

**DIRECTIVE DI 116-2005-03 OF 2012  
OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION  
ON METHODS THAT CONSTITUTE MARKET MANIPULATION**

The Cyprus Securities and Exchange Commission, in accordance with the powers vested in it by virtue of section 22 of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, issues the following Directive:

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| Short Title                                  | 1. This Directive shall be referred to as the Methods that constitute Market Manipulation Directive DI 116-2005-03 of 2012.   |
| Definition                                   | <p>2. In this Directive, unless the context shall prescribe otherwise:</p> <p>“<b>Law</b>” means the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as in force.</p> <p>Terms used in this Directive that are not interpreted differently have the meaning given to them by the Law.</p> <p>Where in this Directive, reference is made to the Law, this includes the Regulations issued thereof.</p>   |
| Scope  | 3. The scope of this Directive is the provision of guidance by the Cyprus Securities and Exchange Commission on methods that may be considered as constituting market manipulation.   |
| Methods which constitute Market Manipulation | <p>4. Methods that constitute Market Manipulation according to section 20 of the Law are indicatively the following:</p> <p>(a) Practices which are intended to create a false impression of activity in a financial instrument:</p> <ul style="list-style-type: none"> <li>(i) The practice of entering into arrangements for the sale or purchase of a financial instrument where there is no change in beneficial interests or market risk is only between parties who are acting in concert or collusion. (Wash trades)</li> <li>(ii) Transactions where both buy and sell orders are entered at or nearly at the same time, with the same price and quantity by different but colluding parties. (Improper matched orders)</li> <li>(iii) Engaging in a transaction or series of transactions that are shown on a public display facility to give the impression of activity or price movement in a financial instrument. (Painting the tape)</li> <li>(iv) Taking a long position in a security and then undertaking further buying activity and/or disseminating misleading positive information about the security with a view to increasing the price of the security. Other market participants are misled by the resulting effect on price and are attracted into purchasing the security. The manipulator then sells out at the inflated price. (Pumping and dumping)</li> <li>(v) Taking a short position in a security; undertaking further selling activity and/or spreading misleading negative information about the security with the purpose of driving down the price. The manipulator then closes their position after the price has fallen. (Trashing and cashing)</li> <li>(vi) Increase of the aforementioned price for the purchase of a financial instrument causing an increase in its price (by creating a false</li> </ul> |

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The legally binding document is in the Greek language.

impression of an increasing tendency or increase in the activity in a financial instrument that is due. (Advancing the bid)

- (vii) Placing orders with no intention of executing them but with the intention of giving a misleading impression that there is demand for or supply of the financial instrument at that price. The orders are then withdrawn from the market before they are executed.

(b) Practices intended to create narrowing of the market:

- (i) conduct illustrated by one or more parties who are acting in concert, which leads to the establishment of a dominant position regarding the offer or demand of a financial instrument, with the result of the direct or indirect artificial establishment of the purchasing price or the sale price or other non-regular negotiating terms (cornering)
- (ii) transactions or orders to trade employed in such a way that obstacles are created to the share prices falling below a certain level, mainly in order to avoid negative consequences for their share or credit ratings. (the creation of a floor in the price pattern)
- (iii) conduct carried out by intermediaries that have market power in such a way intentionally to move the bid-ask spread to and /or to maintain it at artificial levels and far from fair values, by abusing of their market power. (excessive bid-ask spreads)
- (iv) trading on one market to improperly position the price of a financial instrument on a related market.

(c) Methods of market manipulation based on the time of execution of the transactions:

- (i) deliberately buying or selling securities or derivatives contracts at the close of the market in an effort to alter the closing price of the security and marking the close by giving a misleading impression to the investors acting on the basis of it.
- (ii) carrying out transactions which are intended to affect the price in cash or the clearing price of derivatives contracts.
- (iii) carrying out transactions which are intended to affect the price in cash of a financial instrument which has been chosen for the calculation of the value of a security.

(d) Methods of market manipulation based on information:

- (i) the purchase of a financial instrument for own account before its introduction to others and its profitable sale subsequently due to the increase in the price caused by the introduction. (Scalping)
- (ii) the dissemination of false information in order to cause purchasing movement or the collective sale by others
- (iii) the announcement of false information involving important facts
- (iv) the failure to undergo a public announcement involving important facts or the incomplete announcement of such information
- (v) the manipulation of circumstantial or regular access to the traditional or electronic media by expressing an opinion for a financial instrument (or indirectly for its issuer) when positions have previously been obtained for the particular financial instrument, and subsequently obtaining a benefit from the effects that such opinions have on the price of the financial instrument, without the prior clear and effective publication of the particular conflict.

- (vi) Concealing the beneficial ownership of a financial instrument via the breach of disclosure requirements. This practice does not cover cases where there are legitimate reasons for financial instruments to be held in the name of a party other than the beneficial owner, for example where there is authorisation for nominee holdings on behalf of the beneficial owner.

Provided that the methods mentioned in the present paragraph are not exhaustive and it must not be considered that they alone necessarily constitute market manipulation.

*Repeal of  
existing  
Directive  
DI116-2005-03  
of 2011*

5. The Commission's Directive on the methods that constitute market manipulation with reference Regulatory Administrative Decision (Κ.Δ.Π.) 406/2011, is hereby repealed and substituted with the present Directive.

*Official  
Gazette of the  
Republic  
Annex III(I):  
17.10.2011*

- Entry into 6. This Directive shall enter into force on the day of its publication force in the Official Gazette of the Republic.