

POLICY STATEMENT

(PS-01-2023)



SUBJECT: POLICY STATEMENT ON THE APPLICATION OF REGULATION (EU) 2020/1503 ON EUROPEAN CROWDFUNDING SERVICE PROVIDERS FOR BUSINESS

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PURPOSE OF THE PUBLICATION

The Cyprus Securities and Exchange Commission, publishes this Policy Statement to inform prospective Crowdfunding Service Providers, which intend to provide their services from Cyprus, and existing Crowdfunding Service Providers previously authorised under National Law, of the next steps towards the full implementation of Regulation (EU) 2020/1503 on European Crowdfunding Service Providers for Business .

Queries in relation to the content of this Policy Statement may be addressed to the Policy Department of the Cyprus Securities and Exchange Commission at policy@cysec.gov.cy.

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1 PURPOSE OF THIS POLICY STATEMENT

The Cyprus Securities and Exchange Commission (**'CySEC'**) has published this Policy Statement and Directive DI73-2009-02 for Crowdfunding Service Providers (**'Directive DI73-2009-02'**) to:

- Outline its position as regards the discretions provided to the National Competent Authorities (**'NCA'**) that are entrusted with the supervision of Crowdfunding Service Providers¹, under Regulation (EU) 2020/1503² on European Crowdfunding Service Providers for Business (**the 'CSPs' and 'ECSP Regulation' respectively**);
- Inform market participants that CySEC will commence accepting applications from prospective CSPs;
- Specify the information to be notified to CySEC on an ongoing basis, as well as the cases where an assessment will be undertaken by CySEC and the scope thereof; and
- Outline the respective fees and charges applicable to CSPs.

2 BACKGROUND INFORMATION

2.1 The ECSP Regulation entered into force on 10 November 2020 and following a period of 12 months, namely on 10 November 2021, it entered into application across the European Union (**'EU'**). The ECSP Regulation lays down uniform rules across the EU for the provision of crowdfunding services³, as these are defined therein. The ECSP Regulation enables CSPs

¹ According to Article 2(1)(e) of the ECSP Regulation: *'crowdfunding service provider' means a legal person who provides crowdfunding services.*

² Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937, OJ L 347, 20.10.2020 (available [here](#)).

³ According to Article 2(1)(a) of the ECSP Regulation: *'crowdfunding service' means the matching of business funding interests of investors and project owners through the use of a crowdfunding platform and which consists of any of the following activities:*

(i) *the facilitation of granting of loans;*

(ii) *the placing without a firm commitment basis, as referred to in point (7) of Section A of Annex I to Directive 2014/65/EU, of transferable securities and admitted instruments for crowdfunding purposes issued by project owners or a special purpose vehicle, and the reception and transmission of client orders, as referred to in point (1) of that Section, in relation to those transferable securities and admitted instruments for crowdfunding purposes'.*

to obtain an EU passport based on a uniform set of rules, which makes it easier for them to offer their services across the EU with a single authorisation.

2.2 Prior to the entry into application of the ECSP Regulation, only the provision of the crowdfunding services referred to in Article 2(1)(a)(ii) of the ECSP Regulation (**‘investment-based crowdfunding services’**), was regulated at national level; namely, under the Investment Services and Activities and Regulated Markets Law, transposing MiFID II⁴ (**the ‘Investment Services Law’**), as further elaborated by means of Directive DI 87-10⁵ (**the ‘Crowdfunding Directive’**) and Policy Statement PS-01-2020⁶, issued by CySEC. Under the aforesaid regime, entities offering investment-based crowdfunding services were subject to authorisation and supervision by CySEC as Cyprus Investment Firms (**‘CIFs’**).

2.3 The ECSP Regulation provides a harmonised and enhanced investor protection framework, based on:

- Clear rules on information disclosures for project owners⁷ and crowdfunding platforms⁸;
- rules on transparency and marketing communications in relation to the provision of crowdfunding services in the EU;
- rules on governance and risk management for crowdfunding platforms;
- strong and harmonised supervisory powers for national authorities overseeing the functioning of crowdfunding platforms.

2.4 In a nutshell , the ECSP Regulation requires CSPs, inter alia, to:

- Be duly authorised;

⁴ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), OJ L 173 12.6.2014.

⁵ Directive DI87-10 of the Cyprus Securities and Exchange Commission on the provision of crowdfunding services in respect of transferable securities.

⁶ PS-01-2020: Policy Statement on Investment-Based Crowdfunding Rules.

⁷ According to Article2(1)(h) of the ECSP Regulation: ‘project owner’ means any natural or legal person who seeks funding through a crowdfunding platform.

⁸ According to Article2(1)(d) of the ECSP Regulation: ‘*crowdfunding platform*’ means a publicly accessible internet-based information system operated or managed by a crowdfunding service provider.

- act honestly, fairly and professionally in the best interests of their clients⁹;
- not accept any reward for routing investors' orders to a specific crowdfunding offer¹⁰;
- undertake a minimum level of due diligence of project owners seeking crowdfunding;
- establish effective and transparent procedures for the prompt, fair and consistent handling of complaints from clients;
- comply with conflicts of interest requirements, such as prohibiting investing in any offer on their own platforms;
- take appropriate actions to prevent further risk when outsourcing any function;
- comply with specific prudential safeguards;
- provide a confidential report of all projects funded through their platform to their NCA annually;
- keep records of their services and transactions for at least 5 years;
- ensure all information and marketing material addressed to their clients is fair, clear and not misleading;
- disclose annually the default rates of crowdfunding projects on their lending-based platform over at least the 3 previous years;
- prepare and make public an outcome statement within 4 months of the end of each financial year;
- assess whether and which of their services would be appropriate for prospective non-sophisticated investors, within the meaning of the ECSPR¹¹, and provide a four-day reflection period before giving them

⁹ According to Article 2(1)(g) of the ECSP Regulation: *'client' means any prospective or actual investor or project owner to whom a crowdfunding service provider provides, or intends to provide, crowdfunding services.*

¹⁰ According to Article 2(1)(f) of the ECSP Regulation: *'crowdfunding offer' means any communication by a crowdfunding service provider, in any form and by any means, presenting sufficient information on the terms of the offer and the crowdfunding project being offered, so as to enable an investor to invest in the crowdfunding project.*

¹¹ According to Article 2(1)(k) of the ECSP Regulation: *'non-sophisticated investor' means an investor who is not a sophisticated investor'*, whereas according to Article 2(1)(j) of the ECSP Regulation: *'sophisticated investor' means any natural or legal person who is a professional client by virtue of point (1), (2), (3) or (4) of Section I of Annex II to Directive 2014/65/EU or any natural or legal person who*

full access to invest in crowdfunding projects;

- provide prospective investors with a detailed key investment information sheet ('KIIS'), including a statement warning them of possible financial loss.

In addition to the aforesaid, the management body of CSPs must establish and oversee adequate policies and procedures to ensure the effective and prudent operation thereof.

2.5 The ECSP Regulation is supplemented by a set of delegated and implementing acts, namely the following:

- i. Commission Delegated Regulation (EU) 2022/1988 of 12 July 2022, extending the transitional period for continuing to provide crowdfunding services in accordance with national law as referred to in Article 48(1) of Regulation (EU) 2020/1503 of the European Parliament and of the Council (available [here](#));
- ii. Commission Delegated Regulation (EU) 2022/2118 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards on individual portfolio management of loans by crowdfunding service providers, specifying the elements of the method to assess credit risk, the information on each individual portfolio to be disclosed to investors, and the policies and procedures required in relation to contingency funds (available [here](#));
- iii. Commission Delegated Regulation (EU) 2022/2115 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying the methodology for calculating default rates of loans offered on a crowdfunding platform (available [here](#));
- iv. Commission Delegated Regulation (EU) 2022/2112 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying requirements and arrangements for the application for authorisation as a crowdfunding service provider (available [here](#));
- v. Commission Delegated Regulation (EU) 2022/2111 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards

has the approval of the crowdfunding service provider to be treated as a sophisticated investor in accordance with the criteria and the procedure laid down in Annex II to this Regulation.

specifying conflicts of interest requirements for crowdfunding service providers (available [here](#));

- vi. Commission Delegated Regulation (EU) 2022/2117 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying the requirements, standard formats and procedures for complaint handling (available [here](#));
- vii. Commission Delegated Regulation (EU) 2022/2116 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying the measures and procedures for crowdfunding service providers' business continuity plan (available [here](#));
- viii. Commission Delegated Regulation (EU) 2022/2119 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards for the key investment information sheet(available [here](#));
- ix. Commission Delegated Regulation (EU) 2022/2113 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards for the exchange of information between competent authorities in relation to investigation, supervision and enforcement activities in relation to European crowdfunding service providers for business (available [here](#));
- x. Commission Delegated Regulation (EU) 2022/2114 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying the entry knowledge test and the simulation of the ability to bear loss for prospective non-sophisticated investors in crowdfunding projects (available [here](#));
- xi. Commission Implementing Regulation (EU) 2022/2122 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities concerning European crowdfunding service providers for business (available [here](#));
- xii. Commission Implementing Regulation (EU) 2022/2120 of 13 July 2022 laying down implementing technical standards for the application of

Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to data standards and formats, templates and procedures for reporting information on projects funded through crowdfunding platforms (available [here](#));

xiii. Commission Implementing Regulation (EU) 2022/2121 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to standard forms, templates and procedures for the cooperation and exchange of information between competent authorities and ESMA in relation to European crowdfunding service providers for business (available [here](#)); and

xiv. Commission Implementing Regulation (EU) 2022/2123 of 13 July 2022 laying down implementing technical standards for the application of Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to the standard forms, templates and procedures for the notifications of national marketing requirements applicable to crowdfunding service providers by competent authorities to ESMA (available [here](#)).

2.6 Further guidance on the application of the ECSP Regulation is provided by ESMA, by means of a Questions & Answers (Q&A) document (available [here](#)). ESMA will continue to develop its Q&A on crowdfunding topics under the ECSP Regulation. To this end, CySEC is encouraging interested parties to monitor any additional guidance issued both at EU and national level.

2.7 The authorisation and supervision of crowdfunding services (either investment- or loan- based) under the ECSP Regulation was assigned to CySEC by way of a ministerial decree. Therefore, CySEC is the NCA responsible for all crowdfunding services under the ECSP Regulation.

2.8 According to the ECSP Regulation, CSPs which have been authorised under national law, including hence the Investment Services Law, may continue to provide crowdfunding services that fall within the scope of the ECSP Regulation up until 10 November 2023¹² (**the 'Transitional Period'**) or until they are granted an authorisation under the ECSP Regulation, whichever is sooner. However, such entities operating under the respective national law

¹² The transitional period of 12 months was extended by an additional period of 12 months by virtue of Commission Delegated Regulation (EU) 2022/1988 of 12 July 2022 extending the transitional period for continuing to provide crowdfunding services in accordance with national law as referred to in Article 48(1) of Regulation (EU) 2020/1503 of the European Parliament and of the Council (available [here](#)).

during the Transitional Period, may not benefit from an EU passport.¹³

3 WHO THIS CONCERNS

3.1 This Policy Statement concerns legal entities which intend to provide crowdfunding services from Cyprus, and legal entities which are providing crowdfunding services from Cyprus and were previously authorised under national law, i.e. as CIFs.

3.2 For the avoidance of doubt, the ECSP Regulation does not apply to:

- Individuals using crowdfunding for personal reasons which are not for business, trade, or profession; and
- Campaigns of over five million euros, which are regulated by Directive 2014/65/EU¹⁴ and Regulation (EU) 2017/1129¹⁵.

4 NATIONAL COMPETENT AUTHORITY DISCRETIONS

4.1 While the majority of the provisions of the ECSP Regulation has a direct effect, there are a number of provisions in respect of which Member States and NCAs are given discretion. The exercise of Member State discretions falls under the responsibility of the legislature, upon a relevant suggestion by the executive branch, whereas the exercise of NCA discretions fall under the sole responsibility of the respective NCA, namely CySEC for the purposes of the application of the ECSP Regulation in Cyprus.

4.2 This section outlines the relevant NCA discretions, and the approach adopted by CySEC along with the relevant rationale. A list of the Member State discretions under the ECSP Regulation, is provided under Appendix I, along with CySEC's opinion thereupon.

4.3 KIIS OFFICIALLY ACCEPTED LANGUAGES

4.3.1. CySEC, in its capacity as the designated NCA for the application of the ECSP

¹³ See Q&A document, answer to question 2.1.

¹⁴ Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, OJ L 173, 12.6.2014 (available [here](#)).

¹⁵ Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, OJ L 168, 30.6.2017 (available [here](#)).

Regulation, has decided the following regarding the officially accepted languages for the KIIS, where a CSP promotes a crowdfunding offer through marketing communication in Cyprus:

- The '*officially accepted language*' under Article 23, paragraphs 2 and 3 of the ECSP Regulation is the Greek language;
- The '*[an]other accepted language*' under Article 23, paragraphs 2 and 3, is English, provided that a KIIS in Greek is also made available.

4.3.2. The aforementioned decision, aims at ensuring that potential investors, residing in Cyprus, whose native language is not Greek, will be able to receive the relevant information in a language customary in the sphere of international finance (i.e. English), without undermining the ability of Cypriot residents whose native language is Greek to receive relevant information in the most comprehensible form for them.

4.3.3. It is reminded that according to Article 23, paragraph 3 of the ECSP Regulation, where a CSP promotes a crowdfunding offer through marketing communication in another Member State, the key investment information sheet shall be made available in at least one of the official languages of that Member State or in a language accepted by the competent authorities of that Member State. Therefore, interested parties are encouraged to consult the relevant information made available on ESMA's website, pursuant to Article 23, paragraph 5 of the ECSP Regulation.

4.4 EX ANTE NOTIFICATION OF THE KIIS

4.4.1. CySEC has decided to require the *ex-ante* notification of the KIIS at least seven working days before making it available to prospective investors, pursuant to Article 23, paragraph 14 of the ECSP Regulation.

4.4.2. It is herewith stressed that the KIIS will not be subject to *ex ante* review or approval by CySEC, but will be used for future reference if so needed and/or for potential ex post analysis.

5 ACTIONS AND NEXT STEPS

5.1 THE CySEC APPROACH

5.1.1. The ECSP Regulation requires in addition to the regulatory provisions laid

down therein, Member States to legislate in respect of certain matters, including in relation to these laid down in Appendix I of this Policy Statement, for the full implementation of the ECSP Regulation.

- 5.1.2. The issues in relation to which legislative actions are required at national level, become relevant once an authorisation is granted under the ECSP Regulation and CSPs become operational.
- 5.1.3. Until the finalization of the legislative actions required, CySEC has decided to introduce a bridging measure, to ensure that in the meantime the useful effect (*effet utile*) of the ECSP Regulation is not undermined. To this end, CySEC has published Directive DI73-2009-02 (an unofficial translation thereof is available in Appendix II of this Policy Statement), to ensure that CySEC will be able to commence evaluating applications under the ECSP Regulation.
- 5.1.4. The Directive DI73-2009-02 outlines:
- The procedure for submitting an application for authorisation as a CSP;
 - The information to be notified to CySEC on an ongoing basis, as well as the cases where a CySEC assessment will be undertaken and the scope thereof ; and
 - The fees and charges payable to CySEC.

5.2 SUBMISSION OF APPLICATION

- 5.2.1. Prospective CSPs that intend to provide their services from Cyprus, may submit an application by using the relevant application form of the Annex of the Commission Delegated Regulation (EU) 2022/2112¹⁶ (**the “Application Form”**). A word format of the Application Form will be published on CySEC’s website, [here](#).
- 5.2.2. The duly completed application form, along with the relevant questionnaires and any additional information and/or required evidence, should be submitted to CySEC, in accordance with the authorisation procedures¹⁷ of CySEC. For the avoidance of doubt, a CSP seeking authorisation to extend the scope of its business, may also submit an

¹⁶ Commission Delegated Regulation (EU) 2022/2112 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying requirements and arrangements for the application for authorisation as a crowdfunding service provider.

¹⁷ Please consult CySEC’s relevant circulars. You may contact the CySEC Authorisations’ Department at authorisations@cysec.gov.cy

application to CySEC by using the Application Form.

5.3 ONGOING NOTIFICATIONS

5.3.1. NOTIFICATION OF MATERIAL CHANGES IN THE CONDITIONS FOR AUTHORISATION

- 5.3.1.1. As per Article 15, paragraph 3 of the ECSP Regulation, CSPs must notify CySEC of any material change to the conditions for authorisation without undue delay.
- 5.3.1.2. CSPs are required under Directive DI73-2009-02, to notify CySEC before the implementation of a material change, so that CySEC undertakes an assessment and opines on the compliance of the CSP with the ECSP Regulation, as a consequence of the material change intended to be undertaken.
- 5.3.1.3. The rationale underpinning the aforesaid approach, namely CySEC assessing and opining on material changes intended to be undertaken, prior their implementation, is to ensure a proactive review of material amendments to the profile of the CSP that arise post-authorisation. However, such CySEC opinion would not prejudice CySEC's ability to revisit its initial view, in case that supervisory concerns arise from the practical implementation of such material changes.
- 5.3.1.4. For the purposes of clarity, Directive DI73-2009-02 specifies that any change in relation to items (a)¹⁸, (b)¹⁹, (c)²⁰, (k)²¹, (l)²², and (p)²³ of paragraph 2 and paragraph 3 of Article 12 of the ECSP Regulation is considered to be a material change and should therefore be notified to CySEC.

- 5.3.1.5. Changes to other conditions of authorisation should be notified to CySEC,

¹⁸ (a) the name (including the legal name and any other trading name to be used) of the prospective crowdfunding service provider, the internet address of the website operated by that provider, and its physical address.

¹⁹ (b) the legal form of the prospective crowdfunding service provider.

²⁰ (c) the articles of association of the prospective crowdfunding service provider.

²¹ (k) the identity of the natural persons responsible for the management of the prospective crowdfunding service provider.

²² (l) proof that the natural persons referred to in point (k) are of good repute and possess sufficient knowledge, skills and experience to manage the prospective crowdfunding service provider.

²³ (p) a confirmation of whether the prospective crowdfunding service provider intends to provide payment services itself or through a third party, under Directive (EU) 2015/2366, or through an arrangement in accordance with Article 10(5) of this Regulation.

where they are deemed as material, namely where they significantly alter the CSP's profile. For instance, a decision to outsource a function is highly likely to result in several sequential material changes to the conditions of authorisation, including to items (n)²⁴, (j)²⁵, (g)²⁶, (f)²⁷, (e)²⁸ and (d)²⁹ of paragraph 2 of Article 12 of the ECSP Regulation. Therefore all material changes stemming therefrom must be notified to CySEC, so that CySEC undertakes an assessment and opines on the compliance of CSP with the ECSP Regulation.

5.3.2. NOTIFICATION FOR THE PROVISION OF SPECIFIC SERVICES ALLOWED UNDER THE ECSP REGULATION

5.3.2.1. CSPs must notify CySEC of their intention to provide or to terminate the provision of any of the following services or activities covered by the ECSP Regulation:

- (a) Provision of individual portfolio management of loans referred to in Article 6 of the ECSP Regulation,
- (b) use of special purpose vehicles for the provision of crowdfunding services referred to in Article 3, paragraph 6 of the ECSP Regulation,
- (c) establishment and operation of contingency funds for its activity related to individual portfolio management of loans, referred to in Article 6, paragraphs 5 and 6 of the ECSP Regulation,
- (d) provision of asset safekeeping services, referred to in Article 10 of the ECSP Regulation,

²⁴ (n) a description of the prospective crowdfunding service provider's outsourcing arrangements.

²⁵ (j) a description of the prospective crowdfunding service provider's business continuity plan which, taking into account the nature, scale and complexity of the crowdfunding services that the prospective crowdfunding service provider intends to provide, establishes measures and procedures that ensure, in the event of failure of the prospective crowdfunding service provider, the continuity of the provision of critical services related to existing investments and sound administration of agreements between the prospective crowdfunding service provider and its clients.

²⁶ (g) a description of the prospective crowdfunding service provider's operational risks.

²⁷ (f) a description of the prospective crowdfunding service provider's systems, resources and procedures for the control and safeguarding of the data processing systems.

²⁸ (e) a description of the prospective crowdfunding service provider's governance arrangements and internal control mechanisms to ensure compliance with this Regulation, including risk-management and accounting procedures.

²⁹ (d) a programme of operations setting out the types of crowdfunding services that the prospective crowdfunding service provider intends to provide and the crowdfunding platform that it intends to operate, including where and how crowdfunding offers are to be marketed.

- (e) provision of payment services, referred to in Article 10 of the ECSP Regulation,
- (f) application of credit scores to crowdfunding projects on their crowdfunding platform, referred to in Article 19, paragraph 6 of the ECSP Regulation,
- (g) proposal of pricing of crowdfunding offers on their crowdfunding platform, referred to in Article 19, paragraph 6 of the ECSP Regulation,
- (h) operation of a bulletin board according to the provisions of Article 25 of the ECSP Regulation.

5.3.2.2. According to paragraph 7 of Directive DI73-2009-02, CSPs are required to notify CySEC of their intention to provide or to undertake any of the above services or activities respectively, before providing those services or undertaking those activities, as the case may be, so that CySEC undertakes an assessment and opines on the compliance of the CSP with the ECSP Regulation.

5.3.2.3. CSPs are also required to notify CySEC of any sequential material change that may arise as a consequence of the performance of those services or activities.

5.3.3. **NOTIFICATION FOR THE PARTICIPATION IN ACTIVITIES OTHER THAN THOSE ALLOWED UNDER THE ECSP REGULATION**

5.3.3.1. According to paragraph 8 of Directive DI73-2009-02, CSPs must notify CySEC of an intention to provide services or to undertake activities not covered by the ECSP Regulation. CSPs should notify CySEC of such intention prior to commencing to provide the respective service or undertake the respective activity so that CySEC assesses whether the smooth operation of the CSP is ensured and whether the engagement in such activities will not be detrimental to clients or contribute to market disruption.

5.3.3.2. For the avoidance of doubt, CSPs undertaking activities regulated under any of the below laws must notify CySEC, but CySEC's assessment is not required prior to commencing to provide the respective service or undertake the respective activity, except for the cases where the service or activity, is subject to a notification as per paragraph 5.3.2.1.:

- The Electronic Money Law (81(I) of 2012 as in force from time to time, and/or
- The Investment Services and Activities and Regulated Markets Law

87(I) of 2017 as in force from time to time, and/or

- The Business of Credit Institutions Law 66(I) of 1997 as in force from time to time, and/or
- The Provision and Use of Payment Services and Access to Payment Systems Law 31(I) of 2018 as in force from time to time.

5.3.4. CHARGES AND ANNUAL FEES

- 5.3.4.1. The charges payable to CySEC in relation to the submission of applications and notifications, as well as the annual fees applicable to CSPs, are outlined in Annex I of DI73-2009-02 (available in Appendix II of this Policy Statement). The fees and charges were formulated in a proportionate manner to reflect the assessment to be undertaken by CySEC.
- 5.3.4.2. In order to avoid the calculation of charges regarding the notification of sequential material changes arising from a single event to an excessive amount, such as the outsourcing example in paragraph 5.3.1.5, CySEC has introduced a cap, limiting the maximum amount payable in such cases to two thousand (2.000) Euros. The cap is also relevant in the cases described in paragraph 5.3.2.3, where an addition of a service or activity, is reasonably expected to result in multiple sequential material changes. In such cases, CSPs will be required to pay the fee corresponding to the additional service or activity and the fees corresponding to the material changes, stemming therefrom, subject to the cap of two thousand Euros for the sequential material changes.
- 5.3.4.3. For the avoidance of doubt, such cap is not relevant where the material changes are not sequential, and where they are not inevitably stemming from a single event. For instance, material changes arising as a result of a change in the management, are not considered as sequential inevitable material changes, stemming from a single event.
- 5.3.4.4. As regards the changes in a shareholder holding 20% or more of the shared capital or voting rights or in a physical person responsible for managing the prospective crowdfunding service provider, every change is considered as a separate material change, irrespective of whether such changes appear simultaneously or not.
- 5.3.4.5. The notifications of services or activities not covered by the ECSP Regulation, but which are regulated under any of the laws referred to in paragraph 5.3.3.2, will not be subject to any charges, except for the cases where the service or activity, is subject to a notification as per paragraph 5.3.2.1, in which case the respective charges apply.

APPENDIX I

Member State Discretion	CySEC's Opinion
<p><i>“Member States shall ensure the responsibility of at least the crowdfunding service provider for the information given in a key investment information sheet at platform level” (Article 24 paragraph 4)</i></p>	<p>In addition to the CSP, it would be prudent to hold personally liable all members of the CSP's board of directors, including the executive directors. Such practice already exists for other supervised entities and allows for personal liability in case of serious violations.</p>
<p><i>“Member States shall ensure the responsibility of at least the project owner or its administrative, management or supervisory bodies for the information given in a key investment information sheet” (Article 23 paragraph 9)</i></p>	<p>In addition to the project owner, it would be prudent to hold personally liable all members of its board of directors, including the executive directors to act as a further deterrent to the provision of misleading information.</p>
<p><i>“Where Member States have chosen, in accordance with Article 39(1), to lay down criminal penalties for an infringement of this Regulation, they shall ensure that appropriate measures are in place so that competent authorities have all the necessary powers to liaise with judicial, prosecuting, or criminal justice authorities within their jurisdiction to receive specific information related to criminal investigations or proceedings commenced for infringements of this Regulation and to provide the same information to other competent authorities as well as to ESMA, in order to fulfil their obligation to cooperate for the purposes of this Regulation.” (Article 31 paragraph 1)</i></p>	<p>The following offenses should be subject to criminal prosecution considering they can be detrimental to investors protection:</p> <ul style="list-style-type: none"> ➤ Providing crowdfunding services without a CSP license; ➤ Including fake or misleading information in the KIIS.
<p><i>“Competent authorities shall publish and keep up-to-date on their websites those national laws, regulations and administrative provisions applicable to marketing communications of crowdfunding service providers that the</i></p>	<p>A power to specify, add or change marketing requirements as needed, should be vested in CySEC.</p>

<i>competent authorities are responsible for overseeing compliance with, and enforcing vis-à-vis crowdfunding service providers.” (Article 28 paragraph 1)</i>	
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APPENDIX II

The present English text is for information purposes only and is not legally binding. The legally binding document is in the Greek language.

DIRECTIVE DI73-2009-02

OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION FOR THE CROWDFUNDING SERVICE PROVIDERS

CLASSIFICATION OF PARAGRAPHS

PART I INTRODUCTORY PROVISIONS

Paragraph 1	Short Title
Paragraph 2	Interpretation
Paragraph 3	Scope of application

PART II AUTHORISATION OF CROWDFUNDING SERVICE PROVIDERS

Paragraph 4	Procedure for submitting an application for the grant of an authorisation as a crowdfunding service provider
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PART III NOTIFICATIONS

Paragraph 5	Interpretative provision
Paragraph 6	Notification of a material change
Paragraph 7	Notification of the provision of certain services permitted by Regulation (EU) 2020/1503
Paragraph 8	Notification of engaging in other activities

PART IV CHARGES AND FEES

Paragraph 9	Payable charges
Paragraph 10	Payable fees
Paragraph 11	Collection of charges and fees

PART V FINAL PROVISIONS

Paragraph 12	Submission of documents and information to the Commission
Paragraph 13	Entry into force
ANNEX I	Charges
ANNEX II	Annual fees

The Cyprus Securities and Exchange Commission, exercising the powers vested in it under subparagraph (b) of paragraph (5) of section 25 and paragraph (1) of section 56 of the Cyprus Securities and Exchange Commission Law of 2009, for the purpose of application of articles 12, 13(2), and 15 of the act of the European Union titled:

Official Journal of the EU:L 347, 20.10.2020, p. 1.

«Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937»,

issues the following Directive:

PART I INTRODUCTORY PROVISIONS

Short Title.	1.	This Directive will be referred to as the Directive DI73-2009-02 for the Crowdfunding Service Providers.
Interpretation.	2.	<p>(1) In this Directive, unless a different meaning arise from the context:</p> <p>«applicant» means a legal person established in the Republic who intends to provide crowdfunding services and who submits an application to the Commission for the granting of an authorisation as a crowdfunding service provider.</p> <p>«Commission» means the Cyprus Securities and Exchange Commission provided for in section 4(1) of the Cyprus Securities and Exchange Commission Law.</p> <p>«Regulation (EU) 2020/1503» means the European Union Act titled “Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937”.</p> <p>«Delegated Regulation (EU) 2022/2112» means the European Union act titled “Commission delegated Regulation (EU) 2022/2112 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council, with regard to regulatory technical standards specifying requirements and arrangements for the application for authorisation as a crowdfunding service provider”.</p> <p>«crowdfunding service provider» means a legal person who provides crowdfunding services and to whom an authorisation has been granted by the Commission under Article 12 of Regulation (EU) 2020/1503.</p> <p>(2) (a) In this Directive, any reference to a legislative act of the European Union, such as Regulation, Directive or Decision, means the said act as corrected, amended, or replaced, unless from the text of this Directive a different meaning emerges.</p> <p>(b) In this Directive, any reference to Regulation (EU) 2020/1503 shall mean also the Delegated Acts issued pursuant there to.</p> <p>(3) Terms used in this Directive and which are not defined differently, shall have the meaning attributed to them in Regulation (EU) 2020/1503.</p>
73(l) of 2009 5(l) of 2012 65(l) of 2014 135(l) of 2015 109(l) of 2016 137(l) of 2018 56(l) of 2019 152(1) of 2020 45(l) of 2022.		
Official Journal of the EU: L 347, 20.10.2020, p. 1.		
Official Journal of the EU: L 287, 8.11.2022, p. 5.		
Scope of application.	3.	<p>This Directive specifies-</p> <p>(a) the procedure to be followed for the submission of an application for the grant of an authorisation as a crowdfunding service provider,</p> <p>(b) the notifications submitted to the Commission for the supervision of crowdfunding service providers,</p> <p>(c) the charges payable to the Commission with the submission of applications and/or notifications as well as the amount of thereof,</p> <p>(d) the fee payable to the Commission by a crowdfunding service providers as well as the amount thereof,</p> <p>(e) the documents and/or the information that the Commission accepts in an electronic form, for the purposes of application of this Directive.</p>

PART II
AUTHORISATION OF CROWDFUNDING SERVICE PROVIDERS

- Procedure for submitting an application for the grant of an authorisation as a crowdfunding service provider.
4. (1) For the purposes of article 12 paragraphs 1,2,3, and 4 of Regulation (EU) 2020/1503, the applicant submits to the Commission an authorisation application for the grant of an authorisation as a crowdfunding service provider, in accordance with form set in article 2 of Delegated Regulation (EU) 2022/2112, as this is made available on the website of the Commission.
- (2) For the notification by the applicant of any changes in the information provided in the authorisation application, article 5 of Delegated Regulation (EU) 2022/2112 applies.
- (3) The documents and data that accompany the application for authorisation, are submitted to the Commission in an official language of the Republic or in the English language and are originals or, where this is not possible, they are true copies of the originals. In case where the documents and data have been produced in a language other than an official language of the Republic or in the English language, true translations thereof should also be submitted into one of the accepted languages.
- (4) In the context of assessing the completeness of the authorisation application, the Commission may request clarifications and/or data, documents and/or information, which in its discretion are necessary to evaluate the application as complete.

PART III
NOTIFICATIONS

- Interpretative provision.
5. For the purposes of this Part and without prejudice to the material changes occurring in the items of article 12 paragraph 2 items d), e), f), g), h), i), j), m), n), o), q), and/or r) of Regulation (EU) 2020/1503, any change in the items referred to in article 12 paragraph 2 items a), b), c), k), l), and/or p) and/or under article 12 paragraph 3 of Regulation (EU) 2020/1503, constitutes a material change.
- Notification of a material change.
6. A crowdfunding service provider who notifies to the Commission based on article 15 paragraph 3 of the Regulation (EU) 2020/1503 of –
- (i) any material change in the items referred to in article 12 paragraph 2 items a), b), c), k), l), and/or p) and/or in article 12 paragraph 3 of Regulation (EU) 2020/1503, as per paragraph 5,
- (ii) any material change arising in the items of article 12 paragraph 2 items d), e), f), g), h), i), j), m), n), o), q), and r) of Regulation (EU) 2020/1503,
- receives, prior its implementation, the prior assessment of the Commission on whether with the upcoming change, will continue to comply with Regulation (EU) 2020/1503.
- Notification of the provision of certain services permitted by Regulation (EU) 2020/1503.
7. (1) A crowdfunding service provider notifies to the Commission of its intention to provide any of the following services, as well as of any possible material changes which will arise from their performance in items of article 12 paragraph 2 of Regulation (EU) 2020/1503 and receives, prior to their provision, the assessment of the Commission on whether with the proposed provision of those service, will continue to comply with Regulation (EU) 2020/1503:
- (a) provision of individual portfolio management of loans referred to in article 6 of Regulation 2020/1503,
- (b) use of special purpose vehicle referred to in article 3 paragraph 6 of Regulation (EU) 2020/1503,

(c) establishment and operation of a contingency fund for the individual portfolio management of loans referred to in article 6 paragraphs 5 and 6 of Regulation (EU) 2020/1503,

(d) provision of asset safekeeping services referred to in article 10 of Regulation (EU) 2020/1503,

(e) provision of payment services referred to in article 10 of Regulation (EU) 2020/1503 by itself,

(f) application of credit scores to crowdfunding projects on the crowdfunding platform that operates referred to in article 19 paragraph 6 of Regulation (EU) 2020/1503,

(g) proposal of pricing of crowdfunding offers on the crowdfunding platform that operates referred to in article 19 paragraph 6 of Regulation (EU) 2020/1503,

(h) operation of a bulletin board according to the provisions of article 25 of Regulation (EU) 2020/1503.

(2) Any suspension or termination of the provision of any service mentioned in subparagraph (1) by the crowdfunding service provider, is notified to the Commission without undue delay, together with any possible material changes that may arise in the items of article 12, paragraph 2 of Regulation (EU) 2020/1503, as a consequence of this event.

Notification of engaging
in other activities.

8. (1) Without prejudice to the provisions of article 12 paragraph 13 of Regulation (EU) 2020/1503, a crowdfunding service provider who wishes to engage in activities other than those provided in the authorisation granted by the Commission and other than those mentioned in subparagraph (1) of paragraph 7, must first notify the Commission to assess, prior its participation, whether:

(i) with the proposed activities, it is ensured the smooth operation of the crowdfunding service provider and

(ii) the participation in such activities it is not expected to be detrimental for the clients and/or to contribute to the non-smooth operation of the market.

(2) Irrespective of the requirement for submitting a notification, no assessment is required by the Commission for the undertaking of activities by a crowdfunding services provider, regulated under:

(a) the Electronic Money Law,

(b) the Investment Services and Activities and Regulated Markets Law,

(c) the Business of Credit Institutions Law,

81(l) of 2012
30(l) of 2018

87(l) of 2017
44(l) of 2020
78(l) of 2021
91(l) of 2021
159(l) of 2021
9(l) of 2022

66(l) of 1997
74(l) of 1999
94(l) of 2000
119(l) of 2003
4(l) of 2004
151(l) of 2004
231(l) of 2004
235(l) of 2004
20(l) of 2005
80(l) of 2008
100(l) of 2009

123(l) of 2009
 27(l) of 2011
 104(l) of 2011
 107(l) of 2012
 14(l) of 2013
 87(l) of 2013
 102(l) of 2013
 141(l) of 2013
 5(l) of 2015
 26(l) of 2015
 35(l) of 2015
 71(l) of 2015
 93(l) of 2015
 109(l) of 2015
 152(l) of 2015
 168(l) of 2015
 21(l) of 2016
 5(l) of 2017
 38(l) of 2017
 169(l) of 2017
 28(l) of 2018
 89(l) of 2018
 153(l) of 2018
 80(l) of 2019
 149(l) of 2019
 21(l) of 2020
 73(l) of 2020
 28(l) of 2021
 94(l) of 2021
 95(l) of 2021
 162(l) of 2021
 163(l) of 2021
 61(l) of 2022
 62(l) of 2022

 31(l) of 2018
 32(l) of 2019
 16(l) of 2022

(d) the Provision and Use of Payment Services and Access to Payment Systems Law.

PART IV
 CHARGES AND FEES

- | | | |
|---------------------------------|-----|---|
| Payable charges. | 9. | For the submission of applications and notification to the Commission within the application of Regulation (EU) 2020/1503, charges are payable as provided in Annex I of this Directive. Otherwise, the applications and notifications shall be considered as non-submitted to the Commission. |
| Payable fees. | 10. | <p>(1) A crowdfunding service provider pays an annual fee to the Commission, as provided in Annex II of this Directive.</p> <p>(2) In cases of granting or withdrawing the authorisation during the year, the annual fee is paid in proportion to the time-period for which the crowdfunding service provider hold the authorisation, a time-period which includes the month in which the authorisation was granted and the month in which the authorisation was withdrawn.</p> <p>(3) The annual fee is payable within four (4) months from the end of each financial year and in the case of withdrawal of authorisation, within two (2) months from the withdrawal date.</p> |
| Collection of charges and fees. | 11. | In case of failure to pay a charge or and a fee, the Commission may take judicial action for their collection, in which case the amount due is collected as a civil debt. |

PART V

FINAL PROVISIONS

Submission of documents and information to the Commission.

12. The submission to the Commission of:
- (a) the application, the documents and/or information referred to in paragraph 4; and
 - (b) the notifications referred to in paragraphs 5,6,7, and 8 and of the relevant documents and/or information,
- is accepted in printed form and/or electronic form.

Entry into force.

13. The Directive applies from the day of its publication in the Official Gazette of the Republic.

**ANNEX I
(paragraph 9)**

Charges

	Application/Notification	Payable Charges
1.	Application for the grant of an authorisation as a crowdfunding service provider (paragraph 4(1) of this Directive, article 12 paragraphs 1, 2, and 3 of Regulation (EU) 2020/1503 and article 2 of Delegated Regulation (EU) 2022/2112).	A lump sum of two thousand (2.000) Euro per crowdfunding service referred to in article 2, paragraph 1, items a) i) and a) ii) of Regulation (EU) 2020/1503.
2.	Notification of change in the items submitted with the application for authorisation as a crowdfunding service provider (paragraph 4(2) of this Directive and article 5 of Delegated Regulation (EU) 2022/2112).	<p>Two thousand (2.000) Euro for each change in a shareholder, holding 20% or more of the shared capital or voting rights.</p> <p>Two thousand (2.000) Euro for each change in a physical person responsible for managing the prospective crowdfunding service provider.</p> <p>Five hundred (500) Euro for every other change.</p>
3.	Notification of a material change in the conditions for authorisation (paragraphs 5 and 6 of this Directive and article 15, paragraph 3 of Regulation (EU) 2020/1503).	<p>Two thousand (2.000) Euro for each change in a physical person who is responsible for and/or involved in the management of the crowdfunding service provider .</p> <p>Two thousand (2.000) Euro for each change in a shareholder holding 20% or more of the shared capital or voting rights of the crowdfunding service provider.</p> <p>One thousand (1.000) Euro for each material change arising in the items of article 12, paragraph 2 items d), e), f), g), h), i), j), m), n), o), q), and r) of Regulation (EU) 2020/1503.</p> <p>Five hundred (500) euro for any change in relation to the items referred to in article 12, paragraph 1 items a), b), c) and p) of Regulation (EU) 2020/1503.</p> <p>In the case of notification of a number of material changes in the conditions for authorisation, stemming from the same event, the maximum amount paid for all material changes notified, does not exceed two thousand (2.000) Euro.</p>
4.	<p>Notification for the provision of certain services permitted by Regulation (EU) 2020/1503 (paragraph 7(1) of this Directive):</p> <ul style="list-style-type: none"> i. provision of individual portfolio management of loans - only when combined with the provision or application for provision of crowdfunding service of article 2 paragraph a) i) of Regulation (EU) 2020/1503 (article 6 of Regulation (EU) 2020/1503) ii. use of special purpose vehicles for the provision of crowdfunding services (article 3, paragraph 6 of Regulation (EU) 2020/1503). iii. establishment and operation of a contingency fund for the portfolio management of loans 	<p>A lump sum of five hundred (500) Euro per service, for services i-vi.</p> <p>A lump sum of two hundred and fifty (250) Euro per service, for services vii and viii.</p>

	(article 6, paragraphs 5 and 6 of Regulation (EU) 2020/1503). iv. application of credit scores to crowdfunding projects (article 19, paragraph 6 of Regulation (EU) 2020/1503). v. proposal of pricing of crowdfunding offers on the crowdfunding platform that the Crowdfunding Service Provider operates (article 19, paragraph 6 of Regulation (EU) 2020/1503). vi. operation of a bulletin board (article 25 of Regulation (EU) 2020/1503). vii. provision of asset safekeeping services (article 10 of Regulation (EU) 2020/1503). viii. provision of payment services (article 10 of Regulation (EU) 2020/1503).	
5.	Notification for engaging in activities other than those provided in the authorisation and than those permitted by Regulation (EU) 2020/1503 (paragraph 8(1) of this Directive and article 12, paragraph 13 of Regulation (EU) 2020/1503).	A single lump sum of one thousand (1.000) Euro per extra activity.
6.	Application for extension of the authorisation to additional crowdfunding services not foreseen at the time of the authorisation (article 13, paragraph 2 of Regulation (EU) 2020/1503).	A single lump sum of two thousand (2.000) Euro per crowdfunding service, referred to in article 2, paragraph 1, items a) i) and a) ii) of Regulation (EU) 2020/1503.

**ANNEX II
(paragraph 10)**

Annual Fees

A crowdfunding service provider shall pay to the Commission annual fee which shall be the sum of points (a) and (b) as follows:

- (a) A fixed fee of five thousand (5.000) Euro, and
- (b) Accumulated increment according to the product of the turnover of the crowdfunding service provider, provided that the turnover is equal or greater than two hundred fifty thousand (250.000) Euro, by the respective scale, as defined below:
 - (i) Four hundred (400) Euro for turnover between two hundred fifty thousand (250.000) Euro and four hundred ninety-nine thousand (499.000) Euro,
 - (ii) Three hundred (300) Euro for each extra tranche of two hundred fifty thousand (250.000) Euro in turnover.

The calculation of the accumulated increment provided for in point (b) above, is performed on the basis of the annual audited financial statements of the crowdfunding service provider of the previous year.