officers' annual reports and Internal Audit Reports for the year 2020, including the relevant minutes of the Boards of Directors for 239 Cyprus Investment Firms, Administrative Service Providers and Management Companies. It also conducted audits under Circular 416 of 11/2020, titled "Business relationship with persons who have acquired Cypriot citizenship through naturalisation by exception under the Cyprus Investment Programme (CIP)". The relevant process was completed in 2022.

For its part, the Issuers Department examined, inter alia, the compliance of issuers with their obligation to publish their Annual Financial Report for the financial year 2020 and their Interim Financial Report for the first half of 2021.

The Market Surveillance and Investigations Department conducted 4 entries-and-investigations (Entry into domestic premises or searches of domestic premises for the purposes conducting an investigation) and completed 41 investigations,

while another 30 investigations were underway at the end of 2021. Moreover, 4 cases were referred to the Attorney General of the Republic to establish whether criminal offences have been committed by companies or natural persons.

As a result of the above investigations and supervisory controls, CySEC imposed a total of €1.34 million in administrative fines, the vast majority of which relate to fines and settlements with CIFs for breach of the legislation governing investment services, known as MiFID II. In total, over €4.53 million in administrative fines have been imposed over the last two years, out of which over €3 million concerned CIFs. In 2021, CySEC also suspended the licence of 6 CIFs, revoked the operating licence of 4 CIFs and called on more than 80 regulated entities to take specific measures within a specific deadline to rectify weaknesses and/or omissions identified during the inspections of the supervisory Departments.

The pandemic acted as a catalyst, introducing huge changes in the financial services sector, while the widespread use of technology has created opportunities, but also challenges, making it necessary to take initiatives that will allow CySEC to continue to keep pace with market developments.

To this end, CySEC has strengthened its supervisory controls on CIFs, in particular with regard to the use of aggressive or misleading marketing practices or other methods that pose risks to investors and are not in line with the legislation governing investment services. In particular, CySEC monitors the online marketing practices of CIFs through a specialised system that allows it to collect and analyse the information. The system is able to track all relevant references from any source worldwide, including social media, information websites, forums, video viewing websites and advertising networks, and covers 187 languages.

It is worth noting that in the past year, CySEC also increased its workforce. More specifically, 32 new officers were recruited in October 2021, out of whom 15 have been assigned supervisory duties.

In this ever-changing environment, CySEC is investing in prudential supervision, developing a range of specialised systems that enable it to keep pace with the rapid digitalisation of the sector, ensuring an effective protection framework for investors and the smooth operation of the market. In particular, CySEC has implemented a system for the input, processing, storage and reporting of transaction data aimed at managing useful information to be utilised in the supervision of the transaction data of connected entities on the market. The system will be connected to European Securities and Markets Authority's (ESMA) hub and perform the capture and input of relevant data, allowing CySEC to store it securely while generating, among others, standardised reports.

CySEC is also in the process of developing procedures and methodologies which, with the appropriate technological infrastructure, will enhance the conduct of supervision using data deriving from Regulations such as European market infrastructure regulation (EMIR), Markets in Financial Instruments Regulation (MIFIR) and Securities Financing Transactions Regulation (SFTR), to automatically identify potential risks and irregularities at an early stage. The project is already underway and will be completed in stages.

In addition, during 2021, the necessary upgrades were made to the Risk Based Supervision Framework (RBS-F) system, to ensure that it is continuously updated and takes into account any developments and changes in the market.

In 2021, the installation of the Central Trusts Register system was completed and is expected to become operational in the first quarter of 2022. The electronic Register of Crypto Assets Services Providers will also be established in 2022. CySEC will supervise the said Providers only in relation to their compliance with AML and terrorist financing.

As far as legislation is concerned, in 2021 CySEC represented the Republic of Cyprus at the Council of the European

Union as a national expert on the adoption of upcoming legislation in the financial sector. It will continue to represent the Republic in these meetings in 2022.

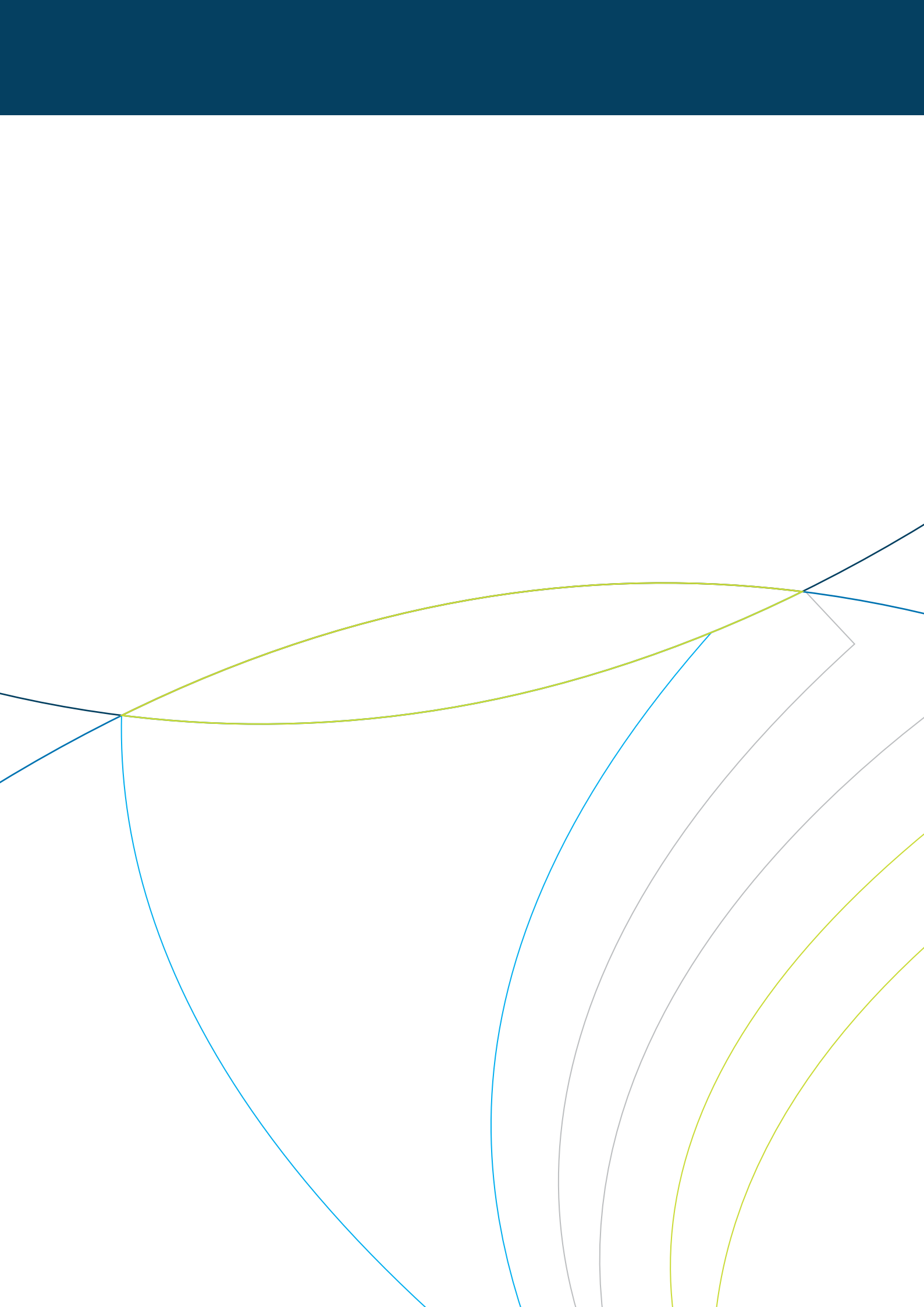
Upcoming legislation includes the proposal for a European Regulation on digitalisation and operational resilience in the financial sector, known as the Digital Operational Resilience Act (DORA).

The regulation of financial products with the use of distributed ledger technology (DLT) is also under discussion. In particular, the proposed European Markets in Crypto Assets Regulation (MiCA) will regulate the initial offering, trading and provision of services in crypto assets, including the so-called "stablecoins".

Amendments and new regulations are also anticipated in the framework of the Action Plan on the Capital Markets Union, while at the local level, the draft law on the regulation and operation of companies providing administrative services to Alternative Investment Funds (fund administrators) will be finalised in early March 2022.

At the same time, CySEC attaches particular importance to the continuous education and training of professionals in the sector. This is essential to maintain the high quality of services offered. In this context, examinations will be held in the second half of 2022 for the staff of the regulated entities that are in direct contact with investors for the marketing of investment products.

Despite the ongoing challenges in the financial environment, the market in Cyprus continues to grow and develop at a steady pace.



## Regulated entities and Authorisations

In 2021, 84 entities were authorised, of which 69 were active in collective investments, 12 in the provision of investment services and 3 in the provision of administrative services.

By the end of the year, CySEC had 806 entities under its supervision, compared with 788 at the end of 2020, recording an increase of 2.28%.

Compared to 2019, before the outbreak of the pandemic, the increase is of the order of 8.04%.

## New job opportunities

The development of the investment sector is creating new jobs for highly qualified individuals in the sector and in other related supporting services.

# 25

1996 - 2021

## 25 years of CySEC

On the occasion of its 25th anniversary, CySEC organised an online conference titled "CySEC 25 Years: The Past, Present and Future of Financial Development and Innovation", as well as several other activities aimed at keeping investors and stakeholders up to date. The conference focused on the transformation and development of the investment services sector in Cyprus and on future prospects.

## Recruitment



CySEC's human resources were significantly strengthened with the recruitment of 32 new officers in October 2021, of which 15 have been assigned supervisory duties.

## Fines and other measures

- Administrative fines totaling more than €1,34 million were imposed in 2021.
- 6 CIFs had their operating licence suspended.
- 4 CIFs had their operating licence revoked.
- Specific measures were imposed on over 80 regulated entities for weaknesses and/or omissions identified.

## Supervisory action

CySEC's supervisory Departments monitored the compliance of the regulated entities with their legal obligations, mainly by conducting remote and desk-based inspections and monitoring of activities, due to the difficult conditions created by the pandemic.

- 308 remote inspections on CIFs.
- Monitoring of the marketing communications of 27 CIFs.
- 460 remote and desk-based inspections of Units of Collective Investments (UCIs).
- 60 onsite inspections of regulated entities and review of 478 compliance officers' annual reports and Internal Audit Reports for the year 2020.
- The Market Surveillance and Investigations Department conducted 4 entries-and-investigations and completed 41 investigations, while another 30 investigations were underway at the end of 2021.
- Four cases were referred to the Attorney General of the Republic to determine whether criminal offences have been committed by companies or natural persons.





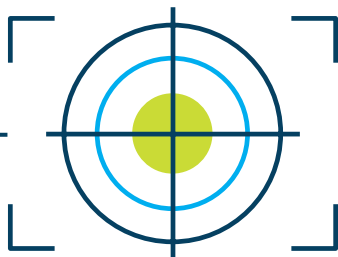
## Enterprise Risk Management Framework (ERM-F)

Effective risk management, as a continuous and evolving process, will allow CySEC to approach and assess risks deriving from past, current and future activities.



## Data Governance Framework (DGF)

The DGF will provide a comprehensive approach to managing CySEC data, by distinguishing all data-related activities into three main pillars: (a) people, roles and responsibilities, (b) policies and procedures, and (c) technological infrastructure, tools and systems.



## Risk Based Supervision Framework (RBS-F)

During 2021, upgrades were made to the Risk Based Supervision Framework (RBS-F) system, to ensure that it is kept up to date and takes into account any developments and changes that may pose risks to the market.

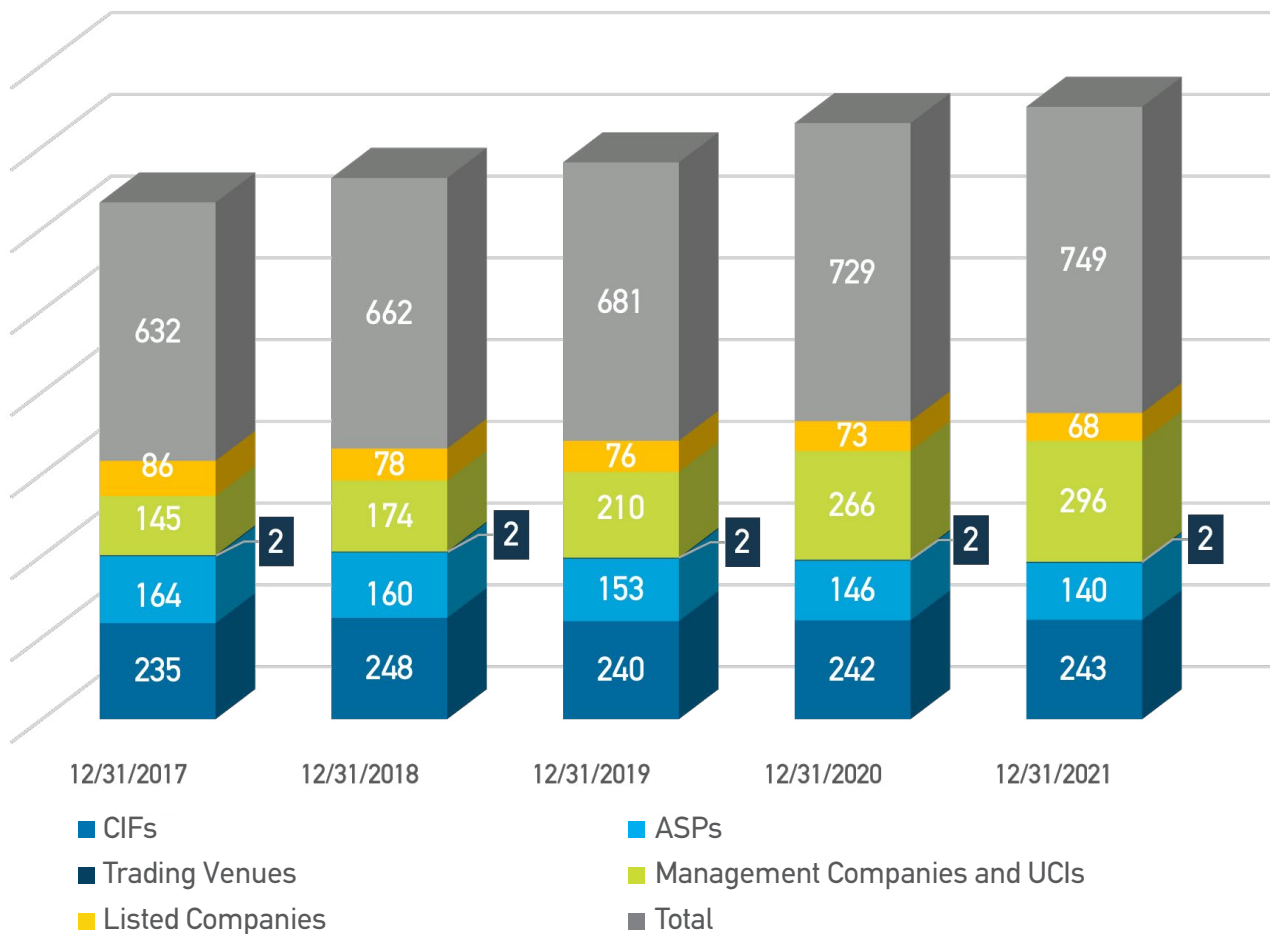
## Central Trusts Register

In 2021, the installation of the Central Trusts Register system was completed.

# 2021

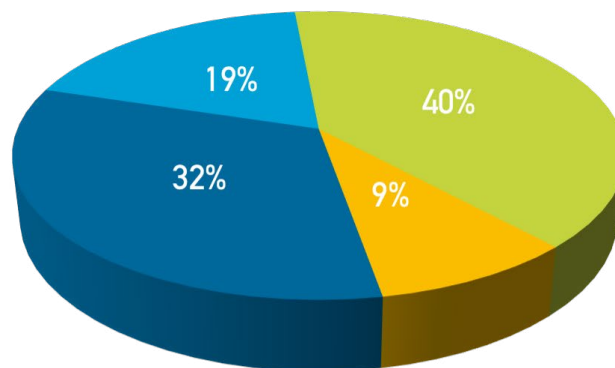
# The regulated entities in numbers

## The regulated entities in numbers



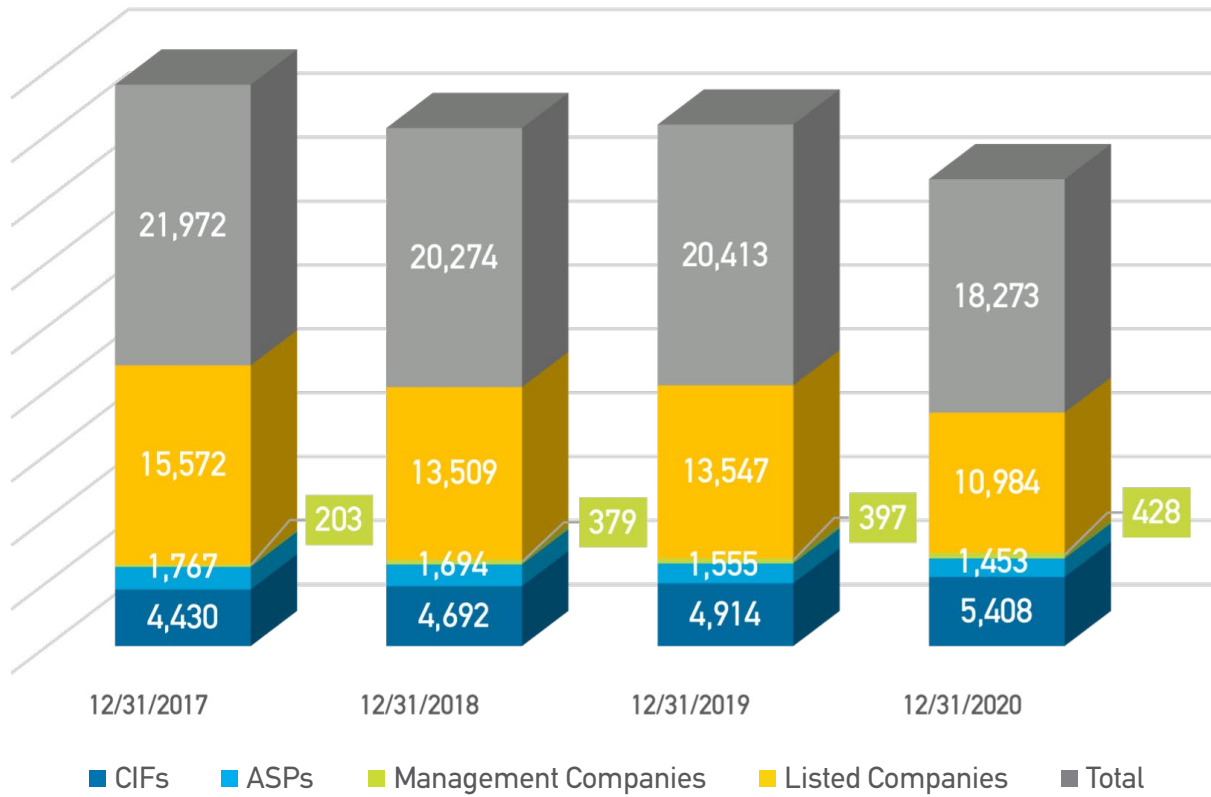
\* The number of Listed Companies does not include companies listed on the CSE Emerging Companies Market

## Regulated Entities as a percentage in 2021



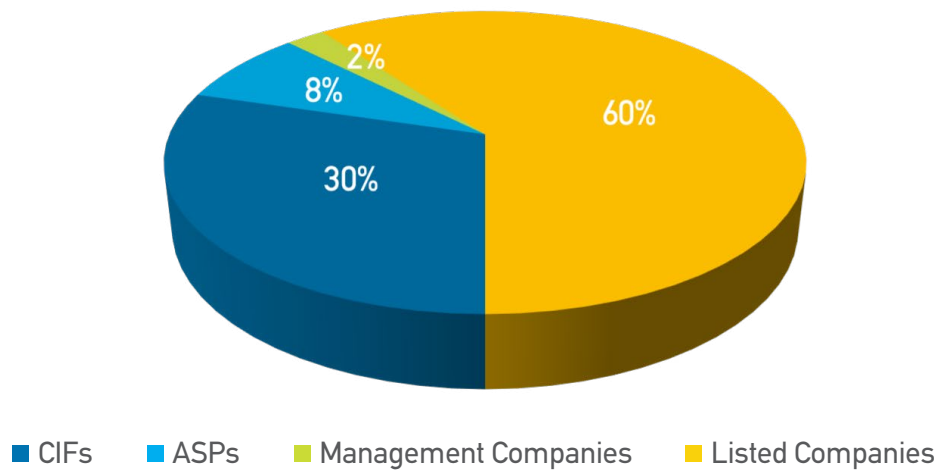
■ CIFs    ■ ASPs    ■ Management Companies and UCIs    ■ Listed Companies

## Number of employees



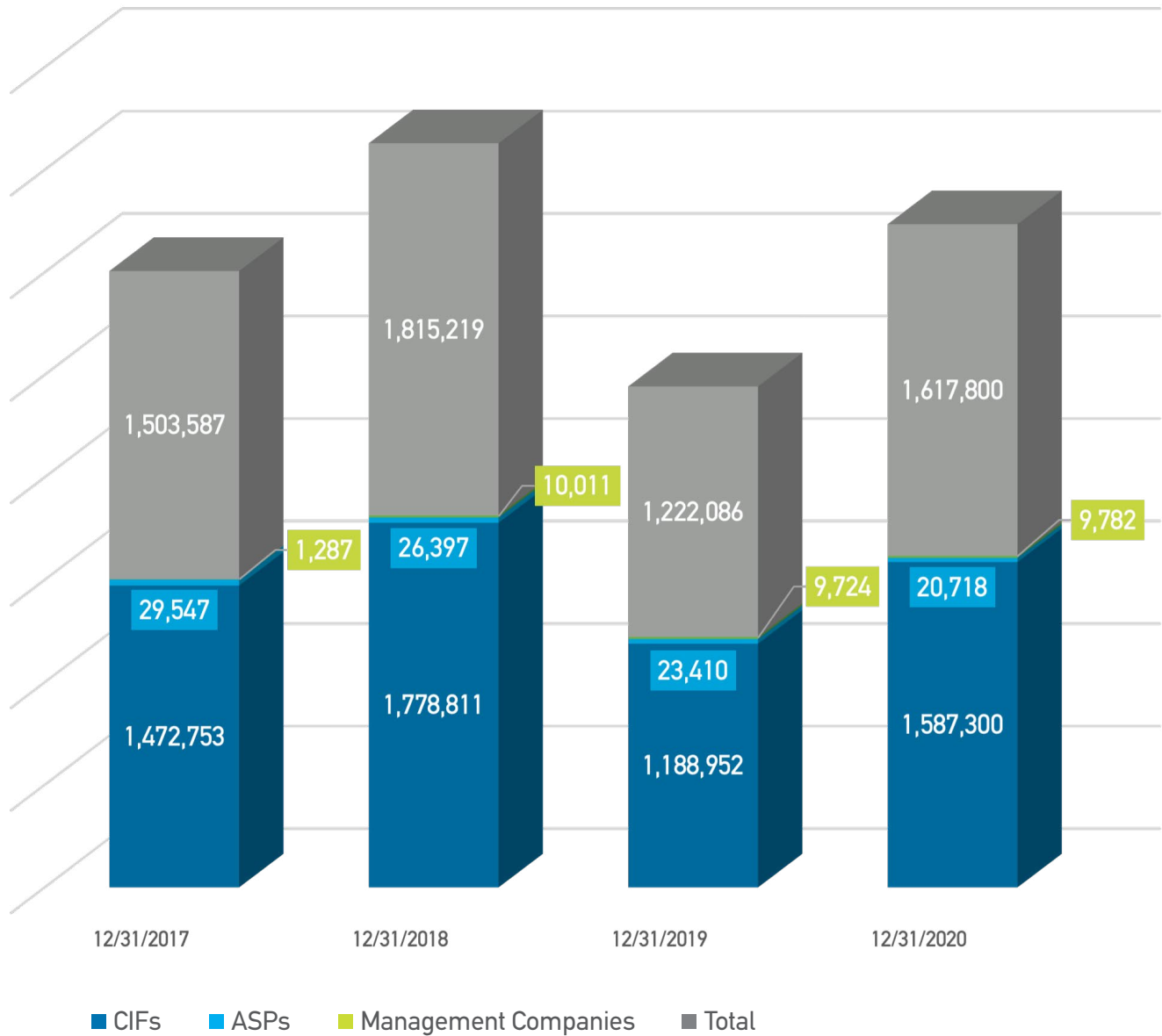
\*\* The number of Listed Companies includes only the employees of the companies listed on the CSE Regulated Market

## Number of employees as a percentage in 2020

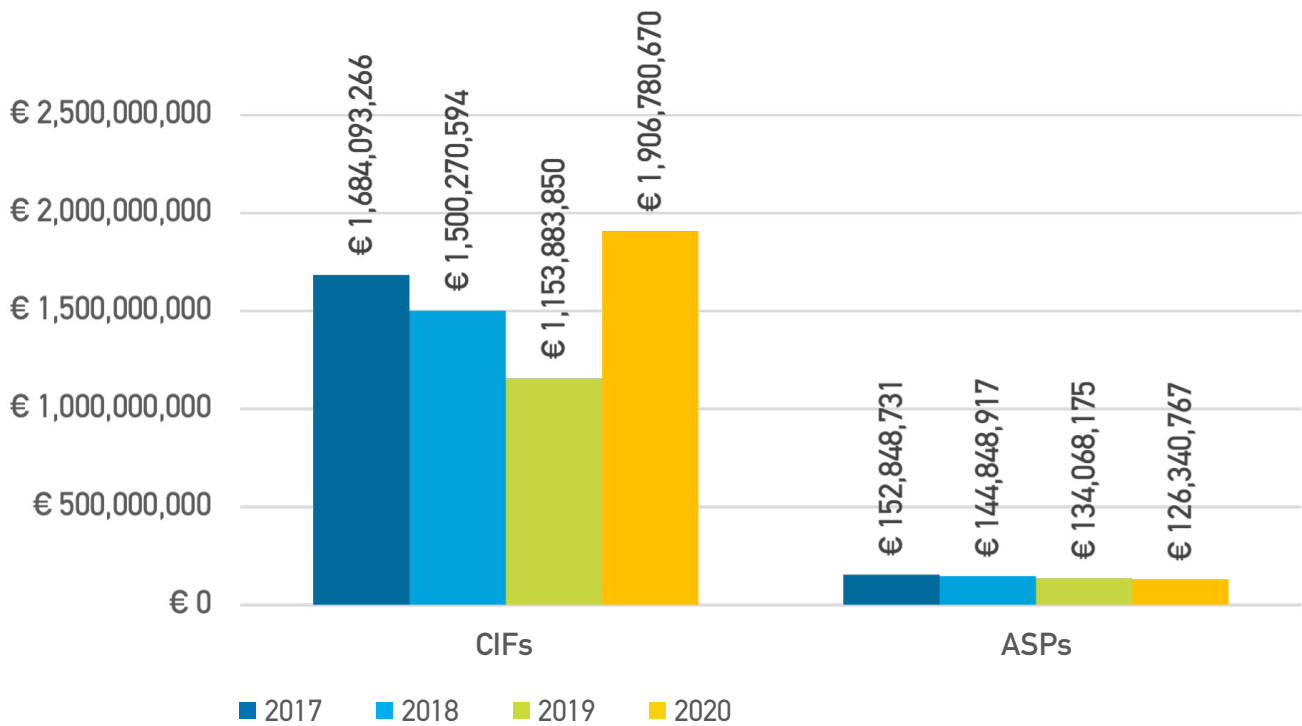


# The regulated entities in numbers

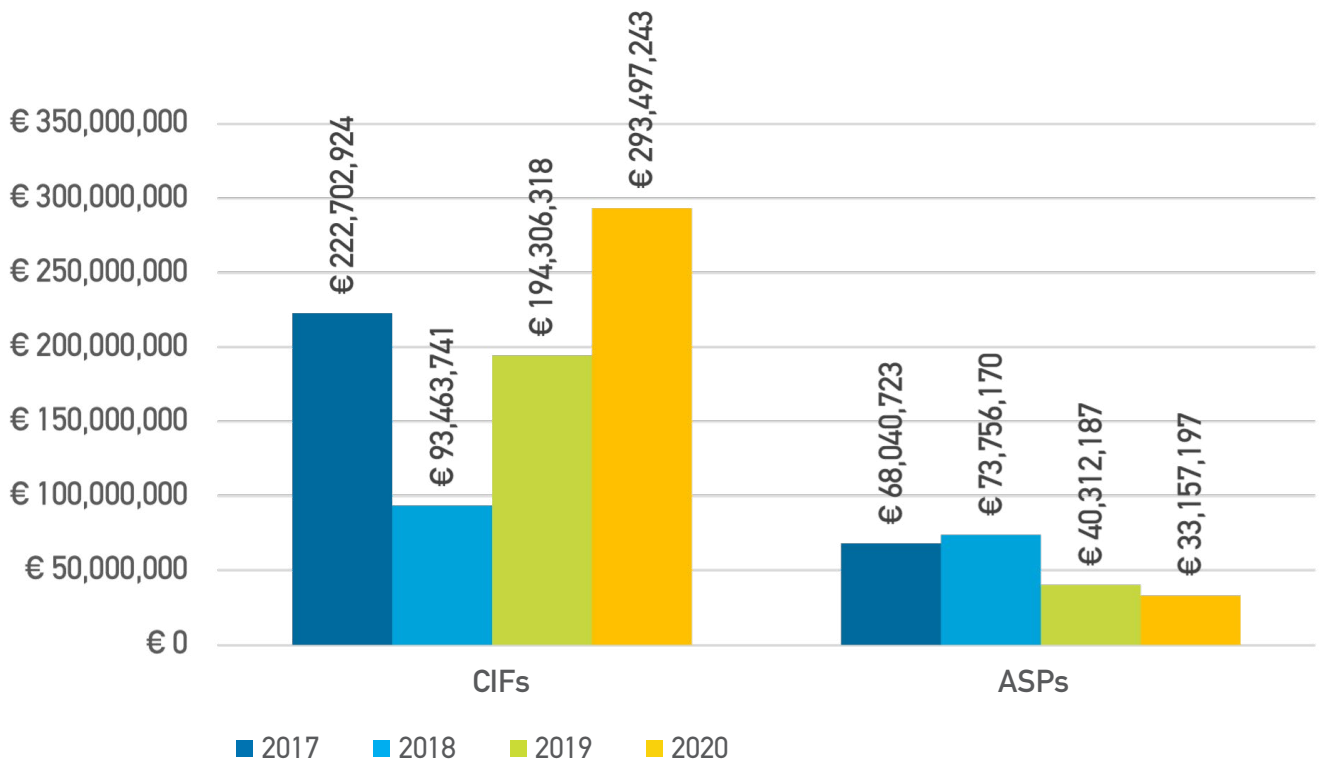
## Number of clients of CIFs, ASPs and Management Companies



## Turnover of CIFs and ASPs

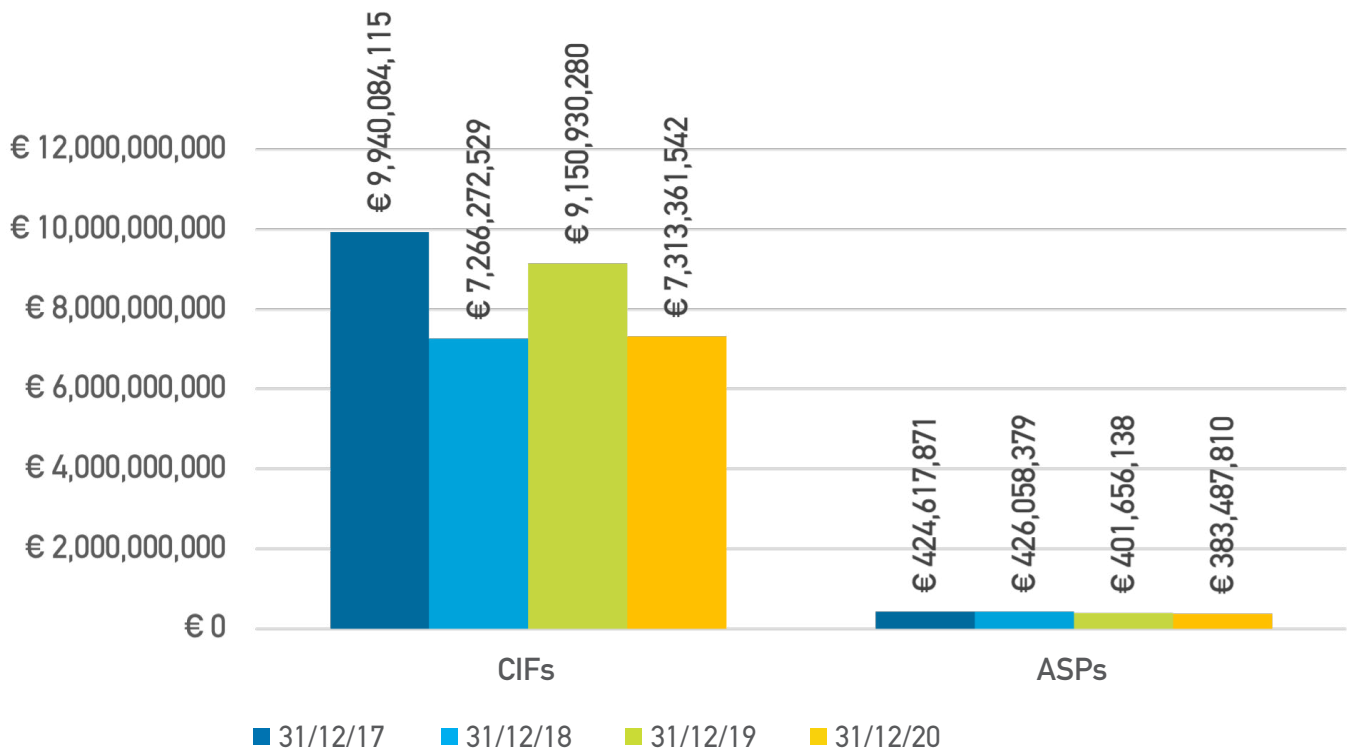


## Net profit after tax of CIFs and ASPs

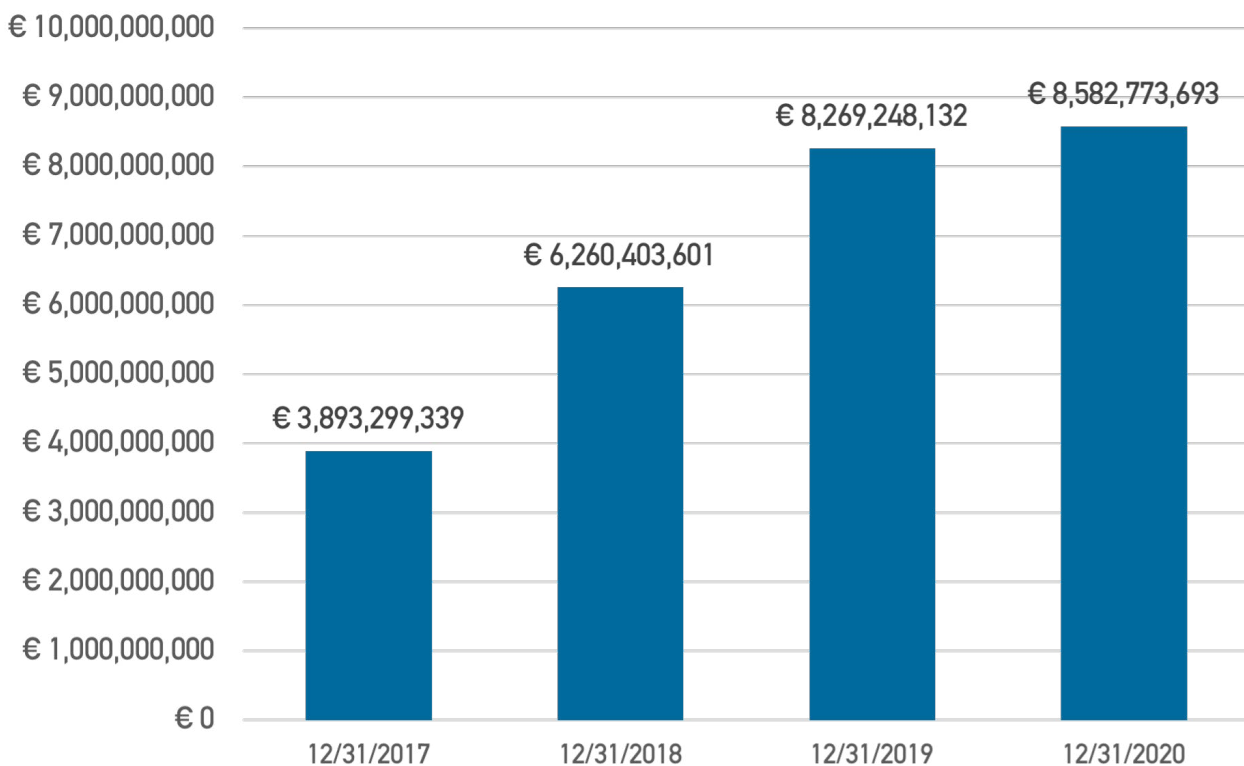


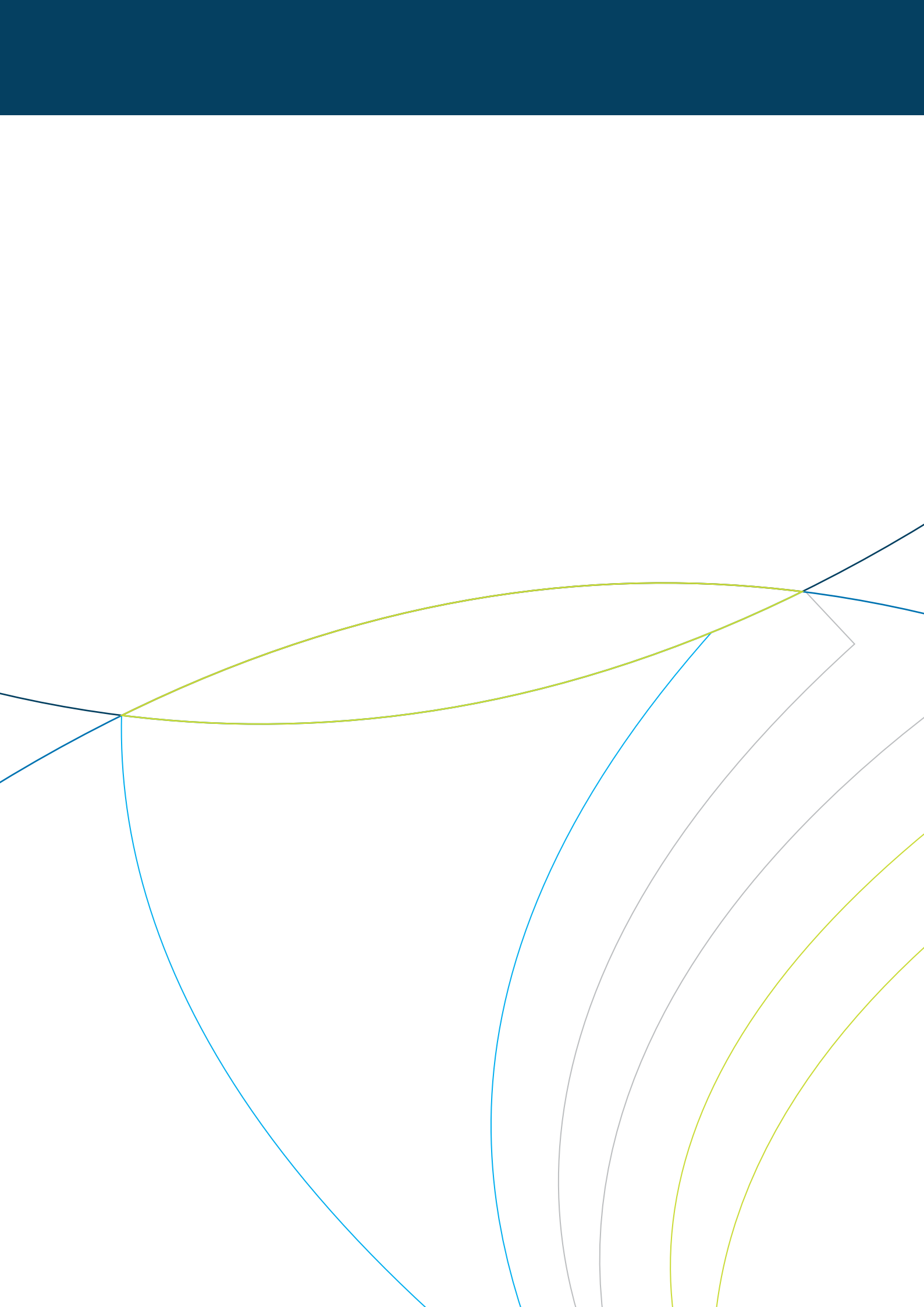
# The regulated entities in numbers

## Total assets of CIFs and ASPs



## Assets under Management by Collective Investment Management Companies









# 1 | The Commission

The background features a dark blue field with several curved, overlapping lines. A prominent light blue line forms a large, open shape on the right side. Below it, two white lines curve from the bottom right towards the center. A thick yellow curved band is visible in the bottom right corner.

The 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 Assets Services Providers.

## Vision

The vision of the Cyprus Securities and Exchange Commission is to establish the securities market in Cyprus 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 to ensure investor protection and the healthy development of the securities market.

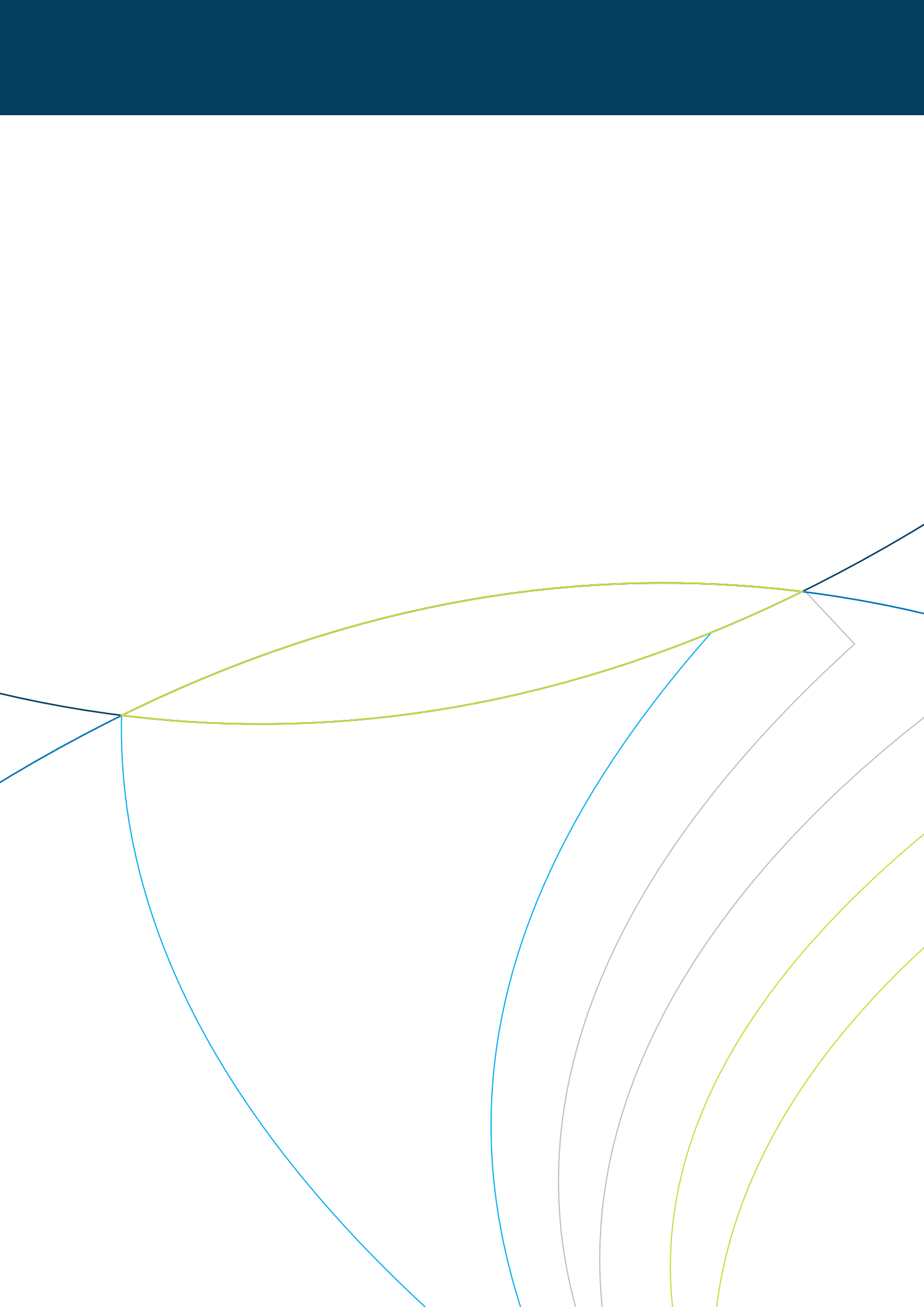
## Responsibilities

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

- To examine applications and grant operating licences to entities that are under its supervision, as well as suspend and revoke said licences.
- To supervise and audit the operation of the Cyprus Stock Exchange and other organised markets in the Republic, and the transactions taking place therein.
- To supervise and inspect the organisations under its supervision, to ensure their compliance with the law governing their operation.
- To carry out investigations as part of exercising its legally mandated competencies, 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 information in written form from any natural or legal entity or organisation deemed 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 for detention or 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.

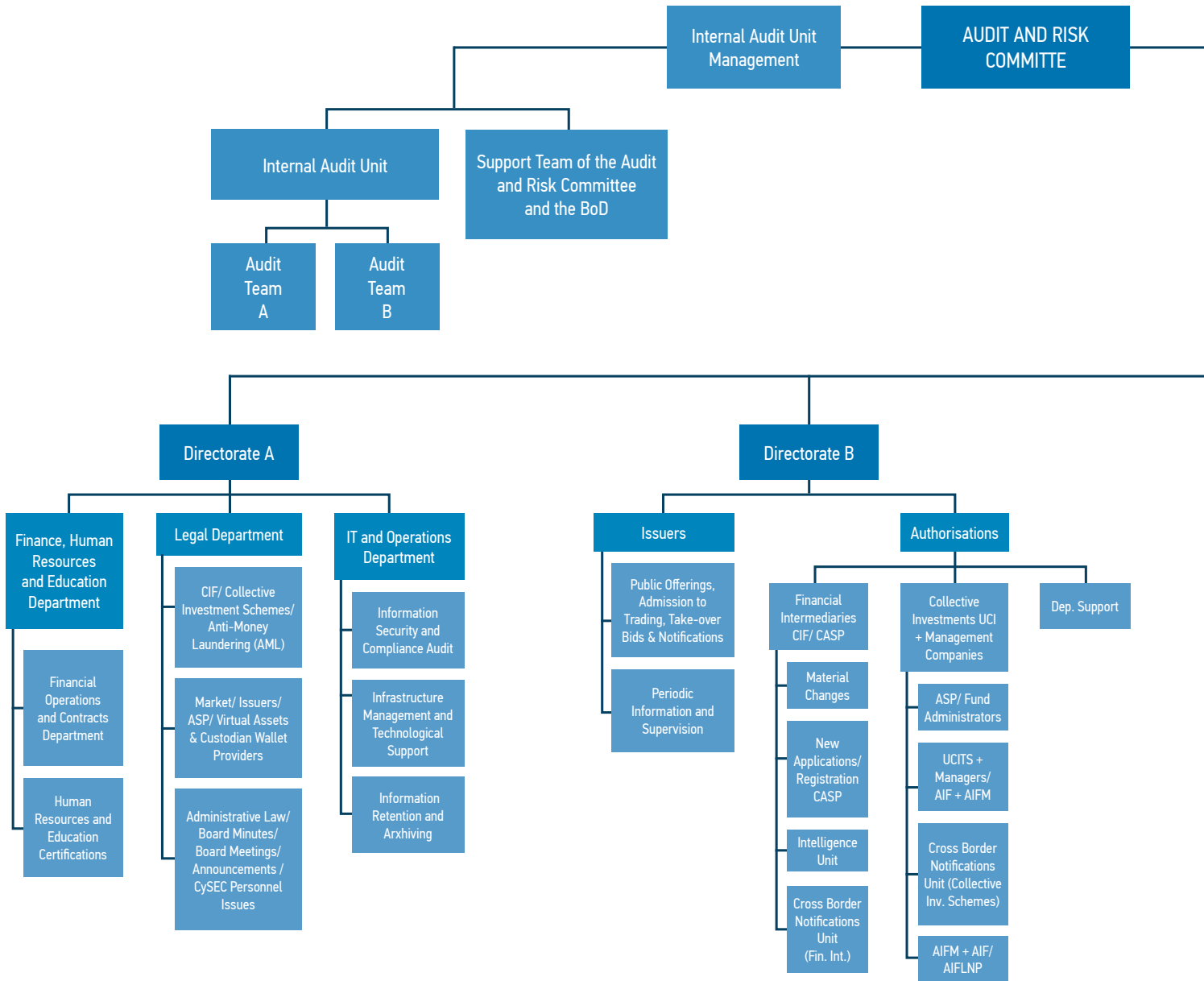
## Website

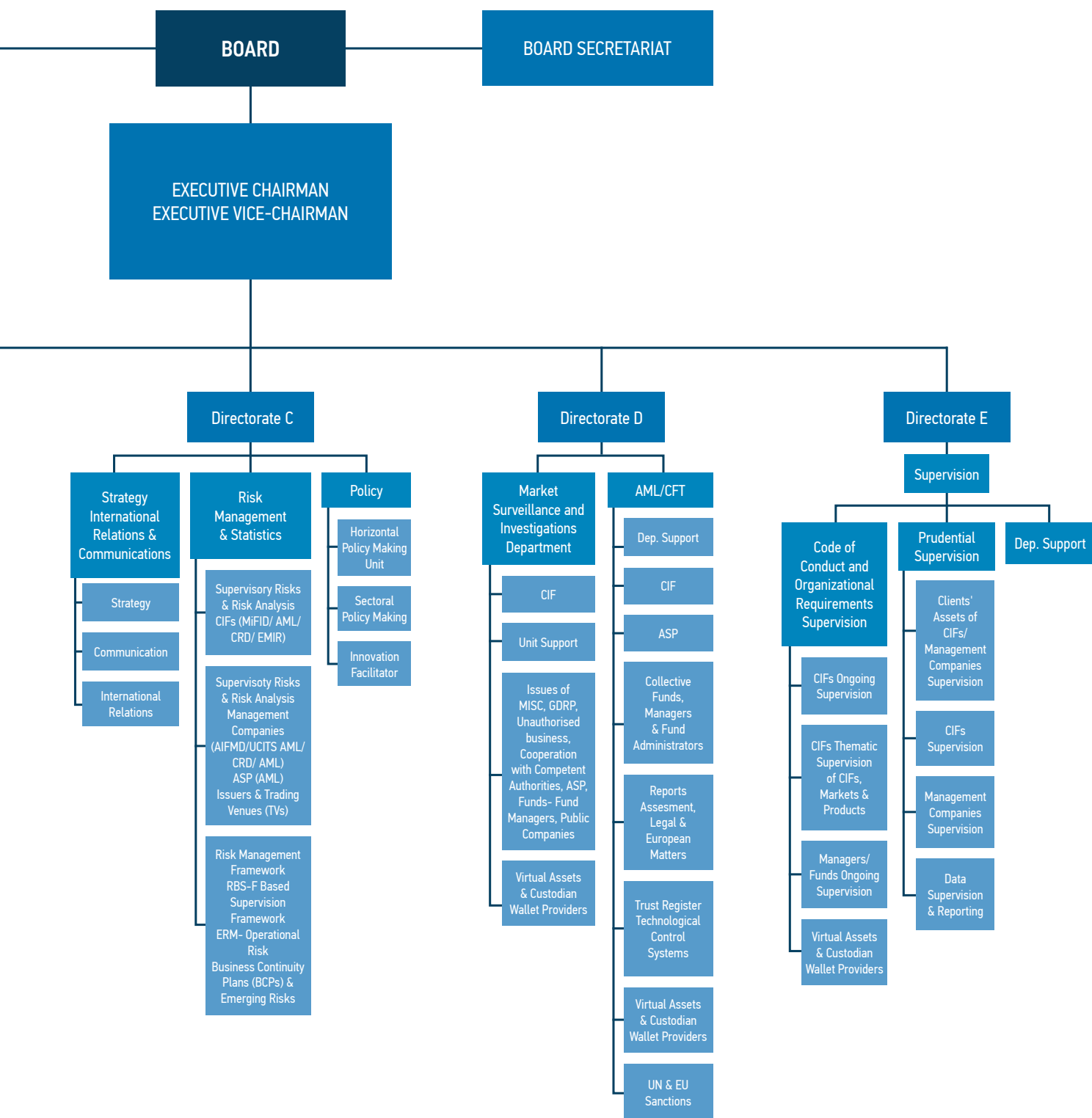
CySEC's website <https://www.cysec.gov.cy/en-GB/home> includes information concerning CySEC and its work. Also, in the context of transparency for stakeholders and investors, the website features all the supervisory decisions of the CySEC Board, as well as the laws, announcements, circulars, press releases and other documents prepared by CySEC's Departments.



## Organisational chart

In July 2021, the CySEC Board approved a new organisational chart for the Organisation, which is expected to be implemented gradually over the next years.









# 2 | The CySEC Board

## 2 | The CySEC Board

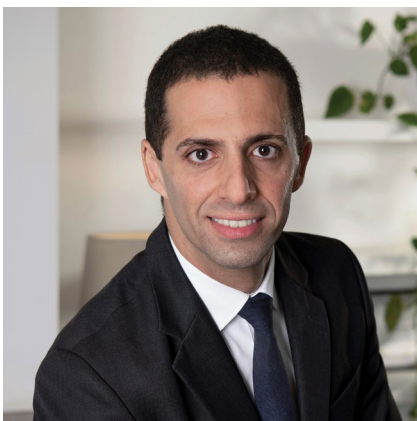
CySEC is administered by a seven-member Board, consisting of the Chairman and Vice Chairman, who provide their services on an exclusive and full-time basis, as well as five non-executive members. All Board members are appointed by the Council of Ministers on the recommendation of the Minister of Finance. Board members serve a five-year term, which is renewable 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 2021, the CySEC Board convened 47 times.

Participation	%
Demetra Kalogerou*	100
George Theocharides**	98
George Karatzias***	98
Anastasia Anastasiadou****	92
Theodoros Theodoulou	79
Evanthia Tsolaki	100
George Pitros	100
Spyros Ierotheou	91
Marios Papageorgiou****	92

\* Ms Demetra Kalogerou completed her term in September 2021.

\*\*Mr Theocharides was appointed as CySEC's Chairman in September 2021, after Ms Kalogerou completed her term.

\*\*\*Mr Karatzias was appointed as CySEC's Vice Chairman in September 2021, when Mr Theocharides assumed his new duties.

\*\*\*\*Mr Papageorgiou was appointed as member of the CySEC Board in October 2021, after Ms Anastasia Anastasiadou completed her term.

In 2021, the Chairman and Vice Chairman of CySEC participated in 15 meetings of the European Securities and Markets Authority (ESMA) and held another 218 separate meetings with other stakeholders and individuals in Cyprus, over matters that fall within CySEC's remit.

### 2.1 Audit Committee

In 2021, the Audit Committee consisted of the non-executive CySEC Board members Mr Theodoros Theodoulou (Chairman), Ms Anastasia Anastasiadou and Mr Spyros Ierotheou. After Ms Anastasiadou completed her term, her position was taken over by the Mr Marios Papageorgiou.

The purpose of the Audit Committee is to provide support and guidance to the CySEC Board 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 2021, 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 is directly below and reports functionally 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 the CySEC's operations. The Unit's mission is to function in a supplementary manner to achieve the Commission's objectives, through the adoption of a systematic and disciplined approach, for any needs the Unit assesses, suggesting ways to improve the efficiency of risk management procedures, the internal control system and governance.

### 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 geared towards establishing governance principles but also balancing the needs of all stakeholders, including staff, regulated entities, investors and the public at large, European and international organisations ("interested parties"). Furthermore, by implementing these practices, CySEC's aim is to ensure transparency and timely information, while also safeguarding the adequate independence of its Board in decision-making.

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

#### 2.2.1 Organisational Values & Engagement with Stakeholders

All the Departments were involved in preparing and agreeing on CySEC's Organisational Values, which have been approved by the Board. The values are communicated and reiterated to the staff and are incorporated in CySEC's approved internal policies and procedures. In addition, the Strategic Plan, which includes CySEC's Vision, Mission and Values, is communicated to all new Board members.

The Board is responsible for overseeing CySEC's operation and ensuring that these values, which govern the way CySEC conducts its work, are adopted by the heads of all the Departments.

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 submits proposals where it believes guidelines must be issued and communicates with stakeholders on a regular basis to hear their comments and views, to ensure the adequacy of existing regulations, including the relevant amendments, and the creation of new regulations, as well as for the compliance of regulated entities and investor protection.

#### 2.2.2 Vision, Mission & Strategy

CySEC's Strategic Plan is based on its Values and Vision. The Strategic Plan includes CySEC's annual targets and projects, taking into consideration its annual budget, the annual work review, as well as the future aspirations of CySEC and the expectations of its stakeholders.

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

The Board reviews, discusses and approves the Strategic Plan, wherever deemed necessary, in light of developments in the securities market and CySEC's current and future operating framework. The action plans of the various Departments and CySEC's available resources also dictate whether the Plan needs to be revised, to ensure its long-term sustainability.

### 2.2.3 Capacity Building at CySEC

The Board ensures that appropriate structures are in place when it comes to management and staff. 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 recruits its staff based on the Strategic Plan and the approved budget.

The Board has defined 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 staff have the skills required to implement the Strategic Plan. Any training needs are also identified during the annual staff performance assessments. The training needs are assessed by the Heads of Departments, who then organise 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 efficacy of technology and data management. More specifically, the Strategic Plan includes 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 Risk Management and Statistics Department, for the supervision and risk management 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 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 informs the Board about any issues detected as a result of the audits, while it also obtains approval for the necessary actions to be taken by CySEC in order to address such issues.

It is noted that CySEC is in the process of setting up a special Risk Management Committee of the CySEC Board, which will ensure the identification, assessment and management of risks, as well as assist the Board in the work of risk supervision.

CySEC has implemented the Risk Based Supervision Framework (RBS-F), which is used to measure and mitigate the risks arising from the regulated entities and is in the process of creating an Enterprise Risk Management Framework (ERM-F), aimed to strengthen the existing processes and tools used to assess, measure, monitor and report CySEC’s risks.

In addition, the Board is briefed by the Heads of Departments on significant risks that arise, in order to assess them and decide on how to address them.

### 2.2.5 Monitoring, Reporting and Decision-making

Based on CySEC's internal procedures, the Board receives 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 assessment based on the Strategic Plan,
- Budget report for the following year,
- Periodic Reports by the Audit Committee on matters it is looking into,
- Annual Report, which includes governance, 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 to protect the environment,
- Annual audited financial statements by the Auditor General,
- Audit Office Report on findings following an audit, as well as relevant recommendations,
- CySEC's Annual Risk Assessment Report.

Upon their approval 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 efficiency

By law:

- The Board members are appointed by the Council of Ministers after being nominated by the Minister of Finance.
- The Chairman and the Vice Chairman of the Board (executive members) must have proven experience and training in the financial and securities markets.
- The other members of the Board (non-executive members) must hold a university degree and have experience in law or economics or finance 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, which must be observed during the exercise of their duties.

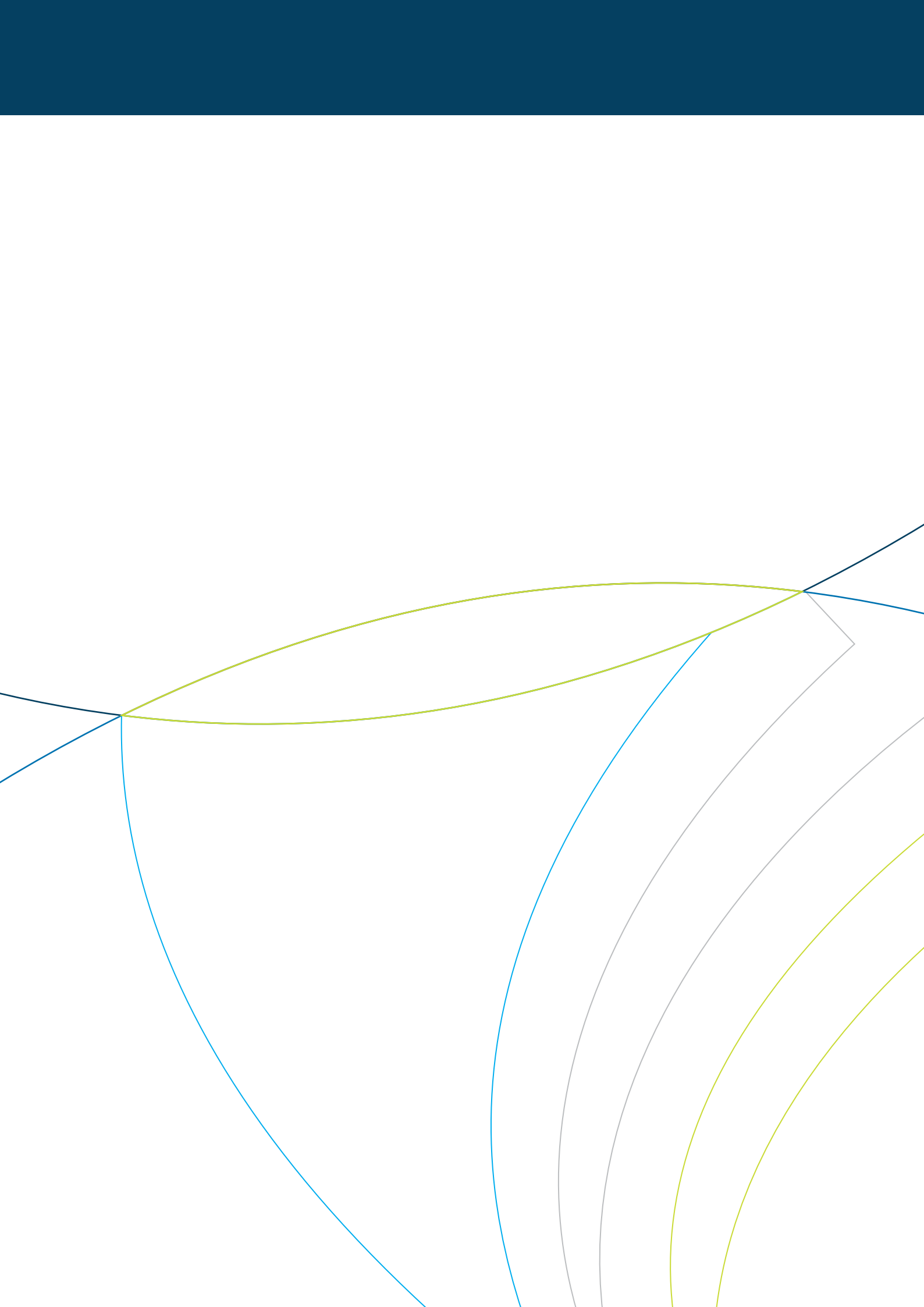
The law also includes provisions on addressing potential conflict of interest by Board members.

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

### 2.2.7 Future plans

CySEC is in the process of implementing the following projects:

- Establishment of an Enterprise Risk Management Framework, which 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.
- Establishment of a Data Governance Framework, with the aim of optimising the way CySEC's data is managed and upgrading the capacity to use and analyse such data. The Activities Plan that will be prepared is expected to be implemented gradually, through various projects in the coming years.
- Drafting of a specialised action plan for the implementation of the National Strategy against Corruption.







# 3 | Development of the sector

# 3 | Development of the sector

## 3.1 Authorisations Department

*“As we operate in a constantly evolving environment, we need to ensure our continuous growth and training. The rapid development of technology leads to the creation of new products, which are distributed to investors through technologically advanced systems. We must therefore keep up to date, so that we are in a position to understand how they work and therefore fulfil our mission of safeguarding investor protection and ensuring the healthy development of the securities market. In this context, we also focus on the training and education of our staff, to enable them to cope with the new challenges ahead.”*

**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 fall under the supervision of CySEC. It also examines requests for substantial changes that require CySEC’s approval. To this end, the 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 Department’s officers investigate cases of potential breaches relating to substantive changes. The Department can be contacted via email at: [authorisations@cysec.gov.cy](mailto:authorisations@cysec.gov.cy)

### 3.1.2 Organisation of the Department

The Authorisations Department is divided into two sub-departments. The first one assesses applications and monitors substantial changes relating to IFs and ASPs, while the second assesses applications and monitors the substantial changes arising in the collective investment sector.

The Unit responsible for processing requests on cross-border services, established under the Investment Services and Activities and Regulated Markets Law, also operates within the Department.

In the context of enhancing the assessment process when applications/notifications are submitted, an Investigation Unit has been established aiming to improve the efficiency of the assessment process for operating licences and notifications for substantive changes. It also aims to reinforce CySEC’s supervisory role in the field of prudential supervision, as it will enable the identification of issues that could potentially affect the suitability of individuals connected to regulated entities. Due to the overall understaffing of CySEC, in 2021 the operations of the Investigation Unit were limited to sending requests to other supervisory authorities regarding the suitability of individuals intending to participate in regulated entities, where applicable. Furthermore, when it comes to assessing applications and notifications for substantive changes, the assistance of CySEC’s supervisory Departments is also sought.

### 3.1.3 Objectives for 2022

The Authorisations Department, in cooperation with the IT Department, is going ahead with the planning of the following:

- 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.
- Development of a system for keeping the Authorisations Department’s statistics and data on the requests it receives and processes in electronic form.



Upon completion of the project, it is expected that several procedures related to the submission, assessment and filing of the requests submitted to CySEC will become automated. The main objective is to avoid, as much as possible, the submission of documentation in print form.

### 3.1.4 The Department's operations

During 2021, the Authorisations Department, in cooperation with the Legal Department and the Policy Department, actively participated in the establishment of a framework for the registration of Crypto Assets Services Providers in a Register to be kept by CySEC. This was done pursuant to the Prevention and Suppression of Money Laundering and Terrorist Financing Law. Furthermore, the aforementioned departments participated in the establishment of procedures for applications relating to the provision of the Crowdfunding service.

The above actions included the drafting of Guidelines, Policy Statements, Forms and procedures.

The project was completed in 2021 and the first requests for registration in the Crypto Assets Services Providers Register were submitted in the last quarter of 2021.

#### 3.1.4.1 Review of applications for operating licences

Category	No. of applications received in		No. of companies granted a licence in		Conditional Licence/ pre-approval		No. of rejections		No. of applications withdrawn by applicants	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
CIF	26	41	14	12	14	12	2	3	5	3
ASP	9	1	5	3	0	0	2	0	0	0
UCITS MC	1	0	0	1	0	0	0	0	0	0
UCITS	2	3	0	0	1	0	0	0	0	0
AIFM	8	13	5	7	0	1	0	0	1	2
Small AIFM	1	1	0	1	0	1	0	0	0	0
RAIF	41	43	42 (listing)	36 (listing)	0	0	0	0	1	0
AIF (ex. Managed)	11 <sup>1</sup>	7 <sup>2</sup>	14	7	10	6	0	0	3	3
AIFLNP (ex. Managed)	2	2	5	1	0	1	0	0	1	1
Special Purpose Entities	2	1	2	0	1	0	0	0	0	1
AIF (int. Managed)	2	1	2	0	1	0	0	0	0	1
AIFLNP (int. Managed)	5	1	1	2	2	4	1	0	2	1

<sup>1</sup> of which 7 requests relate to conversions from AIFLNP to AIF

<sup>2</sup> of which 3 requests related to conversions from AIFLNP to AIF

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### 3.1.4.2 Personal interviews

A total of 225 personal interviews were conducted with Directors, AML Officers/Risk Managers/Portfolio Managers, from the date the Interview Panel was appointed.

Personal interviews per regulated entity		
	2020	2021
CIFs	179	147
ASPs	21	8
AIF/AIFLNP/AIFM/UCITS/UCITS Management Companies	60	70
<b>TOTAL</b>	<b>260</b>	<b>225</b>

### 3.1.4.3 Review of notifications for substantive changes by CIFs

	2020	2021
Number of notifications to participate in a CIF that were reviewed by the CySEC Board	47*	35*
Number of notifications to change a CIF's organisational structure that were assessed	160	171
Number of applications by a CIF to extend their operating licence, including applications to engage in other activities <sup>3</sup>	19	21

\*Includes supplementary notes, where the Board requested additional data.

The above data show that the highest number of applications were for a CIF operating licence. Compared to 2020, there was a 57% increase in such applications in 2021, while the number of notifications to participate in a CIF decreased.

As regards the Collective Investments sector, there appears to be a steady interest by investors in becoming active as Alternative Investment Fund Managers, while interest in UCITS Management Companies is minimal. Moreover, a preference in the establishment of listed AIFs is noted.

The number of applications for an Administrative Service Providers operating licence has decreased substantially.

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

	2020	2021
Number of requests submitted to CySEC	12	6
Number of requests that were reviewed	10*	9

\*Includes 2 cases where CySEC did not decide to revoke the operating licence, as the procedure had not been completed.

<sup>3</sup> 1 application to carry out other operations was submitted

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

Notifications	Number	
	2020	2021
Change of Shareholders in internally managed AIFLNPs	8	8
Changes to the organisational structure of AIFLNPs	39	6
Conversion from internally managed AIFLNP to externally managed AIFLNP	-	-
Conversion of AIFLNP into an AIF	-	6
Compliance of AIFs with the provisions of the Law	39	18
Conversion of internally managed AIF into an externally- managed one	3	-
Change of AIF/RAIF Manager	6	2
Change of AIF/RAIF Custodian	5	8

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

	2020	2021
To revoke the operating licence of internally managed AIFLNPs	4	0
To revoke the operating licence of externally managed AIFLNPs	6	2
To revoke the operating licence of internally managed AIFs	0	0
To revoke the operating licence of externally managed AIFs	1	1

### 3.1.4.7 Cross-border activity

#### 3.1.4.7.1 CIF notifications

In 2021, the following CIF notifications were processed:

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

Notifications	2020	2021
CIFs that sent a notification for free provision of services to member states for the first time	28	26
CIFs that sent a notification for additional/fewer financial services, increase/reduction of financial instruments in member states	23	21
CIFs that sent a notification for changes to their contact details (address, telephone, fax, contact person)	35	69

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Notifications	2020	2021
CIFs that sent a notification for changes to their domains (addition of new one/removal of current one)	63	54
CIFs that sent a notification for changes to trading names	8	10
CIFs that sent a notification for the use of a tied agent registered in the Republic, to provide cross-border services to member states	0	0
Notifications for CIF suspension that were sent to the member state in which the CIFs provide cross-border activities	8	4
Notification on the termination of the licence of CIFs that provide cross-border activities in member states	9	11
Notification on the termination of the provision of services to a specific member state	11	3
CIFs that sent a request for free provision of services to third countries*	43	52

**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 processed (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.

- i) Free provision of cross-border services
- ii) Opening a CIF branch in a member states

In 2021, 15 notifications were sent in relation to opening a branch in a member state. Furthermore, during the year, 13 branches ended their operation, of which 8 were registered and the remaining 5 were in the process of being authorised by the competent member state.

- iii) Appointment of tied agents in member states

Throughout 2021, 5 notifications were sent for the appointment of a tied agent. Additionally, 5 tied agents were terminated, of whom 4 were registered and 1 was in the process of being authorised by the competent member state.

- iv) Appointment of tied agents registered in the Republic

During 2021, 2 CIF tied agents registered with the CySEC register in the Republic. Furthermore, 5 tied agents were terminated during the year.

- v) Representative offices

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

- IFs that used Inward Passporting

- i) Free provision of cross-border services

	2020	2021
IFs that sent a notification for the free provision of services in the Republic for the first time	70*	42
IFs that sent a notification for an increase/reduction of investment services, increase/reduction of financial instruments, as well as contact detail changes	46	54
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	7	3

**Note:**

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

S/N	COUNTRY	No. of notifications in 2020	No. of notifications in 2021
1	United Kingdom	39	-
2	Germany	11	22
3	Ireland	5	11
4	France	5	9
5	Malta	6	11
6	Netherlands	5	10

ii) Establishment of IF branch in the Republic

During 2021, no applications/notifications were received by an IF from a member state to establish a branch in the Republic.

iii) Appointment of tied agents in the Republic

During 2021, two (2) notifications were received from CIFs for the appointment of a Tied Agent in the Republic. Furthermore, in the same year, five (5) partnerships with tied agents were terminated.

iii) Other operations

In the year 2021, the Unit participated in the Peer Review on Supervision of Cross-Border Activities, conducted by ESMA in the period from January to July 2021. Responses were given to the relevant questionnaire sent by ESMA, followed by additional questions before the onsite review, which was conducted from 22 to 24 June 2021.

The outcome of the Cross-Border Peer Review showed that the Notifications Unit has fully complied with the procedures applicable under the Markets in Financial Instruments Directive (MIFID II), that passport notifications are processed in a timely and satisfactory manner and that the Notifications Unit cooperates adequately with the Supervision Department where necessary. They also noted that the Notifications Unit applies good practices and uses

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a detailed checklist to take into account available supervisory information when processing passport notifications and informs companies that the passport notification has been submitted to the relevant host countries.

In addition, 96 requests relating to the intention of ASPs from the United Kingdom to provide services to professional clients and/or eligible counterparties in Cyprus - participation in Cyprus' Temporary Permission Regime (TPR) were assessed. A special record has been prepared for this specific task and posted on the CySEC website.

### 3.1.4.7.2 Notifications by AIFMs and UCITS MC

In 2021, 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

	2020	2021
AIFMs of the Republic that sent a notification for the free provision of services in member states, including the distribution of AIF shares	7	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:

S/N	COUNTRY	No. of Notifications	
		2020	2021
1	Luxembourg	3	6

(b) AIFMs of member states that used Inward Passporting

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

Notifications*	2020	2021
AIFMs of member states that sent a notification for the free provision of services in the Republic, including the distribution of AIF shares	93	142

**Note:**

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

S/N	COUNTRY	No. of Notifications	
		2020	2021
1	United Kingdom	5	0
2	Luxembourg	47	86
3	Ireland	31	30
4	France	1	11
5	Sweden	2	0
6	Czech Republic	1	0
7	Malta	2	1
8	Netherlands	3	0
9	Slovenia	1	0
10	Lithuania	0	1
11	Germany	0	4
12	Liechtenstein	0	7
13	Greece	0	2

## UCITS Management Companies (UCITS MC)

(a) UCITS MC of the Republic that used European Outward Passporting

### Free provision of cross-border services

Notifications*	2020	2021
UCITS MC of the Republic that sent a notification for the free provision of services in member states, whether to establish 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:

S/N	COUNTRY	No. of Notifications	
		2020	2021
1	Greece	2	2
2	Luxembourg	1	1

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### (b) UCITS MC of member states that used Inward Passporting

Member states of origin of UCITS MCs	2020	2021
France	6	6
Luxembourg	9	9
Liechtenstein	1	1
Greece	6	6
Italy	1	1
Ireland	4	4
United Kingdom	1	-
Germany	-	1
<b>TOTAL</b>	<b>28</b>	<b>28</b>

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

Number of foreign harmonised UCITS	2020	2021
Single scheme UCITS	5	5
Umbrella scheme UCITS	32	34
<b>TOTAL</b>	<b>37</b>	<b>39</b>

The foreign UCITS in 2021 mainly originated from Luxembourg and Ireland.

The total number of sub-funds to umbrella schemes increased to 453 in 2021 from 412 in 2020. The number of CySEC-registered Agents rose to 23 in 2021, compared with 20 in 2020.

#### 3.1.4.8 Brexit Peer Review

In 2021, the Authorisations Department participated in the Brexit Peer Review conducted by the European Securities and Markets Authority. The objective of the review was to determine whether the supervisory authorities of the EU member states had followed the rules of the European institutional framework when assessing applications for operating licences submitted as part of the relocation of UK financial institutions to other member states, so that they can continue to provide services in the EU.



## 3.2 Policy Department

*“Sustainable finance, managing the impact of the UK’s departure from the European Union and innovation were the main areas of focus for the Policy Department’s operations in 2021. Towards the end of the year, the Department’s work focused primarily on policy making at the European level, ahead of the consultations at the EU Council on a range of regulatory proposals concerning the financial sector. The Policy Department remains dedicated to its goal of establishing, continuously fine-tuning and developing supervisory regulations in the financial sector at both national and European level, with a view to protecting investors and ensuring the healthy growth of the securities market.”*

**Marios Nearchou**

Head of Policy Department

### 3.2.1 Duties/competencies

The Policy Department is responsible for forming CySEC’s broader policy, with the aim of 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, proposes the issuance of guidelines for the compliance of regulated entities with the supervisory framework, or ways to amend existing national regulations and/or create new 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 the ESMA working groups. It is actively involved 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 EU 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 2022

In 2022, the Department aims, among other, to promote the following:

- Prepare a Q&A document on the provision of services in crypto assets.
- Issue the relevant Policy Statement on finalising the regulations 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.
- Exchange views and discuss with market participants regarding the creation of a Regulatory Sandbox.
- Participate in actions carried out on a European and national level relating to innovation and financial technology.
- Represent the Republic in European Council working groups.
- Manage inquiries submitted through the Innovation Hub.
- Manage inquiries 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.

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## 3.2.3 The Department's operations

### 3.2.3.1 Operations at national level

#### Sustainable Finance

In view of the entry into force of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR) on 10 March 2021 and the other pieces of European legislation that make up the regulatory framework on sustainable finance, which impact a large part of the financial sector in Cyprus, a dedicated section has been created on CySEC's website with information in summary form on sustainable finance and the relevant regulations.

#### 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.

The full entry into force of the Regulation requires the adoption of policy decisions at the level of member states and the Supervisory Authority. Relevant actions were taken in 2021 and are expected to be completed in 2022.

#### Crypto Assets Services Providers

In September 2021, a Policy Statement (PS-01-2021) on the Registration and Operations of Crypto Asset Services Providers was issued.

The issue of this Policy Statement led to additional queries by stakeholders on the provision of services in crypto assets and the registration of companies with the CySEC Register, which were handled by the Department.

#### UK Investment Firms

In order to facilitate the flow of information to the public on Brexit and ensure the compliance of stakeholders with their obligations under the relevant legislation, a dedicated section has been created on the CySEC website, serving as a Brexit Information Hub.

The Brexit Information Hub includes a comprehensive set of Q&As per regulated sector, all the announcements issued by CySEC and all Brexit-related circulars issued by CySEC to regulated entities.

The Q&As on Brexit include general information regarding the EU-UK Trade and Cooperation Agreement and cover a broad range of topics addressed by the regulatory framework, from the Temporary Permission Regime (TPR) to markets and investment services, fund management and prudential supervision requirements.

In addition, further to Directive DI87-04 and the Policy Statement in relation to the operation of UK Firms providing investment services exclusively to per se professional clients and eligible counterparties domiciled in Cyprus, operating under the TPR and seeking to establish a physical presence in the Republic, an amending Policy Statement (PS-02-2021) and an amendment to the relevant Directive were issued. Through these amendments, companies of groups that had made use of the TPR were allowed to continue to operate until the completion of the assessment of their relevant application by CySEC. This amendment further facilitates the smooth transition to the post-Brexit era.

## Investment Fund Administration Services

In June 2021, a text intended as a Draft Law of the Ministry of Finance in relation to the provision of administration services to undertakings for collective investment (Fund Administration) was put to public consultation. At the same time and in support of the consultation, a Discussion Paper, a Press Release and an analysis on the constitutionality of the provisions of the text were published. Moreover, in 2021, after the end of the consultation, the comments received during the consultation were assessed and relevant modifications were made. The goal for 2022 is to integrate and finalise the text and it to the Ministry of Finance.

## Assistance in evaluation procedures

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

### 3.2.3.2 Operations at European and international level

#### Authority for Anti-Money Laundering and Countering Terrorism Financing (AMLA)

In December 2019, the European Council set strategic priorities to further strengthen the EU framework on anti-money laundering and countering the financing of terrorism.

On 5 November 2020, the European Council adopted conclusions on anti-money laundering and countering the financing of terrorism. One of these conclusions pertains to the establishment of an EU-level Authority with direct supervisory powers.

In fact, the creation and establishment of this Supervisory Authority is part of the legislative framework of the 6th Anti-Money Laundering Directive and 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 appointed as experts on behalf of the Ministry of Finance and are representing the Republic in the relevant consultations taking place at 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 the achievement of 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.

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

### **Amendments to European Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFM Directive”) and European Regulation (EU) 2015/760 on European Long-Term Investment Funds (“ELTIF Regulation”)**

In view of the preparatory legislative discussions on forthcoming amendments to the AIFM Directive and the ELTIF Regulation, a representative of the Department was appointed as an expert to attend the meetings of the relevant working groups in cooperation with the Financial Ombudsman in Brussels, prepare interventions in the framework of the operations of these working groups, as well as submit written comments with CySEC's positions on the issues under discussion. Preparatory legislative discussions were held in 2021 with representatives of the French Ministry of Finance prior to the assumption of the Presidency by France and the launch of the working groups.

### **European Regulation on Markets in Crypto Assets (MiCA) and European DLT Pilot Regime Regulation**

The working groups for the drafting of the European MiCA and DLT Pilot Regime Regulations, respectively, launched their meetings in 2021. Both Regulations under preparation relate to issues of technological innovation (Fintech). MiCA addresses the offering, trading and provision of services in crypto assets, while the DLT Pilot Regime intends to introduce exemptions from the application of MiFID/MiFIR rules, aiming to facilitate trading on a secondary market for financial instruments using distributed ledger technology (DLT). In this context, a representative of the Department was appointed as an expert. His duties included attending the meetings of the relevant working groups and taking minutes, intervening in the work of these groups on the basis of internal instructions and providing written comments with CySEC's positions on the issues under discussion.

### **Representation in European and international committees**

The Department had an active role in the following committees of the European Securities and Markets Authority (ESMA) and the International Organisation of Securities Commissions (IOSCO), representing CySEC:

- Financial Innovation Standing Committee, FISC - ESMA
- Advisory Committee on Proportionality, ACP - ESMA
- European Forum of Innovation, ESMA
- ESMA Cryptocoffee group (an informal working group that prepares the FISC meetings), ESMA
- Financial Innovation Network, IOSCO

#### **3.2.3.3 Innovation Hub**

The Innovation Hub became operational in 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, as well as providing guidance to interested parties on the supervisory assessment of the various innovative technologies.

The Policy Department oversees the Innovation Hub, aiming to support innovative businesses, both regulated and non-regulated, and establish contacts with providers of new financial technologies, for purposes 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.

In 2021, the Department received and examined 9 applications and arranged 7 online meetings. The applicants consisted of companies interested in providing services in Crypto Assets, Security Tokens and Non-Face-to-Face identification services.

### 3.2.3.4 Other operations

#### Management of queries submitted to the Department

The daily work of the Policy Department includes the management of queries submitted to [policy@cysec.gov.cy](mailto:policy@cysec.gov.cy) by interested parties.

In 2021, the Policy Department answered 83 questions. The topics that garnered the most queries are summarised in the table below.

Topic	No. of Questions
Brexit and Temporary Permission Regime for UK Investment Firms	10
Crypto Assets and registration of companies in the Crypto Assets Services Providers Register	56
Crowdfunding	4
Various other topics	10

#### Meetings

The Department held a series of meetings on policy issues at national and European levels.

#### 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 legislative framework supervised by CySEC is an important pillar for the smooth operation of the market and the protection of investors. Acknowledging its importance, the Legal Department aims to actively contribute to the reform of the framework whenever necessary, as required by European legislation and as suggested by market participants themselves, so that it can meet the needs of the market, not only to ensure its growth and capability to address new challenges, but also to help maintain investor confidence in the financial sector.”*

**Elena Michaelidou**

Head of Legal Department

### 3.3.1 Duties/Competencies

The duties of the Legal Department mainly include the monitoring of the legislation concerning the securities market, the drafting of laws and directives, the preparation and submission of proposals to amend the relevant legislation, with a view to improve and bring it up to date. It also ensures the harmonisation of European legislation into national law on matters falling within CySEC's remit.

Also, it monitors, coordinates and cooperates with CySEC's external lawyers, monitors and coordinates CySEC's pending Court cases, and provides secretarial support to the CySEC Board in relation to the conduct of its meetings (taking and filing minutes, preparing announcements on decisions, etc.). It also provides legal support to CySEC (internal opinions to CySEC 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 2022

In 2022, the Legal Department intends to make further improvements to the institutional framework, such as prepare a framework for the appointment of an Interim Manager in CIFs, re-issue CySEC Directives on collective investment and promote a CySEC Directive under the Law on the Encouragement of Long-term Shareholder Engagement. It will also continue to monitor legislative developments at the European level to promote the necessary harmonising legislation within the timeframes set for member states.

### 3.3.3. The Department's operations

#### 3.3.3.1 Upgrading the institutional framework

#### The Prevention and Suppression of Money Laundering Law (L. 188(I)/2007)

Following CySEC's contribution to its completion, Law 13(I)/2021 amending the Prevention and Suppression of Money Laundering Law was published in the Official Gazette of the Republic on 23.02.2021. Its main purpose was to ensure harmonisation with Directive (EU) 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

An important development under the new amendments is that CySEC has been granted competence:

- To establish and keep the Register of Express Trusts and Similar Legal Arrangements in the Republic, in which information on express trusts and similar legal arrangements as well as their beneficial owners will be entered.
- To establish and keep the Register of Crypto Assets Services Providers (CASP) that will provide or perform services or activities on a professional basis from or in the Republic.

### **Directive on the Prevention and Suppression of Money Laundering (Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements)**

CySEC issued a Directive on the Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements (Regulatory Administrative Act 257/2021), to regulate and specify the provisions of article 61C of the Law on the Prevention and Suppression of Money Laundering, which was introduced by the amending Law 13(I)/2021.

The Directive mainly regulates the following:

- How the Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements is operated, managed, kept and updated,
- the timeframe for applying for registration in the Register, the information to be included in the application for registration and the relevant procedure,
- the conditions for approving or rejecting an application for registration in the Register,
- the procedure and timeframe for notifying changes; and
- the conditions for suspending the registration of an express trust.

### **Directive on the Prevention and Suppression of Money Laundering (Register of Crypto Assets Services Providers)**

CySEC issued a Directive on the Register of Crypto Assets Services Providers (CASP) (Regulatory Administrative Act 269/2021), which was published in the Official Gazette of the Republic on 26.5.2021, to regulate and specify the provisions of article 61E of the Law on the Prevention and Suppression of Money Laundering, which was introduced by the amending Law 13(I)/2021.

More specifically, with the Directive, CySEC has regulated the following:

- How the Register of CASPs is operated, managed, kept and updated,
- the conditions for approving or rejecting an application for registration as a CASP,
- the operational and organisational requirements that CASPs need to comply with,
- the obligations of persons holding a managerial position in a CASP, and
- the obligations of persons who are beneficiaries of a CASP,
- what constitutes a substantial change in the information of the CASP, as well as the procedure for its approval by CySEC,
- the fees payable to CySEC.

## 3 | Development of the sector

Subsequently, to improve and better implement the provisions of Regulatory Administrative Act 269/2021, CySEC amended it with Regulatory Administrative Act 384/2021, which was published in the Official Gazette of the Republic on 10.09.2021, introducing, inter alia, provisions for:

- Persons who are not registered in the CASP Register,
- Simplification of the registration procedure in the CASP Register when the company is a Cyprus Investment Firm (CIF),
- Exemption of Cypriot Investment Firms (CIFs) engaged in crypto asset operations from the Directive's capital requirements.

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

Three amendments to the Investment Services and Activities and Regulated Markets Law were promoted during 2021 for purposes of harmonisation with European Directives. In particular:

On 29.04.2021, Law 78(I)/2021 was published for purposes of harmonisation with article 1 of Directive (EU) 2020/1504 amending Directive 2014/65/EU on markets in financial instruments, according to which providers of crowdfunding services, as defined in Regulation (EU) 2020/1503 on European crowdfunding service providers for business, are exempted from the scope of the Law.

On 7.05.2021, Law 91(I)/2021 was published for purposes of harmonisation with article 1.23) and 1.25) of Directive (EU) 2019/878 amending Directive 2013/36/EU and for purposes of harmonisation/re-harmonisation with articles of Directive (EU) 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

On 05.11.2021, Law 159(I)/2021 was published for purposes of harmonisation with article 64 of Directive (EU) 2019/2034 on the prudential supervision of investment firms (IFD) and for purposes of harmonisation with article 1 of Directive (EU) 2019/2177/EU amending Directive 2009/138/EC, Directive 2014/65/EU and Directive (EU) 2015/849.

In the course of 2022, an amendment to the Investment Services and Activities and Regulated Markets Law is expected to be promoted for purposes of harmonisation with article 1 of Directive (EU) 2021/338 amending 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, to help the recovery from the COVID-19 crisis.

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

During 2021, two amendments to the Alternative Investment Fund Managers Law were made for purposes of harmonisation with European Directives. In particular:

On 18.10.21, Law 135 (I)/2021 was published for purposes of harmonisation with article 2 of Directive 2019/1160 regarding cross-border distribution of collective investment undertakings (CBDF).

On 05.11.2021, Law 157(I)/2021 was published for purposes of harmonisation with article 61 of Directive 2019/2034 on the prudential supervision of investment firms (IFD).

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

On 18.10.2021, Law 134(I)/2021 amending the Open-ended Undertakings for Collective Investment Law was published in the Official Gazette of the Republic for purposes of harmonisation with:



- (i) Article 1 of Directive 2019/1160 regarding cross-border distribution of collective investment undertakings (CBDF),
- (ii) Article 60 of Directive 2019/2034 on the prudential supervision of investment firms (IFD); and
- (iii) Article 28 of Directive 2019/2162 on the issue of covered bonds (CBD).

## The Capital Adequacy of Investment Firms Law of 2021 (CRD)

On 07.05.2021, the Capital Adequacy of Investment Firms Law of 2021 (L. 97(I)/2021) was published in the Official Gazette of the Republic for purposes of re-harmonisation with articles of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, the application of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms, the harmonisation of articles of Directive (EU) 2019/878 amending Directive 2013/36/EU and the harmonisation with article 2 of Directive (EU) 2021/338 amending Directive 2014/65/EU and Directives 2013/36/EU and (EU) 2019/878.

The new legislation lays down rules on:

- access to the activity of CIFs,
- the supervisory powers and tools for the Commission's prudential supervision of CIFs,
- the Commission's prudential supervision of CIFs in a way that is compatible with Regulation (EU) 575/2013,
- the Commission's disclosure requirements as regards the prudential regulation and supervision of CIFs.

## The Prudential Supervision of Investment Firms Law of 2021 (IFD)

On 05.11.2021, the Prudential Supervision of Investment Firms Law of 2021 (L. 165(I)/2021) was published in the Official Gazette of the Republic for purposes of harmonisation with Titles I, II, III, IV, V and VIII of Directive (EU) 2019/2034 on the prudential supervision of investment firms and the effective implementation of Regulation (EU) 2019/2033 on the prudential supervision requirements of investment firms.

The new legislation lays down rules on:

- CIFs' initial capital,
- the supervisory powers and tools for the Commission's prudential supervision of CIFs,
- the Commission's prudential supervision of CIFs, in a way that is compatible with Regulation (EU) 2019/2033,
- the Commission's disclosure requirements as regards the prudential regulation and supervision of CIFs.

## Directive DI87-12 on Financial Conglomerates

CySEC promoted the enactment of secondary legislation and, on 26.11.2021, Directive DI87-12 of CySEC in relation to the supplementary supervision of investment firms, UCITS management companies or alternative investment fund managers in a financial conglomerate (Financial Conglomerates Directive), was published in the Official Gazette of the Republic of Cyprus, as Regulatory Administrative Act 486/2021, with the following aims:

- (a) To replace the Securities and Exchange Commission's Directive DI144-2007-16 with the same title, issued pursuant the Investment Services and Activities and Regulated Markets Law of 2007, which was replaced on 01.01.2018 with a new directive under the applicable Investment Services and Activities and Regulated Markets Law of 2017.
- (b) To ensure harmonisation with article 59 of Directive (EU) 2019/2034 on the prudential supervision of investment firms.

## Directive on the Certification of Persons and Certification Registers

CySEC promoted an amendment to the Directive on the Certification of Persons and Certification Registers, aiming to reduce the time required for a person to serve on the CySEC Board as a Member to be entitled, after the end of his/her term of office, to be registered in the certification register. Relevant to this is Regulatory Administrative Act 477/2021, published in the Official Gazette of the Republic on 26.11.2021, under which a CySEC Board Member is entitled to register in the certification register if he/she has served on the CySEC Board for at least 5 consecutive years.

### 3.3.3.2 New legislation

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

CySEC has prepared and is moving forward with an amendment to the Cyprus Securities and Exchange Commission Law, which clarifies that both the administrative fine and the administrative measures, as well as settlement, are considered as administrative sanctions. This amendment is expected to be implemented in 2022.

#### The Market Abuse Law of 2016

CySEC has prepared and is moving forward with an amendment to the Market Abuse Law, to enable the Commission to impose annual fees for purposes of the implementation of this law. With this amendment, CySEC will also have the discretion to impose an annual fee on issuers whose financial instruments are traded on a Multilateral Trading Facility (MTF), such as the Emerging Companies Market of the Cyprus Stock Exchange.

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

CySEC is proposing a draft law aimed at the more precise implementation and improvement of Law 190(I)/2007, so that:

- (a) Any references to abolished laws/European directives in Law 190(I)/2007 are replaced with those currently in force,
- (b) The issuer is obliged, when publishing any “privileged information” pursuant to Regulation 596/2014, to also submit it to the Commission.
- (c) It is clarified that the obligation to disclose the acquisition/distribution of own shares concerns only the issuers of shares that have been admitted for trading on a regulated market.

#### Draft Law - The Investor Compensation Funds Law

Following its participation in the public consultation conducted by the Ministry of Finance in 2020 for the promotion of a draft law titled “The Investor Compensation Funds Law”, for purposes of re-harmonisation with Directive 97/9/EC on investor compensation schemes, CySEC participated in 2021, together with other bodies, in the development of the processes aiming to finalise the new legislation.

At present, the provisions of Directive 97/9/EC are harmonised with CySEC Directive DI87-07 on the Operation of the Investor Compensation Fund. Once the new legislation comes into effect, Directive DI87-07 will be revised or abolished.

#### Draft Law - The Infringement Reporting Law

CySEC is promoting a draft law to regulate the filing of complaints (a) by any person to CySEC and (b) by an employee to his or her employer, who is regulated by CySEC, for infringement or potential infringement of the framework under CySEC’s supervision. More specifically, it provides for the rules and procedures to report infringements, including how to report and monitor them, protection measures for reporting and reported employees, as well as measures for the protection of their personal data.

This draft law is promoted for purposes of harmonisation with Implementing Directive (EU) 2015/2392 on Regulation (EU) No 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 European Crowdfunding Service for Business (Crowdfunding Regulation).

On 10.11.2021, the Regulation (EU) 2020/1503 on European Crowdfunding Service for Business 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 the services in the European Union. The Regulation applies to crowdfunding offers up to €5 million.

The Republic must designate a competent authority which will be responsible for the exercise of the powers and duties provided for in the Regulation and actions by the Ministry of Finance are anticipated in this regard. If CySEC is designated as the competent authority, legislation will be prepared and guidelines will be promoted for the more effective implementation of the Regulation (e.g. on the application procedure, fees, etc.). The framework is expected to be completed in 2022.

### 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 repeal of Directive 2003/71/EC

As of 21 July 2019, 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.

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 full implementation of Regulation 2017/1129, legislation to replace the Public Offer and Prospectus Law is expected to be promoted in 2022. It will incorporate the powers afforded to CySEC by the specific Regulation and include provisions on the obligation to prepare a prospectus.

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

During 2021, 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 draft laws pending before them. The Legal Department participated in all the meetings to which CySEC was invited relating to amendments to laws under CySEC's supervisory powers (e.g. the Investment Services and Activities and Regulated Markets Law), as well as in meetings to discuss amendments to other laws, such as the Companies Law and the Sale of Credit Facilities and Related Matters Law.

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

In 2021, the Legal Department received a series of queries from market stakeholders, investors, lawyers, auditors and other individuals on issues related to laws that it promoted. The laws that gathered the most queries are presented in the table below:

Law	No. of queries
Prevention and Suppression of Money Laundering Law	69
Investment Firms Law	33
Laws on Collective Investments	54

## 3.4 Strategy, International Relations and Communications Department

*“Our Department is called upon, through CySEC's strategic planning, to carve out the entire Commission's direction, ensuring all its people have clear targets and that their actions are in line with its vision and mission. At the same time, as the international capital markets' degree of interconnection and interdependence increases, the role of International Relations becomes heightened and takes the lead, both in forming the regulations that govern financial activity along with the other Regulators, 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 substantive contributor to its protection, acting as a supplement to 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 CySEC's public image, on a local as well as European and international level. The Department's responsibilities have increased significantly over the past few years, mainly as a result of the securities market's growth and the internationalised nature of CySEC-regulated entities.

The Department is divided into three sub-departments: a) Strategy, b) International Relations and c) 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 the CySEC Chairman and Vice Chairman, as well as to the other Departments, on the matters mentioned above.

### 3.4.2 Objectives for 2022

In 2022, the Department will continue to oversee the implementation of CySEC's strategic planning and ensure that its work is properly communicated. Emphasis will be given to continuing and deepening CySEC's cooperation with its counterparts abroad, as part of its supervisory role, applying to become a signatory to IOSCO's Enhanced Multilateral Memorandum of Understanding, as well as contributing to forming legislative regulations governing financial activity on a European level, through its participation in the various ESMA committees and working groups. At the same time, the Department will investigate new initiatives and collaborations to enhance the financial literacy of the public.

### 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 takes on, on the basis of its Vision and Mission. The strategic planning includes the preparation of a multiannual (3-5 years) 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.

## 3 | Development of the sector

The preparation of a robust long-term Strategic Plan, which is a responsibility of the Strategy, International Relations and Communications Department, is of vital importance for the Commission. It is a map 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 hence 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, and its aim is to direct the daily operations and big 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, strategy-wise, and makes recommendations to CySEC's chairmanship, which are to contribute to the securities market's growth and progress, and to attracting new healthy and robust financial organisations. Furthermore, it seeks out and explores new ways of showcasing CySEC's work. In 2021, 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, as well as developing the securities market, and attracting new healthy and robust financial entities. In 2021, the Department prepared several documents and letters for such matters.

#### 3.4.3.2 International Relations

##### Providing assistance and exchange of information

Given that cross-border cooperation and exchange of information between supervisory authorities is very important and necessary when it comes to executing its supervisory role, as enacted by the European Directives and Regulations, CySEC attaches great significance to its cooperation with the supervisory authorities of other countries. In 2021, the Department closely cooperated with counterpart supervisory authorities from other EU member states and third countries and has handled 502 requests for two-way assistance and exchange of information. In 2021, there were 505 incoming and 141 outgoing requests.

##### Representing CySEC abroad

In 2021, the Department participated as a representative of CySEC or in a supporting role, both in permanent committees/working group meetings and top-level ESMA, ESRB and IOSCO meetings, such as ESMA BoS, ESMA SMSG, ESMA SCSC, ESRB General Board, IOSCO Presidents Committee, IOSCO ERC, IOSCO GEMC and IOSCO MG. In 2021, a total of 23 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 interstate 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 are an affirmation of the mutual spirit of cooperation between the supervisory authorities and other agencies abroad, as well as of our extroverted economies, thus contributing towards increasing the productive business ties between Cyprus and other countries, to the benefit of the national financial markets.

In 2021, CySEC participated in a survey to identify obstacles faced by the members of the International Organisation IOSCO in applying to become a signatory to the Enhanced Multilateral Memorandum of Understanding (EMMoU). CySEC has begun studying and reviewing all the relevant material and aims to proceed with the application in 2022.

Since the establishment of the IOSCO MMOU in 2002, there has been a significant rise in the globalisation and interconnection of financial markets, coupled with advancements in technology that have changed both the way securities and derivatives markets operate and how laws are being violated. CySEC therefore considers the signing of the EMMoU an important step to further enhance information sharing and cooperation among IOSCO members to:

- keep pace with technological, social and market developments,
- 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.

The additional powers granted through the EMMoU include the following:

- Obtaining and sharing audit work papers, communications and other information relating to the audit or review of financial statements
- Compelling physical attendance for testimony by being able to apply a sanction in the event of non-compliance (no power to compel testimony or to compel answers to questions)
- Freezing assets, if possible, or, if not, advising and providing information on how to freeze assets, at the request of another signatory country
- Obtaining and sharing existing Internet service provider records identifying subscribers' names, addresses, payment details, duration and type of service, network addresses and the date, time and duration of connection periods (but not the content of those connections)
- Obtaining and sharing existing telephone records identifying subscribers' names, addresses and payment details, as well as the date, time, duration and telephone numbers of incoming and outgoing communications (but not the content of those communications)

### 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, in a coordinated way, as a reliable investment destination, while it also cooperates with other state and private bodies.

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

During 2021, 49 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, informative material and statistical data were prepared and forwarded to public organisations and authorities in Cyprus and abroad in 18 cases, to inform them about CySEC's work and activities.

## 3 | Development of the sector

### 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, inter alia, developments on new legislative regulations 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 at times posted on CySEC's website, urging them to be especially careful and always ensure that the company they are in contact with is licensed by CySEC to provide investment services within or from the Republic.

CySEC also issued warnings to investors that individuals were falsely pretending to be CySEC officers or representatives and contacting investors asking them to submit payments in exchange for supposedly recovering losses they suffered. CySEC used these warnings to remind investors that it never contacts investors or the public to ask for personal, financial or other information, nor does it have the authority to receive payments for any purpose by private investors, nor does it authorise anyone to do so on its behalf. CySEC is not involved in any way in collective actions, 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 2021, around 105 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 2021, a press conference was held at CySEC's offices, in line with the relevant health protocols, during which the Chairman presented CySEC's work in 2021, developments in the sector and the objectives for 2022. The conference was attended by a significant number of financial reporters from various media, who provided broad coverage of the event.





### 3.4.3.6 The CySEC website

The Department, in cooperation with all CySEC Departments, monitors and reviews, when necessary, the material to be published on CySEC's website. During the year under review, it edited/reviewed approximately 190 documents, including announcements, decisions, circulars, notices and others, which were then posted on CySEC's website. In addition, it edited CySEC's statistical bulletins.

Also, in 2021, a special section on the CySEC website, which had been created in 2020 to keep investors, regulated entities and other stakeholders up to date on the COVID-19 pandemic, remained operational.

### 3.4.3.7 Strategically important events

The Department is responsible for organising and coordinating the major and strategically important CySEC 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.

### Organisation of an online conference and other actions on the occasion of the 25th anniversary of CySEC

On the occasion of its 25th anniversary, CySEC held an online conference on 14 July 2021 titled "CySEC 25 Years: The Past, Present and Future of Financial Development and Innovation".

The conference focused on the transformation and development of the investment services sector in Cyprus, as well as future prospects. CySEC's former Chairwoman, Ms. Demetra Kalogerou, referred to the most important milestones of these 25 years that have defined CySEC's evolution, as well as to the organisation's future plans as a Supervisory Authority.

The conference was addressed by the European Commissioner for Financial Services, Financial Stability and Capital Markets Union, Mairead McGuinness, and the Minister of Finance, Mr. Constantinos Petrides.

A round table discussion on financial technology, compliance and alternative investments, moderated by the current CySEC Chairman, Dr. George Theocharides, was held during the conference. The round table discussion was attended by stakeholders of the sector.

### 3.4.3.8 Financial education of the public

The smooth functioning of the financial sector and investor protection are ensured, not only by having in place a comprehensive legislative and regulatory framework, but also by each investor's ability 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 re 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 for the individuals themselves, financial education also has important benefits for society and the economy.

## 3 | Development of the sector

CySEC encourages the public's education on securities market issues in a number of ways, and has itself taken a series of actions to this end. CySEC has, among others, undertaken the following:

- It maintains a special section on its website dedicated to investors, where informative material and notices issued by CySEC or other countries' supervisory authorities are posted.
- From time to time, it conducts national surveys to determine the public's level of knowledge on financial matters, with emphasis on issues related to the capital market and investing in securities.
- It publishes Investor Guides with useful information on the public's rights when investing, advice on how investors can be protected from potential fraud, and other educational material.
- It organises seminars and lectures on basic financial literacy in all cities, open to the public.
- Following a request by the Ministry of Education, it contributed to the revision of the Upper Secondary Education (Lyceum) syllabus for Commercial Studies on capital market issues.
- It regularly publishes informative articles and warnings to investors in newspapers, financial magazines and websites.
- It participates in global and pan-European information and awareness campaigns with the aim of promoting financial literacy and investor protection.
- It participates in conferences and workshops on financial literacy, where CySEC encourages other stakeholders to take initiatives to promote financial education, while exploring the possibility of synergies.

### Design of a National Strategy for the financial education of the public

Addressing financial illiteracy in Cyprus in a drastic way through the adoption of a National Strategy has been repeatedly highlighted by CySEC, through various recommendations to the State, following the study, among others, 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 2021, CySEC continued to take 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 leads and coordinates its work), CySEC, the Ministry of Finance, the Ministry of Education, Culture, Sports and Youth, and two Professors of the University of Cyprus and the Cyprus University of Technology respectively.

The text of the National Strategy is in the final stage of preparation and is expected to be submitted to the Council of Ministers shortly.

### CySEC's participation in the World Investor Week 2021 campaign

In 2021, CySEC joined forces with supervisory authorities worldwide by participating in World Investor Week 2021, held between 4 and 10 October. The campaign was organised for the fifth time by the International Organisation of Securities Commissions (IOSCO), with the aim of providing information and raising awareness among investors of the importance of financial education.

In the framework of the Week, CySEC undertook a series of actions to better inform investors and raise awareness of the risks posed by certain investment behaviour or decisions, as well as on the importance of their further education. Among others, CySEC published a short Investor Guide, with easy-to-use and practical advice on how to identify risks in time and ensure protection from fraud. The Guide was posted in the dedicated investor information section created on the CySEC website.

## Creation of a comprehensive section on the CySEC website dedicated exclusively to investors

In 2021, a special section on Financial Education was created on the CySEC website, dedicated to the further education and information of investors on capital market issues. The section is enriched with informative and educational material, such as Investor Guides, with an emphasis on easy-to-use and practical advice on investments, articles, audiovisual material and other useful information for investors and the broader public.

### 3.4.4 Social responsibility actions

Aware of the positive impact that responsible voluntary action by organised bodies can have on society, CySEC's long-term strategy encourages and supports its staff's participation in social responsibility actions. These actions are part of a comprehensive programme aimed at combining the personnel's awareness, active support and commitment towards their social responsibility.

Despite the challenges caused by the COVID-19 pandemic when it came to organising social responsibility actions, the CySEC staff participated in the following notable activities throughout the year:

- **Financial Support of the Cyprus Kidney Association**

From March to August 2021, the members of the Cyprus Kidney Association organised a fund-raising campaign to enable the Association to carry out its work of providing relief and support to people suffering from kidney diseases. Wishing to contribute to this effort, CySEC's staff supported the Association financially by purchasing donation vouchers and/or by direct deposits to the Association's bank account.

- **Movember Cyprus**

CySEC has supported the charity organisation Movember Cyprus, which runs every November an information and awareness campaign on male cancer and men's mental health, as well as on improving the quality of life of patients and their families. CySEC's staff embraced the campaign, buying merchandise worth a total of €271.

- **Blood donation**

The limited flow of blood donors, as a result of the pandemic, has created severe blood scarcity. In response to this, CySEC took the initiative to organise a Blood Donation Day. For this purpose, a group of CySEC employees volunteered to take part in the group blood donation at Engomi Blood Donation Centre, to help increase blood bank reserves.

- **CySEC Xmas Charity Online Bazaar**

CySEC's established annual Xmas Charity Bazaar was once again held in December 2021, aiming to relieve and support people in need. For the second year in a row, the bazaar was held online due to the pandemic. Thanks to the large participation of CySEC's staff, a total amount of €1,062 was raised and donated among several foundations, including the Cyprus Anti-Cancer Society, The Little Heroes, One Dream One Wish, Christina A. Apostolou Foundation and Karaiskakio Foundation.

- **Financial aid to the Cyprus Anti-Cancer Society**

In December 2021, CySEC's Management made a symbolic contribution of €50 to support the work of the Cyprus Anti-Cancer Society.

## 3 | Development of the sector

- **Strengthening principles and culture**

In 2021, with the aim of improving productive cooperation among its employees and defining sound organisational principles and values, CySEC first conducted a questionnaire-based survey, to uncover the organisation's existing beliefs and culture. It then implemented a programme to strengthen principles and values, enhance the managerial skills of supervisors and improve the overall working environment.

- **Digital transformation – Paperless Office**

To minimise the Organisation's ecological footprint through reducing the use of consumables, such as paper and ink, CySEC has in place, since 2014, a modern Central Archiving and Document Management system. Under this technologically advanced system, documents created or received and/or archived by CySEC are entirely digital. Furthermore, CySEC adopted digital signature procedures 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 2021, 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 the reduction of the volume of waste and its negative impact on the environment.

- **Environmental protection**

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.

## 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 compiling the Commission’s budget, public procurements, human resource management, certification matters as well as other multifaceted issues. Our Department’s aim is to assist the Commission in achieving its strategic planning, providing it with all the necessary means. In this second year of the coronavirus pandemic, we were faced with new challenges, but these did not stand in the way of the Department’s smooth operation. Moreover, through careful actions in cooperation with the Chairmanship, and with the health and safety of CySECs staff as our primary concern, we managed to prevent the spread of the virus within the Organisation, while effectively adopting remote work.”*

### **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 its revenue and overseeing its expenditure, public tendering and procurement, managing equipment and building facilities, book-keeping and maintaining the Organisation’s archives 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 individuals and CySEC’s staff.

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

### 3.5.2 Objectives for 2022

The Financial Services, Personnel and Training Department, in cooperation with other CySEC departments, will continue to investigate how to change its pricing policy, which was initially implemented for CIFs. The preparation of the plan to change CySEC’s pricing policy to include other regulated entities was interrupted due to problems that arose in the economy, because of the pandemic.

It is worth noting that, in 2022 CySEC will 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

## 3 | Development of the sector

Certification of Persons and the Certification Registers (Regulatory Administrative Act 44/2019). The problems caused by the pandemic did not allow the launching of the new exams in 2021, as originally planned.

The procedure to recruit new members of staff for the purpose of filling the vacancies and further strengthening the Organisation's Departments will be completed within the new year.

The increase in the Department's staff led to the need to prepare manuals, aiming at a clearer description of the procedures followed as well as improving the organisation of its operations. By 2022, the Department will continue to record new and existing internal procedures.

The installation and operation of the human resource management programme, which automated the Organisation's annual leave policy, introduced a major change in CySEC's operation. In 2022, certain functions of the programme will be modified to better serve the Organisation's needs in relation to the annual leave policy. Moreover, the objective is to carry out the appraisal process for CySEC's staff in 2022 partly and/or entirely through the system.

The Department will place special emphasis on the ongoing implementation of CySEC's "Culture Reinforcement Program." Within 2022, separate trainings for all levels of staff, as well as one-to-one coaching for the heads of the Departments, are being scheduled. These training courses are expected to greatly reinforce the Organisation's culture and therefore increase employee engagement and satisfaction.

In addition to the training under the culture reinforcement programme, training courses on a variety of topics such as first aid, sustainability management, etc., are also being planned.

### 3.5.3 The Department's operations

#### 3.5.3.1 CySEC personnel

At the end of 2021, CySEC employed 7 Senior Officers, 28 Officers A', 85 Officers, 5 Clerical Officers, 25 Assistant Clerical Officers and 1 Office Assistant.

One Officer left CySEC during the year. At the same time, 32 new permanent Officers were hired. This has greatly enhanced the work of CySEC's Departments. The new personnel had the opportunity to be briefed on CySEC's operations during a four-day induction training before taking up their duties.

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

Department	Personnel
Financial Services, Personnel and Training	14
Legal	8
IT and Operations	10
Authorisations	23
Supervision	25
Strategy, International Relations and Communications	11

Department	Personnel
Risk Management and Statistics	10
Policy	6
Issuers	9
Market Surveillance and Investigations	12
AML	18
Internal Audit Unit	3
Chair Support/Reception	2
<b>TOTAL</b>	<b>151</b>

The above includes an Officer employed, as of 1 August 2018, through 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 2021, an Officer A' of the Strategy, International Relations and Communications 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. The secondment has been terminated and the appointment of a new financial attaché in Brussels to reinforce the Permanent Representation is expected.

#### Participation in the European Securities and Markets Authority (ESMA) committee

CySEC participates, through its Financial Services, Personnel and Training Department, in the ESMA committee which is responsible for developing a common culture and cooperation amongst the EU member states' supervisory authorities.

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

#### 3.5.3.3.1 Staff training

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

During 2021, although the pandemic made it difficult to conduct trainings, seminars were held on specialised topics, including training for all the clerical officers on office organisation and personnel growth.

In 2021, the "Culture Reinforcement Programme" was introduced, 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 two parts of the Programme have already been implemented. The first part included a questionnaire-based survey aiming to identify the current image of the Organisation's culture. Thereafter, during the implementation of the second

## 3 | Development of the sector

part, all of CySEC's personnel participated in a training, where they had the opportunity to interact and communicate with each other, as well as define sound organisational principles and values.

Moreover, email "Empowerment Messages" scheme continued in 2021. Presentations on the enhancement of leadership soft skills are sent to middle and upper management once a month, as part of asynchronous e-learning.

Officers of the Department also attended seminars on topics relevant to their work.

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

During 2021, 138 certification exams were held, with 2,079 people registering to take them. Of those, 41% registered to take the Compliance Officer exam, 51% the upgraded exam and 8% the basic exam. Of those who took the exams, 1,154 were successful.

At the end of 2021, there were 4,134 persons registered with CySEC's public register and 1,263 with the Compliance Officers Register.

In 2021, amendments were made to improve the Directive on the Certification of Persons and the Certification Register, Regulatory Administrative Act 44/2019.

### Improving the compliance of regulated entities

As part of the amendments that CySEC has introduced and 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.

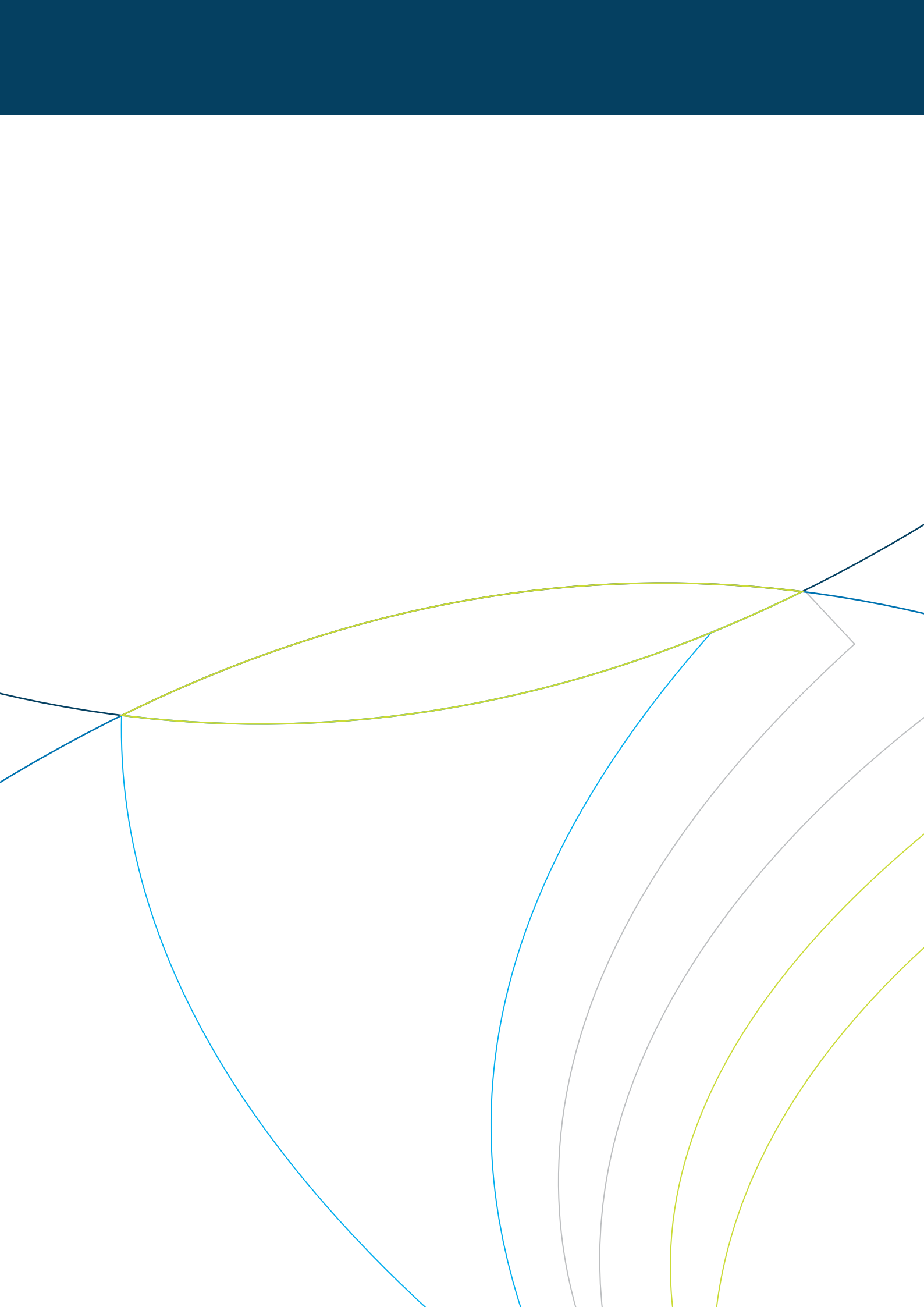
To this end, CySEC organises seminars for the regulated entities, as well as lectures open to the public. During these seminars and lectures, any changes to the legislative framework governing the sector and new developments are presented, while explanations are provided on the basic legal provisions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

In 2021, CySEC organised and held 16 seminars online. The seminars were attended by 372 people, of whom the majority were registered professionals in the field 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, and an analysis of financial innovation issues were among the topics discussed at the seminars.







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# 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 competencies, with the ultimate aim of ensuring the smooth operation of the market and protecting the interests of investors. In the ever-changing investment landscape, CySEC strives to respond in a timely and efficient 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 MC UCITS 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 2022

In 2022, 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 2022 emphasis will be placed on the following operations/projects:

#### A. CIFs

- Conducting remote\* 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 the following sections:
  - Product governance.
  - Costs and charges, in the context of ESMA’s Joint Supervisory Action.
- Conducting remote mystery shopping inspections regarding client onboarding, account opening and transaction requirements.
- Conducting remote\* inspections on the transparency requirements by systematic internalisers.

\*Depending on the situation regarding the pandemic, a number of inspections may be carried out onsite at the CIFs’ offices

- Conducting remote\* inspections on a sample of CIFs in relation to client money protection requirements.
- Conducting remote inspections on a sample of CIFs on transaction reporting requirements.
- Monitoring of the marketing communications of a sample 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 sample of CIFs.
- Monitoring the compliance of a sample of CIFs with their requirements as provided under the MiFIR, EMIR, CSDR, STFR and Securitisation Regulations.
- Issuing circulars and forms 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 of 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 Investment and Undertakings for Collective Investment

- Conducting thematic inspections on a sample of managers, in the context of ESMA's Joint Supervisory Action, on the requirements for calculating the net value of assets under management.
- Completing thematic inspections on UCITS' requirements for costs and charges.
- 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 minimum asset acquisition
  - The obligation of AIFs to acquire assets 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 liquidity management and costs and charges issues, as well as other circulars, if 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 of the Department's functions/procedures to ensure a more effective supervision.
- Actively participating in committees tasked with defining the regulatory framework governing regulated entities, both in Cyprus and abroad.

### 4.1.3 Operations/projects carried out in 2021

#### 4.1.3.1 Inspections - compliance monitoring

In 2021, 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, mandated by the restrictive measures in place due to the pandemic. More specifically, it carried out the following:

### A. CIFs

- Remote inspections of 26 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 appropriateness assessment, product suitability (e.g. copy trading), marketing communications, remunerations, conflicts of interest, and product monitoring.
  - National intervention measures as regards the placement, distribution and marketing of Contracts for Difference (CFDs).

It is noted that, in 2021 the Department continued to assess the findings from a number of remote inspections initiated in 2020.

- Remote inspections of 4 CIFs on prudential supervision requirements, in particular on client money requirements and risk management.
- Thematic inspections of 5 CIFs on product governance requirements (under ESMA's Joint Supervisory Action) and 4 CIFs on copy trading requirements.
- Evaluation of 9 compliance officers' annual reports and 9 annual internal audit reports.
- Evaluation of a report on an internal capital adequacy assessment process (ICAAP).
- Monitoring of the marketing communications of 27 CIFs.
- Monitoring of transaction/derivative contract reporting requirements as follows:
  - 93 CIFs and non-financial counterparties on derivative contract reporting, as required by the EMIR Regulation.
  - 70 CIFs on transaction reporting, as required by the MIFIR Regulation.
  - 16 CIFs on securities financing transaction reporting, as required by Regulation SFTR.
  - 90 CIFs on internalised settlement reporting, as required by the CSDR Regulation.

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

In 2021, the Supervision Department conducted:

- Remote inspections in 3 UCITS Management Companies (MC) on the requirements on costs and charges.
- Monitoring of the requirements of a total of 73 Managers of UCIs and 216 UCI/investment divisions in terms of:
  - Asset acquisition by AIFs/AIFLNP/RAIFs.
  - Asset acquisition from a number of investors by AIFs/AIFLNP/RAIFs.
  - The thresholds set out in the AIFM Law and the AIFM Regulation for the AIF assets under the management of sub-threshold AIFMs.
- Monitoring of the requirements of a total of 106 Managers of UCIs and 244 UCIs regarding AIFMD data reporting and quality requirements of AIFM and AIF/AIF investment divisions.

### C. Central Securities Depository

In 2021, the Supervision Department conducted a remote inspection of the Central Securities Depository (CSD), to assess the adequacy of the regulations, strategies, procedures and processes established and implemented, as well as the existence of risks to which the CSD is or may become exposed.

### 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 revocation of operating licence, suspension of operating licence, prohibition to accept new clients and deposits, or reached settlements and drew the attention on identified weaknesses requiring corrective action.

In 2021, CySEC also issued several circulars to the regulated entities.

### 4.1.3.3 Participation in various committees 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 integrity, stability, prestige and credibility of the Cyprus securities market, through preventing and suppressing money laundering and terrorist financing, remains one of CySEC’s main goals.”*

**Charalambos Paraskeva**

Head of Anti-Money Laundering Department

### 4.2.1 Duties/competencies

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

The Department 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, the Department issues and publishes Directives, Guidelines and Circulars for the regulated entities, relating to the prevention of money laundering and terrorist financing.

Its duties also include, inter alia, 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.

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

### 4.2.2 Objectives for 2022

The priorities of the Department for the Prevention of Money Laundering for 2022 are as follows:

- Launch of the System for the Register of Beneficial Owners of Express Trusts and Similar Legal Arrangements (the “Register”) provided for by European Directive (EU) 2015/849 on combatting money laundering and terrorist financing, as amended by Directive (EU) 2018/843 (5th European Directive). The System will be used for the registration in the Register, the disclosure, management, keeping and updating of information on the beneficial owners of express trusts and similar legal arrangements in the Republic, as well as access to the Register.
- Carry out inspections on regulated entities that have or used to have business ties with individuals who were granted Cypriot citizenship under the Cyprus Investment Programme.
- 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 2021.
- Implement an Action Plan, based on the findings/recommendations of the EU Committee of Experts on the Evaluation of Anti-Money Laundering Measures (Moneyval) assessment report on Cyprus, which was published on 12 February 2020.
- Prepare and implement an Action Plan based on the findings/recommendations of the National Risk Assessment in relation to crypto assets and Crypto Assets Services Providers.
- Prepare and implement an Action Plan based on the findings/recommendations of the first Cyprus’ Progress Report by Moneyval.
- Implement the guidelines issued by the European Banking Authority on combatting money laundering and terrorist financing.



- Implement the AML/CFT Colleges Guidelines, issued by the European supervisory authorities to facilitate cooperation and exchange of information between the competent authorities that supervise credit institutions and financial entities, pursuant to Directive (EU) 2015/849.
- Participate in the working group on the preparation of the new European legislative package to combat money laundering and terrorist financing.

### 4.2.3. The Department's operations

#### 4.2.3.1 Trusts Register

As part of harmonisation with the 4th and 5th European Directives, CySEC took on the creation, management and supervision of the Trusts Register, as provided in article 31 of the European Directive and article 61B of Law 188(I)/2007. The main objective of the Register is, inter alia, to improve transparency, as it introduces the obligation to keep information in the central Trusts Register on the beneficial owners of express trusts and other types of legal arrangements whose structure or function are similar to trusts.

To fulfil its relevant obligation, CySEC assigned this project to external consultant. The Trusts Register is in the final stages and is expected to be launched in the first quarter of 2022. Also, at the end of 2021, the central trusts registers of all member states were technically interconnected through the European central platform.

Furthermore, CySEC issued a relevant Directive (Directive on the prevention and suppression of money laundering and terrorist financing (Register of beneficial owners of express trusts and similar legal arrangements) regulating specific matters that have to do with the characteristics, establishment and functioning of the Register, as well as access to it and any other related matters.

#### 4.2.3.2 National Risk Assessment for Crypto Assets and Crypto Assets Services Providers

To comply with the international standards of the Financial Action Task Force (FATF), in 2020 the Republic of Cyprus assigned an external consultant to carry out a national risk assessment on Virtual assets and Virtual Assets Services Providers on issues of money laundering and terrorist financing. CySEC participates in this assessment as a stakeholder, due to the imminent supervision of Crypto Assets Services Providers in 2021, pursuant to the provisions of the draft law to harmonise with the 5th European Directive (EU) 2018/843.

This national risk assessment was completed in 2021 and CySEC posted on its website a circular on the results. CySEC also issued a relevant Directive on the Register of Crypto Assets Services Providers, which is kept by CySEC.

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

Cyprus' regulatory and supervisory framework for the prevention of money laundering and terrorist financing is subject to the evaluation procedures of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (Moneyval Committee), 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 suppressing money laundering and terrorist financing.

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 December 2021, the Moneyval Committee published Cyprus' 1st Progress Report which refers, inter alia, to the progress made in implementing the recommendations of Moneyval's Mutual Evaluation Report. CySEC participated in the process of assessing Cyprus' progress.

### 4.2.3.4 Monitoring the compliance of the regulated entities

In 2021, the Department continued to monitor the regulated entities' compliance with their legal obligations, by conducting specific inspections.

#### 4.2.3.4.1 Inspections

In 2021, the AML Department conducted inspections to assess the adequacy and suitability of the relevant measures and procedures implemented by the regulated entities for the prevention of money laundering and terrorist financing.

More specifically, in 2021, the Department:

- Completed the onsite inspection process for 60 regulated entities.
- 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 terrorist financing, as well as the relevant Board of Directors minutes, of 239 regulated entities (80 CIFs, 82 ASPs and 83 UCITS Management Companies). In total, 478 Annual Reports were examined. The reports mainly address risk management, policy, practices, measures, procedures and control mechanisms in place to prevent money laundering and terrorist financing.

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," CySEC requested and received information from 431 regulated entities, on whether they maintain or have maintained business ties over the past five years with clients and/or the beneficial owners of clients, who either themselves or their spouses and/or children, acquired Cypriot citizenship through the naturalisation by exception scheme, under the Cyprus Investment Programme.

Following an evaluation of the information received by CySEC under Circular 416, the Department launched a series of specific desk-based inspections, which will continue in 2022.

#### 4.2.3.4.2 Supervisory measures

As regards the inspections, settlements were reached for potential breaches of Law 188(I)/2007 and the relevant CySEC Directive and 24 regulated entities were instructed to take specific measures within a set deadline, to ensure their full compliance with the provisions of the above Law and the Directive.

Regarding the examinations of the Annual Reports of the Compliance Officers and the Internal Audit Reports, CySEC ordered a total of 56 regulated companies to take measures to address the weaknesses and/or omissions identified.

### 4.2.3.5 Issuing Circulars

During 2021, the Department prepared and published a number of circulars on the prevention of money laundering and terrorist financing.

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

The CySEC closely cooperates with the other supervisory authorities in Cyprus and the Unit for Combatting 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.

Moreover, it participates in the Advisory Authority for Combatting Money Laundering and the Financing of Terrorism, as well as the Extended Special Technical Committee comprising all the supervisory authorities of Cyprus, which was established 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.

It also participates in the European Banking Authority's "Standing Committee on Anti-Money Laundering and Countering Terrorist Financing" (AMLSC), as well as the "Expert Group on Money Laundering and Terrorist Financing" (EGMLTF) and the "Committee on the Prevention of Money Laundering and Terrorist Financing on the Interconnection of Beneficial Ownership Registers" of the European Commission.

## 4.3 Issuers Department

*“The supervision of the issuers’ compliance with their obligations under the legislation continues to be a priority for the Issuers Department, aiming to ensure the protection of investors and the smooth operation of the market. The Department closely monitors developments at legislative level 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 home member state is the Republic of Cyprus and have transferable securities admitted to trading on a regulated market 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, as well as examining Public Takeover Bid documents for the acquisition of companies whose securities are listed on a regulated market. Furthermore, the Department is responsible for 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 2022

In 2022, the Issuers Department will focus on monitoring the compliance of issuers and other liable persons with their ongoing obligations. 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 that was introduced for annual financial reports for financial years beginning on or after 1 January 2021. In addition, emphasis will be placed on increasing the number of assessments of 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 new obligations provided for in the Law on the Encouragement of Long-term Shareholder Engagement published in 2021 and on the preparation, in cooperation with the Legal Department, of the Directive provided for in the said Law.

### 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 2021, Officers of the Issuers Department continued to monitor, on an ongoing basis, announcements by issuers concerning the issue/offer of securities or the admission of 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 were exempted from the Law.

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 of transferable securities in the Republic of Cyprus, of Issuers whose home member state is not Cyprus. These notifications are posted

on CySEC's website. During 2021, CySEC received notifications from the competent authorities of other member states for 13 Prospectuses and 32 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 applicable 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

Officers of the Issuers Department continued to monitor, on an ongoing basis, the announcements/publications to ascertain the compliance of the parties involved with the Public Takeover Bids Law.

In 2021, 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

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 Law.

A notable number of issuers did not comply with the abovementioned obligations within the set deadline, citing the ongoing impact of the Covid 19 pandemic.

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 2019

While reviewing the compliance of issuers with their obligation to publish their Annual Financial Report for the financial year 2019, CySEC investigated 17 cases of potential breach of article 9(1) of the Transparency Requirements (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 2021 and CySEC established a breach of article 9(1) and/or article 37(2)(a) of the above Law in the case of 17 issuers, as follows:

- Establishment of breach of articles 9(1) and 37(2)(a) of the said Law by 8 issuers and imposition of administrative fine.
- Establishment of breach of article 9(1) of the said Law by 9 issuers.

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 2020

In 2021, CySEC also started reviewing the issuers' compliance with their obligation to publish their Annual Financial Report for the financial year 2020. As part of this review, CySEC decided to investigate 19 cases concerning a potential breach of article 9(1) of the Transparency Requirements (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 article 37(2)(a) of the same Law regarding failure to submit the report to CySEC. This review continued in 2022.

#### • Interim Financial Report

### Interim Financial Report for the first half of the financial year 2020

While reviewing the compliance of issuers with their obligation to publish their Interim Financial Report for the first half of the financial year 2020, CySEC investigated 16 cases of potential breach of article 10(1) of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law, due to their failure to publish an Interim Financial Report within the deadline specified by the Law and/or article 37(2)(a) of the same Law regarding failure to submit the report to CySEC. It also investigated a case of potential breach of article 10(3)(b) of the same Law, as the Interim Financial Report for the first half of the financial year 2020 of the issuer in question did not include the Interim Management Report.

The review of the cases was completed in 2021 and CySEC established a breach of article 10(1) and/or article 37(2)(a) of the above Law or article 10(3)(b) of the same Law in the case of 15 issuers, as follows:

- Establishment of breach of articles 10(1) and 37(2)(a) of the said Law by 6 issuers.
- Establishment of breach of article 10(1) of the said Law by 7 issuers.
- Establishment of breach of article 10(3)(b) of the said Law by 1 issuer.
- Establishment of breach of article 37(2)(a) of the said Law by 1 issuer.

In all of the above cases, CySEC decided to impose administrative fines.

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 2019, 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 2020

In 2021, CySEC reviewed the issuers' compliance when it came to the content of their Interim Management Reports for the first half of the financial year 2020, which were included in their published Interim Financial Reports for the specific period, as required by article 10(3) of the Transparency Requirements (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.

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 2020, 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 2021

In 2021, CySEC also started reviewing the issuers' compliance with their obligation to publish their Interim Financial Report for the financial year 2021 as well as compliance with regard to the content of their Interim Management Reports for the first half of the financial year 2021, which are included in the published Interim Financial Reports of the Issuers for the period. This review continued in 2022.

### • 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 (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.

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 sampling, 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 implications 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 2021 was made on a sample basis, as described above. In total, the annual and/or interim financial statements of nine 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 2020, as determined by ESMA in cooperation with the European Supervisory Authorities. In cases where the sample concerned the common European priorities, the results of the assessment were also sent to ESMA. CySEC continued examining some of the selected financial statements in 2021.

### • Obligation to notify about a significant participation in an issuer

In 2021, CySEC completed the examination of a case concerning a potential breach of article 28(2) of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Law of 2007, as applicable. The shareholder failed to notify CySEC about the rate of their participation in the voting rights of an issuer, as a result of the acquisition of shares. CySEC established a breach of article 28(2) of the said Law by the shareholder and decided to impose an administrative fine.

CySEC also completed the examination of a case concerning a potential breach of article 19 of the same Law by an issuer, due to the issuer's failure to disclose the information on the acquisition or disposal of voting rights by a shareholder. CySEC established a breach of article 19 of the said Law by the issuer.

### 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.

#### 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 consistency as prescribed in Regulation (EU) 2017/1129 and the relevant delegated acts.

Three applications for Prospectus review were submitted to CySEC in 2021, for the public offer and/ or admission of securities to a regulated market, pursuant to the existing law. CySEC examined these applications, as well as an application submitted in 2020, and approved two Prospectuses. The examination of the other two continued in 2022.

In 2021, CySEC did not receive any requests to approve Supplementary Prospectuses.

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

In 2021, the CySEC received requests from two issuers, whose home member state 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 Prospectus of one issuer 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. With regard to the second request, the competent supervisory authority concerned by the request did not agree to the transfer of the competency and therefore the transfer was not possible.

In 2021, CySEC did not receive any requests from other supervisory authorities to transfer their competency for approving Prospectuses to CySEC.

##### Public Takeover Bid Documents

In 2021, one Public Offer Document was submitted to CySEC following a notice by the Bidders for a voluntary public offer to acquire 100% of the share capital of an issuer with securities listed on the CSE.

CySEC examined this Document and decided to approve it and allow its publication.



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

In 2021, five 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 all five applications.

## Applications to exercise squeeze-out right

In 2021, CySEC did not receive any applications pertaining to the exercise the right for a squeeze-out.

## Delisting/suspension of trading

In 2021, the CySEC examined and approved the decision of the CSE Council to delist the securities of five issuers from trading on the CSE's regulated market, 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 six issuers, the decision of the CSE Council to continue to suspend the trading of their securities on the CSE's regulated market. In addition, for the above issuers, as well as another eleven. This decision was taken after taking into consideration that the CSE did not have authority to suspend the trading of their 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 the CSE Council to suspend the trading of their securities on the Cyprus Stock Exchange's regulated market, until their compliance with their ongoing obligations or until a specific date set by CySEC, as it considered that the smooth operation of the market was not being ensured.

### 4.3.3.3 Upgrading of the regulatory and supervisory framework

In 2021, the Department continued to pinpoint 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 discretions available in the Regulation of the European Parliament and of the Council on the prospectus.

The Department also studied the Draft Law titled "Law on the Encouragement of Long-term Shareholder Engagement of 2021", for CySEC to submit to the competent Ministry its views on the Draft Law in relation to matters under its remit.

In addition, the Department studied the European Commission's Proposal for a Corporate Sustainability Reporting Directive, in relation to matters under CySEC's remit and submitted comments to the Ministry of Commerce to be forwarded to the Presidency of the Council of the European Union, in the framework of the examination of the Proposal by the Council's working groups.

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

The Department also participates in various ESMA groups. Specifically, it participates 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 and fair operation of the Cypriot capital market are the beacon of the work of the Market Surveillance and Investigations Department.”*

### **Alkis Pierides**

*Head of Market Surveillance and Investigations Department*

### 4.4.1 Duties/competencies

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

More specifically, the Department is responsible for:

- Investigating potential breaches on insider dealing and market manipulation.
- Investigating potential breaches of the Stock Exchange Laws and Regulations.
- Investigating issuers listed on an organised market operating in the Republic, such as the Cyprus Stock Exchange.
- Investigating issuers listed on the Emerging Companies Market of the Stock Exchange.
- Conducting investigations in relation to Cyprus Investment Firms (CIFs).
- Conducting investigations in relation to Investment Funds and Investment Fund Managers.
- Investigating investor complaints.
- Monitoring stock exchange sessions daily, through modern electronic monitoring systems.
- Issuing circulars or announcements to issuers, CIFs, other regulated entities and the investing public.
- Monitoring the implementation of the provisions of the Corporate Governance Code.

### 4.4.2 Objectives for 2022

In 2022, the Market Surveillance and Investigations Department will focus on investigating cases relating to investment product marketing techniques applied by CIFs with cross-border operations.

### 4.4.3 The Department's operations

#### 4.4.3.1 Investigations and fines

In 2021, the Market Surveillance and Investigations Department conducted an entry and investigation on four CIFs and completed forty-one investigations on CIFs, Issuers and ASPs.

At the end of 2021, thirty investigations were underway on various regulated entities.

During 2021, a number of CIFs, as well as other entities, were fined by CySEC over cases investigated exclusively by the Investigations Department. In a number of cases, CySEC reached a settlement.

### 4.4.3.2 Investigating investor complaints

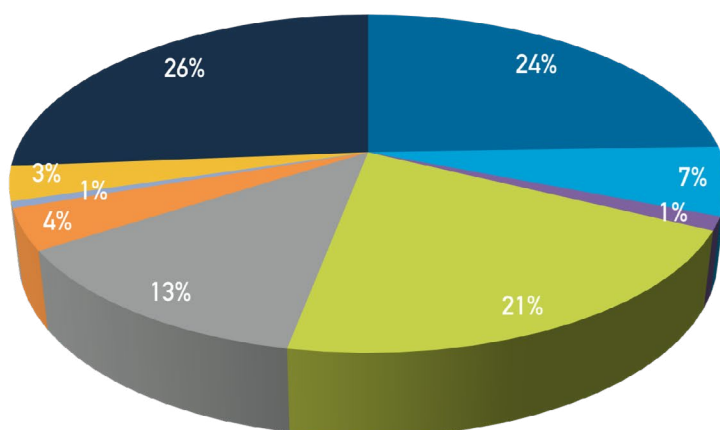
All complaints submitted to CySEC by investors against regulated entities are investigated and the relevant findings are taken into consideration in the exercise of its supervisory role. CySEC does not have the competency to compensate investors.

#### 4.4.3.2.1 CIFs

Investor complaints submitted to CySEC by CIFs

In 2021, a total of 2,528 investor complaints were submitted to CySEC by CIFs through a system for complaint submission. The Market Surveillance and Investigations Department analysed the data based on set criteria and took specific supervisory actions accordingly.

Complaints against CIFs by category (2021)

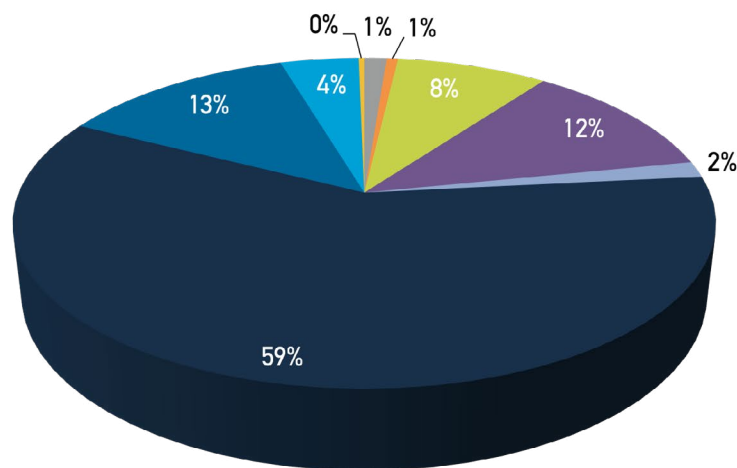


- Execution of orders
- Investment orders
- Portfolio management
- Quality or lack of information provided to client
- Contract terms/Fees/Charges
- General Management/Customer Service
- Unauthorised work being offered or executed
- Issue with withdrawal of investors from Investment Funds
- Other

### Investor complaints relayed by foreign Supervisory Authorities

In 2021, the CySEC received 330 complaints against CIFs from foreign Supervisory Authorities, regarding a number of topics. The Market Surveillance and Investigations Department conducted a full investigation of these complaints and, in cases where potential breaches were established, it submitted Memos with specific suggestions to the CySEC Board.

### Complaints against CIFs by category relayed by foreign supervisory authorities (2021)



- Execution of orders 4
- Issue with withdrawal of investors from Investment Funds 27
- Contract terms/Fees/Charges 5
- Unauthorised work being offered or executed 42
- Portfolio management 1
- Investment orders 2
- Other 38
- Quality or lack of information provided to client 192
- General Management/Customer Service 14

### Complaints submitted to CySEC by investors

In 202, a total of 146 individual investor complaints were submitted directly to CySEC through the CySEC website's complaints section.

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

In 2021, a total of 247 complaints were filed by investors against companies that allegedly provided investment services illegally.

In order to investigate these cases, the Market Surveillance and Investigations Department:

- Carries out onsite inspections in premises to determine whether a company providing investment services illegally is physically present in Cyprus
- Inspects the companies' websites to determine whether they appear to be providing investment services from Cyprus without holding a CIF licence
- Gathers information by sending letters to individuals who are believed to be in a position to provide useful information to CySEC.

In addition, the Market Surveillance and Investigations Department issues announcements (Warnings), at regular intervals, informing investors and the broader public about websites that do not belong to an entity holding an operating licence to provide investment services and/or exercise investment activities, as laid down in article 5 of Law 87(I)/2017. In 2021, the Department issued 100 such warnings.

CySEC urges the investing public to refer to its website to find out the authorised (<http://www.cysec.gov.cy/entities/investment-firms/approved-domains>) and unauthorised (<http://www.cysec.gov.cy/el-GR/non-approved-domains/websites/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 it together with all the evidence at its disposal to the Attorney General of the Republic.

In 2021, CySEC referred four such cases to the Attorney General of the Republic, to establish whether any criminal offences were committed by companies or natural persons.

#### **4.4.3.5 Cooperation with other Supervisory Authorities for the investigation of cases**

In 2021, following 61 requests by other supervisory authorities to provide assistance, CySEC gathered information that concerned legal and natural entities, as provided for in article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), on behalf of foreign supervisory authorities. Of the 61 requests for data collection, 9 concerned lifting banking secrecy.

### 4.5 Risk Management and Statistics Department

*“Risk Management is at the core of every organisation’s strategy. It is an ongoing and developing task that helps organisations approach the risks related to older, current and especially future activities methodically and systematically. This leads to positive impact from each activity and to the organisation’s overall upgrade and growth. CySEC’s work relies on the timely identification and correct assessment of the relevant trends and risks that govern the securities market’s operation, which guide CySEC in defining its supervisory priorities.”*

**Marinella Georgiadou**

Head of Risk Management and Statistics Department

#### 4.5.1 Duties/competencies

The aim of the Risk Management and Statistics Department is to effectively manage all types of risks for CySEC (domestic and foreign), ensure their integrated monitoring, their specialised management and embed risk management as a key component in all substantive decisions taken by CySEC on every level. Regarding the risks for CySEC-regulated entities, the Department has a coordinating role in implementing the Risk Based Supervision Framework (RBS-F), which assesses the risks for each regulated entity. When it comes to the risks threatening CySEC’s operation, the Department is at the stage of creating an Operational Risk Management Framework. Furthermore, the Department collects data from the regulated entities, analyses it and prepares various statistical publications and other analyses, with the aim of assessing risks as well as assisting CySEC in its supervisory role and in achieving its strategic goals as well as informing investors. The Department can be contacted via email at: [risk.statistics@cysec.gov.cy](mailto:risk.statistics@cysec.gov.cy)

#### 4.5.2 Objectives for 2022

The Department is working towards completing, in 2022, the Enterprise Risk Management Framework (ERM-F), a project which began in 2020.

The Department is also monitoring, on an ongoing basis, the Risk Based Supervision Framework (RBS-F), with the aim of keeping it up to date with developments in the legislative framework, the regulated entities and the environment in which CySEC operates.

Furthermore, the Department will continue to monitor CySEC’s harmonisation with article 25 of Directive 2011/61/EU (Guideline), launched in 2021, and the implementation of a consistent methodology for assessing systemic risk arising from the deleveraging of the AIF sector. The implementation of the Guideline will be assessed on a systematic basis.

Additionally, the Department will explore any need for new/additional data as well as new infrastructure and tools, with the aim of scrutinising the internal and external threats to CySEC, as well as other statistical data on all CySEC-regulated entities, and will proceed to collect and analyse them.

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.

## 4.5.3 The Department's operations

### 4.5.3.1 Risk Based Supervision Framework (RBS-F)

The 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 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.

In 2020, the Department completed its assessment of all CySEC-regulated entities, so as to classify them under one of the risk categories (High, Medium-High, Medium-Low and Low Risk). Based on the results of the risk assessment, the Supervision, AML and Issuers Departments are preparing annual supervision action plans, in order to deal with the risks.

The RBS-F supervisory framework is monitored on an ongoing basis by the Department, so that all developments in the regulated entities' environment (financial, legal, business and international developments) are taken into consideration, thus ensuring they manage their risks correctly. During 2021, the Department upgraded the RBS-F (Maintenance and Review) based on the results of a study conducted in cooperation with the Anti-Money Laundering Department (AML/CFT) and external associates.

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 2021, the Executive Committee held three sessions, discussing various current issues involving the regulated entities' risk management.

### 4.5.3.2 Enterprise Risk Management Framework (ERM-F)

CySEC has identified the need to further strengthen its risk identification and management procedures on a systematic basis and is in the process of creating an Enterprise Risk Management Framework (ERMF) since 2020. The ERMF will be prepared in accordance with the internationally recognised risk management standard ISO 31000. CySEC's Risk Management Framework for Regulated Entities, the Risk Based Supervision Framework (RBS-F), will be incorporated into the ERMF, in order to align the existing risk management procedures in place.

In 2021, CySEC proceeded with an assessment of the current situation and the organisation's maturity in terms of risk management, identifying and evaluating the internal and external risks surrounding it, while taking into account how these risks were addressed. Based on these findings, CySEC prepared its first Risk Assessment Report, in which the identified risks are analysed and classified in three levels (Strategic, Tactical and Operational). The Report also includes proposals for measures to mitigate the risks.

In 2021, CySEC classified the identified risks by recording them in a risk register, which indicates the persons responsible for managing each risk (Risk Owners), the timelines for taking actions, as well as an assessment of the results of these actions.

### 4.5.3.3 Data Governance Framework

As part of its effort to optimise how it exercises its supervisory role, its strategic objectives and ongoing modernisation, CySEC has focused particularly on the importance of data. To this end, the Data Governance Framework project was completed in 2021. With this project, which was based on international practices and standards, CySEC aims to optimise its data collection system and upgrade the ability to use and analyse it. This is expected to significantly improve CySEC's performance, both in terms of its business operation and its decision-making.

The proposed Action Plan includes a number of initiatives and actions. The proposed actions are expected to be implemented gradually on the basis of various individual projects, which will be developed over the coming years and gradually upgrade CySEC's data management.

### 4.5.3.4 ESRB Bottom-up Quarterly Survey - preparation of Quarterly Systemic Risk Survey and measures to mitigate the impact of the pandemic

The Department participates as an observer in the European Systemic Risk Board (ESRB - General Board) and contributes to its work 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. During 2021, the Department also completed ESRB questionnaires on the measures taken by CySEC to mitigate the impact of the pandemic of COVID-19.

### 4.5.3.5 Compliance with the ESMA Guidelines in relation to article 25 of the AIFMD Directive

In December 2020, ESMA issued the Final Guidance on article 25 of Directive 2011/61/EU. The aim of the Guidance 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.

According to the Guidelines, supervisory authorities will need to:

- identify, on the basis of the AIFMD data, the AIFs that may pose risks to the financial system, i.e. those that will be part of the assessment, based on relevant criteria
- assess potential systemic risks related to leverage for those AIFs identified above.

In 2021, CySEC launched a call for tender for the "Provision of services for the creation of an Assessment Framework, an Automated Tool and other services in view of CySEC's compliance with the Guidelines relating to article 25 of European Directive 2011/61/EU". The Risk Management and Statistics Department is managing this project in cooperation with the Prudential Supervision Team (Supervision Department), to ensure compliance with the Guidelines.

### 4.5.3.6 Statistical Analysis and Surveys

The Department collects a plethora 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 Statistical Bulletins

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



## Fourth Annual Statistical Bulletin

In 2021, the Department published the fourth Annual Statistical Bulletin, which included basic statistical data for all CySEC-regulated entities for the years 2017-2020, with special emphasis on 2020. The Annual Statistical Bulletin for all CySEC-regulated entities will be published once a year and will be enriched with new findings and additions. In 2022, the 5th Annual Statistical Bulletin will be prepared and published on CySEC's website, with data concerning 2021.

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

The Department prepared the quarterly statistical bulletins for the last quarter of 2020 and the first three quarters of 2021, 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 2021, 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, the CEMA AIFMD Task Force, the CEMA MiFID Task Force and the CEMA EMIR Task Force.

Furthermore, the Department attended the meetings of the Data Standing Committee (DSC) aiming to prepare guidelines/standards on MIFIR, EMIR and AIFMD data.

### 4.6 IT and Operations Department

*“Computer science is so much more than merely writing code. We live at a time when data is considered to be the second most important asset in an organisation. Data security is paramount in every action taken by the IT Department. At the same time, the transition of our digital environment to cloud technologies is gradually taking shape, as we keep abreast of the new age of technological advancement. The new age is approaching with firm and decisive steps, establishing new ways of thinking, values and methods, and replacing the status quo.”*

**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 2022

Over the last two years, the pandemic has led to new challenges for the IT Department, which has had to rapidly restructure its operating environment to meet the diverse work requirements of CySEC’s staff. Flexibility and constant change are nothing new for the IT Department, which must be ready to adapt to rapid technological developments, security threats in today’s digital environment and the large volume of data to be managed.

The creation of a dedicated system for the electronic submission of operating licence applications to CySEC by interested parties is a top priority. The system is expected to automate and facilitate the internal operations of the Authorisations Department, as well as provide functionality that will significantly contribute to the efficient examination of applications.

At the same time, due to the large volume of data in the CySEC environment, a tender will be launched for the acquisition of a data management system that will enable every CySEC employee to access the data, while ensuring their security through various safeguards. The project will be implemented in the framework of the activities plan for the “Data Governance Framework.”

Moreover, taking into consideration the overwhelming number of requests for actions, which need to be managed by the IT Department, regulated entities or internal users, the IT Department is in the process of researching and acquiring a “Ticketing system”. The system will assign the requests to the appropriate personnel on a priority basis and provide functionality such as history keeping, publication of reports and tracking of the history of actions taken up to the conclusion of each request.

In addition, based on the European regulatory framework that recently came into force, issuers with securities listed on a regulated market are required to publish their annual financial report in a single electronic format, which includes the eXtensible Business Reporting Language (“XBRL”) format. Also, the new prudential framework (IFD/IFR) for IFs, in place since 26 June 2021, requires supervisory authorities to send specific information regarding the capital adequacy of IFs to the European Banking Authority (EBA) in XBRL format. XBRL offers significant benefits in all the stages of business reporting and analysis. These include faster more reliable and more accurate data management, improved analysis, and better quality of information for decision-making purposes. The IT Department launched a tender process, in cooperation with the Supervision and Issuers Departments, and the XBRL system is expected to be acquired in 2022.

### 4.6.3. The Department's operations

#### 4.6.3.1 Infrastructure Upgrade Projects

##### Secure email exchange system

In the exercise of its competencies, CySEC cooperates with other European and international supervisory authorities and other organisations, exchanges the necessary information and carries out intelligence gathering and investigations on their behalf.

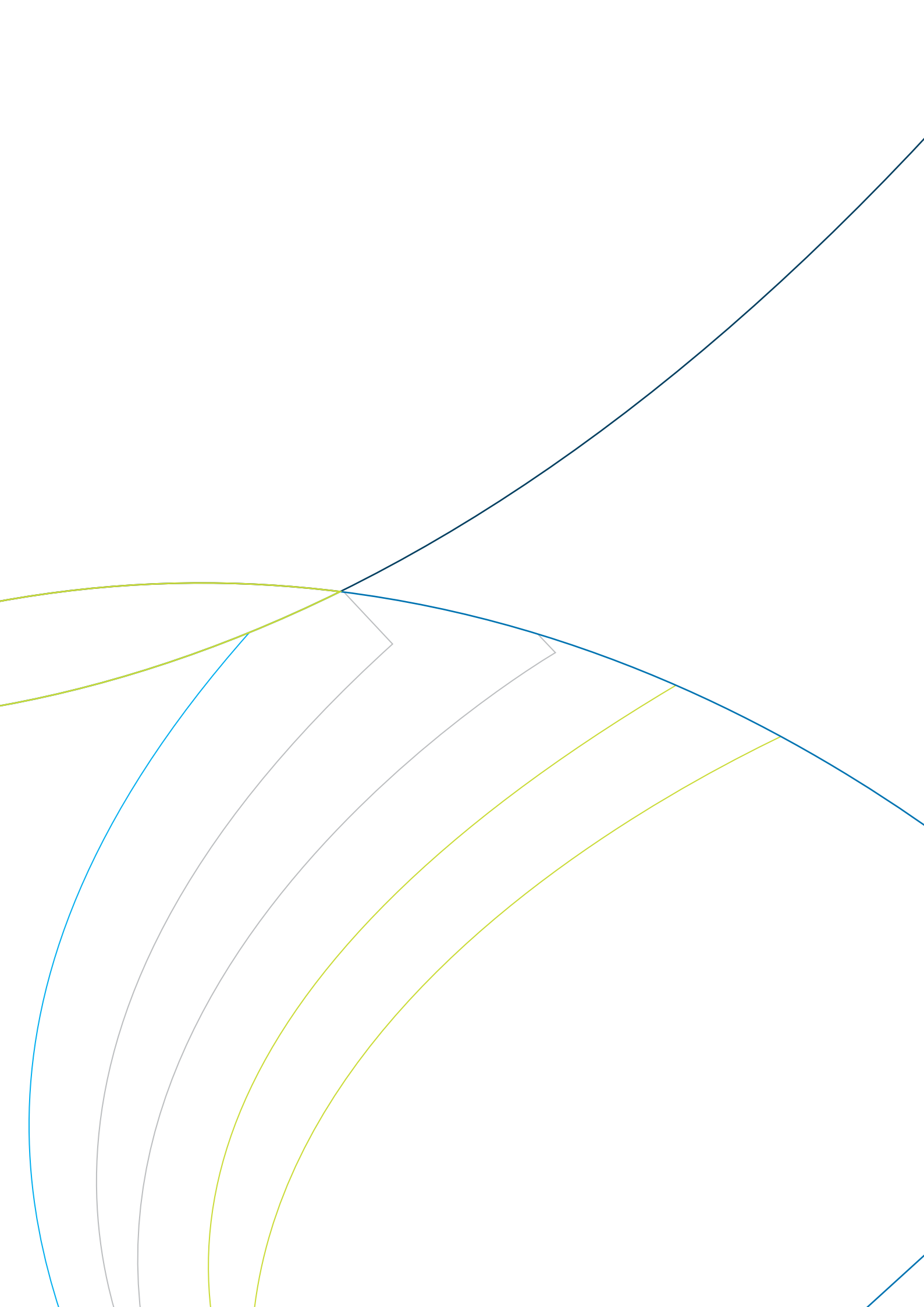
As part of this cooperation and exchange of information between national supervisory authorities at European and international level, CySEC manages and transmits confidential information and personal data by email. The exchange of emails poses a risk of interception or leakage of personal and confidential data. Therefore, due to the increasing volume of digital data and the urgent need for greater security of the data sent or received by CySEC, the IT Department installed a specialised system to ensure secure email exchange.

##### Implementation of actions following an independent audit to ensure security in CySEC's digital environment

In today's world, an organisation's technological processes must be adequately auditable and in line with international cybersecurity practices.

At CySEC, data security is among our top priorities. CySEC seeks to apply international security practices to the full range of its activities. To further enhance security in data keeping and safeguarding confidential information, the IT Department has recently adopted new security methods in CySEC's internal environment.







ΕΠΙΤΡΟΠΗ  
ΚΕΦΑΛΑΙΑΓΟΡΑΣ  
ΚΥΠΡΟΥ

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