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ΚΕΦΑΛΑΙΑΓΟΡΑΣ
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CYPRUS SECURITIES AND EXCHANGE COMMISSION

ANNUAL REPORT



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ABBREVIATIONS

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

1 CHAIRWOMAN STATEMENT

The development and progress of the securities market in Cyprus remains one of the core objectives of CySEC. In 2017, the examination of the applications submitted to CySEC continued, resulting in the approval of 93 entities, of which 42 were active in collective investment, 37 in the provision of investment services, and 14 in the provision of administrative services. As a result, at the end of 2017 the number of supervised persons would reach 632. This interest undoubtedly shows that Cyprus still offers substantial advantages and is an attractive destination for investment.

In 2017, CySEC placed great emphasis on completing the preparation of the new regulatory framework for investment services known as the MiFID II/MIFIR package, as well as preparing a series of directives. Each Department of CySEC, on the basis of its competencies, has made appropriate arrangements as early as January 2017 to be ready for the implementation of the new framework, which came into force on 3 January 2018.

The new regulatory framework includes additional requirements from the supervisors with a view to ensuring greater transparency. Investment Firms, amongst other things, are now required to send additional information to CySEC on transactions they make either directly or indirectly through authorized Approved Reporting Mechanisms (ARMs) which are licensed by CySEC.

In addition to developing new and/or modifying existing IT systems according to the requirements of the new regulatory framework governing investment services, CySEC has revised all its forms and issued a series of circulars and notices to inform the public and the supervised entities. Further, to facilitate the supervised entities and other stakeholders, CySEC created dedicated e-mail addresses for questions on licensing, supervision and technical issues for the electronic systems in view of MIFID II. Also, in early 2018, CySEC organized a specialized seminar on the most important provisions of the MiFID II legislative framework, with experts from abroad, to better inform and resolve the concerns of the supervised entities.

In 2018, CySEC will attach great importance to monitoring the implementation of the new framework by the supervised entities.

With regard to supervisory issues, emphasis will be placed, among other things, on the requirements for product tracking on the market and the target market selected, the assessment of the compatibility/suitability of services/products for customers, the benefits and remuneration, the best execution of orders and reporting and transparency of transactions.

In view of the implementation of the new legislation governing investment services, significant changes have also been made to the Risk Based Supervision Framework. This Framework, which has been established over the last three years by the Risk Management and Statistics Department, is a new approach to financial sector supervision and is in line with the approach used by supervisors worldwide. The Framework has increased the effectiveness of supervision through focusing on market segments and supervised entities with the most significant risks. During 2017, new risks emerged as a result of changes in legislation and the market environment, as well as risks that have changed (e.g. risk concentration, market size, etc.).

CySEC's aim is to prevent any potential risks in order to ensure the orderly functioning of the market and its decisions to reflect the importance it attaches to investor protection.

In 2017, CySEC, within its remit, took final decisions in two more cases concerning the banking sector, the



investigation of which was complex and requiring the examination of a large volume of documents and testimonies. In both cases, administrative penalties of €1.74 million were imposed and concerned the period prior to the bail-in. For most cases in the banking sector, for which the investigation has been completed, CySEC has passed on the findings, fact reports and other data to the Law Office of the Republic to investigate whether criminal offenses are involved.

In 2018, there are three more cases to be completed that concern the banking sector in relation to the period before the bail-in. With these three cases, CySEC's investigations into the events that led to the banking crisis will be completed.

Along with focusing on the new MiFID II framework, CySEC has modernized the regulatory framework governing the securities market, enriching it with a number of new legislations to ensure investor protection and the smooth operation, as well as the growth of the market.

Collective investment continued to be one of the key priorities of CySEC. In 2017, on the basis of market suggestions and for the improvement of the national legislation, CySEC took steps to modify the institutional framework that governs their operation. In total four draft Laws were prepared, one of which is at the House of Representatives and the rest at the Law Office for legislative review. Also, one of the draft Laws is at the completion stage.

CySEC has also been actively involved in the drafting of the transposition of the 4th European Directive on the Prevention of Money Laundering and Terrorist Financing, which will, inter alia, oblige supervised entities to identify and assess the risks they may face from such actions and apply appropriate preventive measures. The draft Law is before the House of Representatives.

Within 2018, a series of important pieces of legislation should be prepared by CySEC or under its guidance, for the adoption of European Directives and the implementation of European Regulations. These include the draft Law amending the Public Offering and Prospectus Law, the draft Law for the Capital Requirements of the CIFs, the draft Law on the Investor Compensation Fund and the Transparency Law Amendment draft Law. It will also focus on the adoption of European regulations, such as the application of the General Data Protection Regulation.

As part of the effort to improve compliance with the institutional framework and the continuous professional training of the market professionals and supervised entities, in 2017 CySEC organized 26 seminars in Nicosia and Limassol. It has also brought up-to-date the content of the examinations, incorporating into it new legislation and recently introduced European Directives. At the same time, CySEC is proceeding with the preparation of new tests for Anti-Money Laundering Compliance Officers, which are expected to begin in 2018.

In 2017, CySEC has automated the procedure for participation in the examinations for the registration in the Public Register of Certified Persons, the enrolment in the seminars it organises and the renewal of the registration of the certified persons in the Public Register. This automation enables interested parties to complete efficiently and easily these processes electronically via the CySEC website.

Greater weight was also given to the continuous information of investors, especially in relation to the new regulatory framework governing investment services. The dedicated site on the CySEC website for investors, is periodically enriched with training material, advice and warnings both issued by CySEC itself and by the Supervisory Authorities of other countries. Also, at regular intervals, CySEC published new educational articles for the investing public in newspapers and financial magazines and websites.

In addition to the electronic systems developed or modified in 2017 for the purposes of MiFID II/MIFIR, CySEC has also upgraded its other existing systems. By 2018, CySEC will proceed with the creation, management and supervision of the Trust Registry. This is a major project and CySEC must develop the appropriate electronic systems for its creation. It is also expected that a new system in CySEC will be in place for transaction reporting by those who have managerial responsibilities in Issuers, as well as persons who are closely related to them. The disclosures that must be made include transactions carried out on own account in shares, debt securities,

derivatives or other related financial instruments of a particular Issuer.

Also, in view of the rapid developments in Financial Technology (FinTech) and Regulatory Technology (RegTech), CySEC intends to move towards the creation of an Innovation Hub in 2018. The aim will be to establish an effective and two-way communication channel with the aim of exchanging information and views, as well as introducing a modus operandi where it is necessary.

I would like to emphasize that the number, size and type of supervised organizations, as well as the size and complexity of their structure and work, is constantly expanding, increasing the volume of supervisory work that CySEC is called upon to carry out. Also, the additional and more complex and detailed new Directives and Regulations of the European Union, which have recently come in force or are expected to come into force soon, greatly increase the supervisory responsibilities and obligations of CySEC, both at national and at European level.

Therefore, the volume of CySEC's work with regard to the adequate supervision of the supervised entities in order to ensure market credibility, which is a prerequisite for attracting new investors and consequently for the further development of the economy and the empowerment of the position of Cyprus as an international financial centre, is enormous.

These reasons demonstrate that it is imperative for CySEC to continue to have the necessary powers and to be further strengthened with the required resources to be able to successfully respond to the very important role it is called upon to perform as a Supervisory Authority.

The CySEC's strategic goal for 2018 is to strengthen its supervisory and regulatory role. Emphasis will also be put on enhancing sound corporate governance and strong ethics culture amongst supervised entities.

Demetra Kalogerou

Chairwoman of the Cyprus Securities and Exchange Commission

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The Cyprus Securities and Exchange Commission (CySEC) is a public independent Supervisory Authority, responsible for the supervision of the investment services market in transferable securities and of the transactions in transferable securities carried out in the Republic of Cyprus and of the securities market sector. It also supervises the firms offering administrative services which do not fall under the supervision of ICPAC and the Cyprus Bar Association. It is also one of the three Supervisory Authorities of the Administrative Services Providers.

CySEC was established in accordance with section 5 of the Securities and Exchange Commission (Establishment and Responsibilities) Law of 2001 as a legal entity of public Law. The operation of CySEC is under the scope of the Law that Regulates the Structure, Responsibilities, Powers, Organisation of the Securities and Exchange Commission and Other Related Matters (L73(I)/2009), as amended.

2.1 VISION, MISSION AND STRATEGIC OBJECTIVES

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

The mission of CySEC is the exercise of effective supervision that ensures the protection of the investors and the sound development of the securities market

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

The continuous reform of the regulatory and supervisory framework of the Cypriot securities market, based on the EU Directives and Regulations and the international practice

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

(i) To ensure the full compliance of the supervised entities with their obligations in accordance with the relevant regulatory framework

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

(ii) The contribution and continuous development of the investor education system

The implementation of this strategy shall improve the level of knowledge of the investors on investments and their ability to make proper investment decisions.

(iii) The contribution to the promotion and attraction of new, robust and dynamic financial organisations

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

(iv) The continuous improvement and modernisation of the operations of CySEC

The implementation of this strategic objective shall lead to an increase in the efficiency, effectiveness and transparency of the operations and procedures of CySEC and aims in reducing the bureaucracy and the time of execution of operations.

2.2 ROLE AND RESPONSIBILITIES

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

To be able to operate properly, effectively and efficiently, and to ensure, amongst other things, the protection of investors, a securities market needs to have detailed rules regarding its operation and, in general, an appropriate and complete legal framework. This framework governs the operation of the market and all those that operate therein, for example, the Issuers of securities (public companies), IFs, investment funds, as well as the investors themselves. The supervision of the compliance with those rules and with the legal framework in general, is assigned to CySEC, which is responsible for the monitoring of the market and taking preventive and suppressive measures to achieve the legal goals and objectives.

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

- To examine applications and grant authorisations to the entities under its supervision, as well as, to suspend and revoke the relevant authorisations;
- To supervise and monitor the operation of the Cyprus Stock Exchange and of other regulated markets of the Republic and the transactions performed in those markets;
- To supervise and conduct audits to the entities under its supervision in order to ensure their compliance with the legislation that governs their operation;
- To conduct investigations that are necessary for the exercise of the competencies assigned to it by law and on behalf of other foreign Competent Authorities;
- To require and collect necessary or useful information for the exercise of the competencies assigned to it by law and demand in writing the provision of the information from any natural or legal person or entity that it considers to be in a position to provide the required information;
- To impose the administrative and disciplinary penalties provided by the law;
- To demand the cessation of practices contrary to the relevant legislation;
- To apply to a competent court to issue an order to block or charge or freeze assets or to prevent the alienation of assets or a transaction in assets;
- To issue Directives and Decisions of regulatory content;
- To cooperate and exchange information and documents with other public authorities of the Republic, Competent Supervisory Authorities abroad and other organisations.

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

- The Public Offer and Prospectus Laws of 2005-2016;
- The Law on Insider Trading and Market Manipulation (Market Abuse) of 2005 - 2013;
- The Takeover Law of 2007-2015;

- The Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Laws of 2007-2016;
- The Law regulating Firms Providing Administrative Services and Related Matters of 2012.

2.3 MANAGEMENT AND STRUCTURE

2.3.1 Board



CySEC is governed by a five-member Board comprised by the Chairman/Chairwoman and the Vice-Chairman/Chairwoman, providing their services on an exclusive and full-time basis, and three non-executive members. The members of the Board are appointed by the Council of Ministers after a proposal by the Minister of Finance and their term is for five years with a right of renewal for five additional years.

The CySEC Board is comprised of the following persons:

CYSEC BOARD AS OF 31 MAY 2018		
Name	Position	Date of Appointment
Demetra Kalogerou	Chairwoman	15 September 2011
Andreas Andreou	Vice-Chairman	28 September 2011
Anastasia Anastassiades	Member	14 July 2016
Nicole Phinopoulou	Member	2 November 2016
John Georgoulas	Member	24 February 2017

Chairwoman | Demetra Kalogerou

Mrs. Kalogerou (BSc, MSc, MPhil) is the Chairwoman of the Securities and Exchange Commission since September 2011, the independent public supervisory Authority responsible for the supervision of the investment services market, transactions in transferable securities carried out in the Republic of Cyprus and the collective investment and asset management sector. It also supervises the firms offering administrative services which do not fall under the supervision of ICPAC and the Cyprus Bar Association. The vision of the CySEC is to establish the Cyprus securities market as one of the safest, most reliable and attractive destinations for investment, and its mission is to exercise effective supervision to ensure investor protection and the healthy development of the securities market.

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

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

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

Vice-Chairman | Andreas Andreou

Mr. Andreou has been Vice-Chairman of the CySEC since September 2011. He has extensive work experience in both the legal and the wider financial sector. Prior to his appointment to the CySEC Board, he was the Head of the Legal Department and Secretary of the Board of a major investment services company. He has also served as General Counsel in an investment management company, as well as in other companies of the same Group.

Previously, he practiced the legal profession for many years. As a representative of CySEC, Mr. Andreou participates, inter alia, at meetings of the IOSCO and the ESRB each year. Mr. Andreou holds a degree in Law and postgraduate degrees in European and International Commercial Law from the University of Leicester. He has been a founding member of the Cyprus Association of Directors and since 1996 has been a member of the Cyprus Bar Association. He also holds the Barrister title, a member of Lincoln's Inn in London. He participated in dozens of local and international conferences on the economy, while in many of them he was a keynote speaker.

Member | Anastasia Anastassiades

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

She is the head of Aon Hewitt's investment advisory services in Cyprus, Greece and the wider region for pension funds, social security funds and insurance companies.

Advisory services include designing investment strategies using Asset Liability Modelling (ALM) techniques and supporting other investment matters, such as implementing strategies and selecting and monitoring fund managers. She has recently headed the ALM of the Pension Funds Fund of Major Semi-Governmental Organizations, as well as the ALM of the Bahrain Social Insurance Fund (\$10 billion), also supporting the implementation of these strategies.

Other services include the determination of the Governance Manual for Large Pension Funds, including the Risk Management Manual.

Previously, she was a Structurer for BNP Paribas Investment Bank in London, where he helped institutional investors develop risk-based investment strategies for risk mitigation and better risk/return allocation.

She also served as a senior investment adviser to PSolve Investment Consultants in London, where, apart from investment advice, he was the lead of the research team for hedge fund managers. He worked at the Financial Services Authority in the United Kingdom in the risk assessment team of insurance companies and other financial companies. He also worked at the Government Actuary's Department in London as an actuary.

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

Member | Nicole Phinopoulou

Mrs. Phinopoulou the CySEC v the CySEC s a lawyer with a law degree in LLB (Hons) and a Masters in Law (Corporate and Commercial) from University College London in the UK, as well as LPC (Inns of Court Professional Skills), London, England and Wales) and the Postgraduate Diploma on Mechanics of Project Finance by the International Faculty of Finance (IFF).

She specializes in Corporate and Banking Law and in particular in Capital Markets/ Financial Services. She has been a member of the Pancyprian Bar Association since 2003 and participates in the Tax Planning, Companies and Stock Exchange Committees.

Between 2009 and 2013, she was Advisor to the Cyprus Stock Exchange in relation to the Emerging Companies Market (E.C.M.).

Member | John Georgoulas

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

Since 2010, he is the general manager of the Economist events in Cyprus, which organizes two important meetings each year in the fields of Finance, Public Administration and Energy and the General Manager for Cyprus at "The Economist - The World" editions of Cyprus and Greece.

He was a senior adviser to the Chairman of the Paraskevaides Group and Director at the International Presidential Business Advisory Council, which was an advisory body to the President of the Republic. He is a member of the Board of Directors of G. Paraskevaides (Holding) Ltd and the Deputy Managing Director of the Global Entrepreneurship Network (GEN) in Cyprus. He is a certified corporate governance officer with Banking expertise from INSEAD. He has an MBA, BSc in Business Information Systems, and Higher Education in Computer Sciences.

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

2.3.2 Structure

Based on an evaluation of its needs, as well as for its strategic planning, CySEC pressed forward with an internal restructuring.

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

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

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

- AML - CFT Department, and
- Policy Department
- CySEC also has an Internal Audit Unit.

The CySEC Board, considering that policy issues are an important factor in the smooth functioning of the market as it is a parameter in defining, specifying and clarifying the framework in which the supervised organizations can move, decided in July 2017 to create a Policy Department.

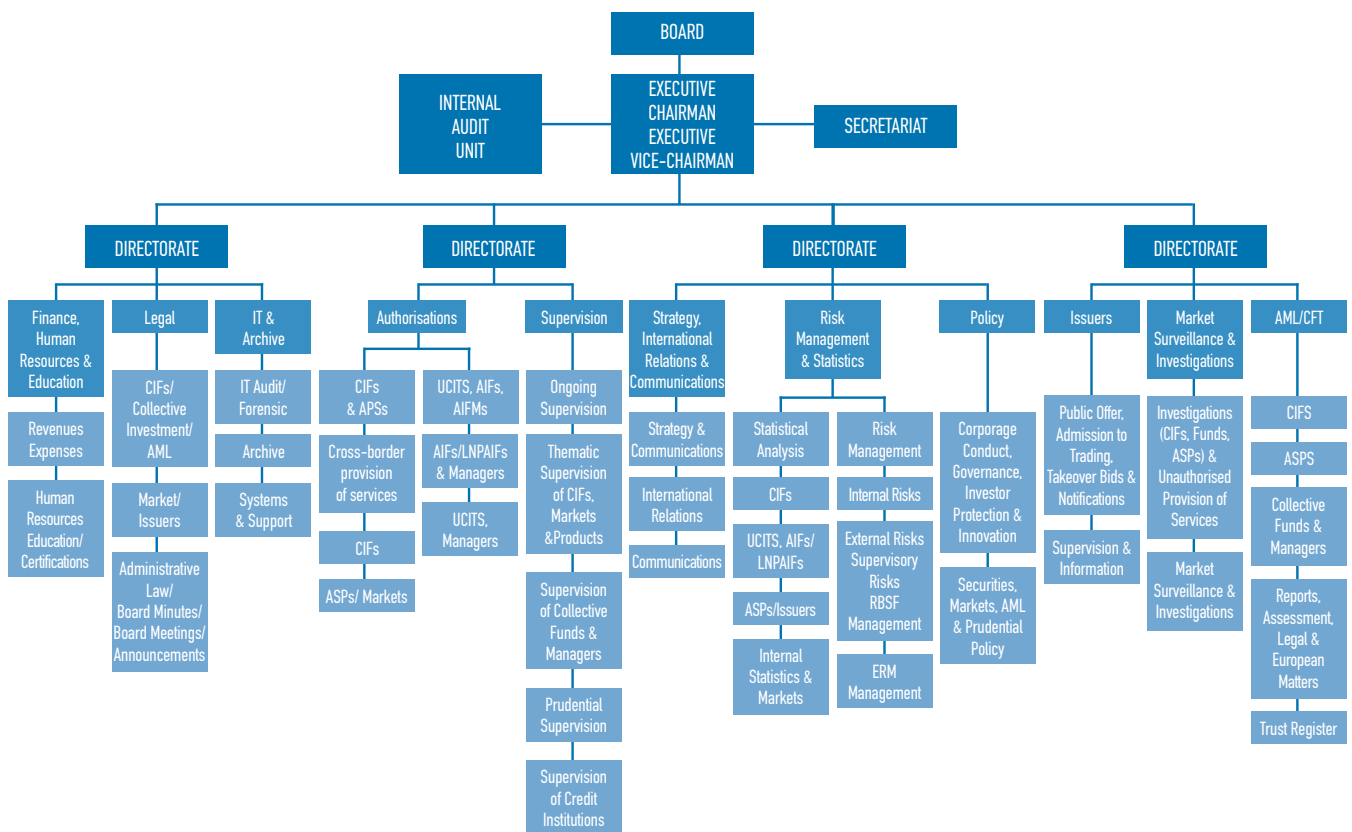
This Department is expected to contribute to the establishment of a coordinated internal process for dealing with policy issues and a unified framework of guidelines and best practices that supervised entities can easily browse and follow. Furthermore, it will be possible for CySEC to handle in due course the policy issues that arise in the dynamic environment that the supervised entities operate, which is influenced by the innovation and financial technology (FinTech) that prevail in the current era.

The Policy Department has been staffed with two people and is expected to be further strengthened in 2018. As the Policy Department was created in July 2017, during the year its staff were involved also with the work of the Departments in which they were before it was created.

During the year 2017, CySEC was reinforced by five Officers, who were placed in the Market Surveillance and Investigations, Risk Management and Statistics, Authorisations and AML Departments. Further, a new Assistant Secretary Officer was hired and assigned to the Authorisations Department.

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

CySEC's aim is to diversify its internal structure on the basis of recruitment of additional staff and in line with the new changes and adjustments that are deemed necessary in the process. The following diagram outlines the configuration of the CySEC Departments over the next 5 years.



2.3.3 Departments

Strategy, International Relations and Communications Department

The Department of Strategy and International Relations is responsible for the strategic planning of CySEC, the internal and external communication and promotion of its work, international relations, the education of the public on securities market issues and on investment services in transferable securities, and the support of the Chairwoman and the Vice-Chairman on the above issues.

In particular, the tasks of the Strategy and International Relations Department include primarily the support of the Chair and Vice-Chair and matters of strategy and policy, such as involvement in the monitoring and evaluation of developments in the securities market and the institutional framework and submission of proposals to the Chair for the formulation of a strategy and the strategic objectives of CySEC in the light of market developments, monitoring the progress of implementation of the Strategic Plan of CySEC and informing the Chair and Vice-Chair at regular intervals, as well as their support in order to better coordinate the work of CySEC and its relations with other Cyprus Authorities and bodies.

It also handles internal and external communications issues, including suggestions on communication policy issues, editing of publications, coordinating the organization of communication activities, strategic conferences and other events, and monitoring the domestic and international daily press and developments at European and international level.

In addition, it is responsible for investor education initiatives, as well as international relations, including communication with competent supervisory authorities and foreign organizations, negotiation and conclusion of Memoranda of Understanding with competent supervisors overseas and monitoring the work of ESMA, the ESRB and IOSCO.

At the same time, the Department of Strategy and International Relations is responsible for the coordination and representation of CySEC, in Cyprus and abroad. This includes, inter alia, cooperation with government departments and the other competent Authorities in the financial sector of Cyprus, the representation of CySEC in the ESMA Review Panel, the ESRB, the Advisory Committee on Penalties from United Nations Security Council resolutions and Restrictive Measures of European Union Regulations and the Board of the Financial Services Ombudsman of Cyprus, as well as participation in the Informal High Level Committee of the Supervisory Authorities of the Financial Sector.

Policy Department

The Policy Department is expected to contribute to a coordinated internal process for dealing with policy issues and a unified framework of guidelines and best practices that supervised organizations can easily look forward to and follow. Furthermore, it will be possible for CySEC to handle in due course the policy issues that arise in the dynamic environment in which the supervised entities operate, which is influenced by the innovation and financial technology (FinTech) that currently prevail.

Issuers Department

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

Authorisations Department

The Authorisations Department is responsible for examining applications for granting authorisation to entities that fall within those regulated by CySEC. Also, the Department is responsible for monitoring the substantive changes of supervised entities. In this context, the Department also examines applications with regards to changes in the authorisation of supervised entities, changes in the ownership structure and changes in the persons who direct their activities.

Furthermore, the Department is responsible for monitoring the cross-border activity of supervised entities, whether carried out through the freedom to provide services or through the establishment of a branch. For this purpose, it shall share the notifications of supervised entities with the competent supervisory authorities of the other EU Member States concerning the provision of services or activities and the marketing or management of collective investment undertakings (UCITS or AIFs).

Supervision Department

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

The Supervision Department is divided into 4 teams as follows:

- Team for the ongoing supervision of CIFs
- Team for Thematic Supervision of CIFs, Markets and Products
- Prudential Supervision Team
- Team for the ongoing supervision of Funds and Fund Managers

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

Market Surveillance and Investigations Department

The Department of Market Surveillance and Investigations is primarily responsible for investigating complaints submitted to CySEC that may involve breach of the law, to conduct investigations on own initiative, to conduct investigations on behalf of a foreign Supervisory Authority and to issue warnings about companies which provide investment services in the Republic without being authorised by CySEC.

Anti-Money Laundering Department

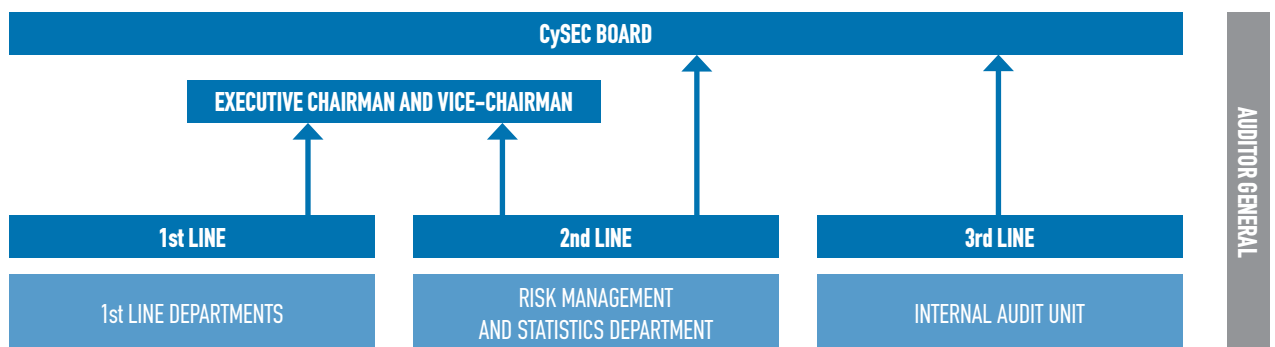
The duties of the AML Department include mainly the monitoring, evaluation and supervision of the implementation of the provisions of the Anti-Money Laundering Law of 2007 (L.188 (I)/2007) and the CySEC Directive on the Prevention of Money Laundering and Terrorist Financing by the CySEC supervised entities.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

Risk Management and Statistics Department

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

The main tasks of the Department are to:

- Ensure that all significant risks (internal and external) related to CySEC and the environment in which it operates are recognised, evaluated and managed at all levels of the organization (strategic, tactical, procedural).
- Adopt best practices and risk management practices throughout the organization and a common culture to address the risks.
- Strengthen the Second Line of Defense in CySEC.
- Ensure the safety and smooth operation of CySEC and its overall efficiency/ effectiveness in fulfilling its role.
- Achieves the implementation, continuous monitoring, updating and upgrading of the Risk Based Supervision Framework (RBS-F).
- Collecting and analysing data for all the categories of CySEC supervised entities to ensure CySEC has at its disposal reliable and comprehensive information about the supervised entities.



Legal Department

The functions of the Legal Department include, in particular, the monitoring the legislation concerning the securities market, the drafting of legislation, the preparation and submission of proposals to amend the legislation with a view to improving and streamlining it and maintaining a record for the monitoring of CySEC related cases pending in court. Also, it monitors, coordinates and cooperates with CySEC's external lawyers and supports the CySEC Board in a secretariat capacity (record keeping, archiving decisions, keeping composition file, preparing announcements on decisions taken, etc.). It also provides legal support for CySEC (internal advice to CySEC and revision of documents), prepares advice/ answers questions submitted to CySEC, and handles the harmonization of the Cyprus legislation with the EU.

Finance, Human Resources and Education Department

The duties of the Finance, Human Resources and Education Department include mainly the preparation of the budget, the monitoring of revenue and control of CySEC costs, the proclamation and award of public contracts, compliance with Personnel Regulations, training of personnel and certified persons, staffing, filling vacancies and other tasks such as keeping the books and records of the Provident Fund and the Welfare Fund of CySEC staff. The Department also deals with other current issues such as the management of equipment and building facilities. Further, the Department provides secretarial support to the CIF Client Investor Compensation Fund and ensures that the Public Registry of Certified Members is kept together with the organization of examinations for the certification of persons employed by Investment Firms, Credit Institutions, Management Companies and Variable Capital Investment Companies.

IT and Operations Department

The IT and Operations Department focuses on the constantly changing operational needs of CySEC. The Department is responsible for the management and upgrading of the technological infrastructure of the organisation, of the website and the internal network and other issues regarding the adoption of modern technologies and communication by CySEC, in order to ensure the effectiveness and security in data management and the communication performed in the course of the exercise of its activities, as well as, the increase in productivity and reduction in cost.

Internal Audit Unit

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

2.3.4 Personnel

At the end of 2017, CySEC employed 8 Senior Officers (2016 – 8), 70 Officers (2016 –67) and 24 Assistant Clerical Officers (2016 – 23). During the year two Officers left CySEC. CySEC personnel by Department is presented in the following table.

Departments/ Duties	Senior Officers	Officers	Assistant Clerical Officers	Office Assistants	Total
Financial Services, Personnel and Education	1	5	3	1	10
Legal	1	2	1	0	4
IT and Archive	0	4	3	0	7
Authorisations	1	10	3	0	14
Supervision	1	18	2	0	21
Strategy, International Relations and Communications	1	2	1	0	4
Risk Management and Statistics	0	5	1	0	6
Policy	0	2	0	0	2
Issuers	1	5	2	0	8
Surveillance and Investigations	1	7	3	0	11
AML	0	9	2	0	11
Internal Audit Unit	1	1	1	0	3
Chair support/ Reception	0	0	2	0	2
Total	8	70	24	1	103

At the end of 2017, an Officer of the Legal Department was seconded to the Permanent Representation of Cyprus to the European Union for the monitoring and handling of matters related to the responsibilities of CySEC, and other issues in the various Committees dealing with financial services and other technical matters. In the context of the requirement to increase the CySEC personnel, as at the end of 2016, a number of Officers of the CSE have been seconded to CySEC under the special Memorandum of Cooperation that was signed between CySEC and the CSE in 2012. The CSE Officers were positioned in the CySEC Departments as follows:

Departments/ Duties	Officers	Assistant Clerical Officers	Total
Financial Services, Personnel and Education	1	1	2
IT and Archive	0	1	1
Authorisations	0	2	2
Strategy, International Relations and Communications	0	1	1
Total	1	5	6

2.4 BRIEF HISTORIC OVERVIEW

1996 – 2000

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

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

2001 – July 2009

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

CySEC is a public corporate body and has the responsibility of supervising the securities market, ensuring its smooth operation and steady development, as well as monitoring the transactions in transferable securities carried out in the Republic of Cyprus.

Currently, CySEC is an independent public supervisory Authority and is one of the four Authorities that supervise the financial sector of Cyprus, together with the Central Bank of Cyprus, the Audit Service of Cooperative Institutions, and the Supervisory Authority of Professional Pension Funds. In accordance with the new Law, CySEC is governed by a five-member Council, where the Chairman and Vice-Chairman provide their services on a full-time basis.

July 2009 – Today

On 10 July 2009, the new Cyprus Securities and Exchange Commission Law of 2009 (Law.73(I)/2009) came into force replacing the Cyprus Securities and Exchange Commission (Establishment and Responsibilities) Laws of 2001 to 2007. On 23 May 2014, the Cyprus Securities and Exchange Commission (Amending) Law of 2014 (Law. 65(I)/2014) which shall be read with the Cyprus Securities and Exchange Commission Laws of 2009 and 2012, as amended, and shall be referred as 'The Cyprus Securities and Exchange Commission Laws of 2009 to 2014', was published.

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

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

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3.1 REGULATED ENTITIES

CySEC is responsible for the supervision of the operations and the compliance of groups of organisations with the relevant legislation that governs their activities and which are listed in the table below (Table 1).

Table 1: Entities Regulated by CySEC

ENTITIES
Cyprus Investment Firms (CIFs)
Cypriot Branches of Investment Firms (IFs) established in other EU Member States
CIF Tied Agents
Undertakings for Collective Investments in Transferable Securities (UCITS)
Alternative Investment Funds (AIFs)
Alternative Investment Fund Managers (AIFMs)
UCITS Management Companies
Persons engaged in the marketing of UCITS and AIFs
UCITS and AIFs Depositaries
Cypriot branches of UCITS Management Companies established in other EU Member States
Administrative Service Providers
Regulated Markets
Issuers of securities trading in a regulated market
Central Counterparties for the Clearing and Settlement of OTC Derivatives
Repositories of OTC derivatives transactions

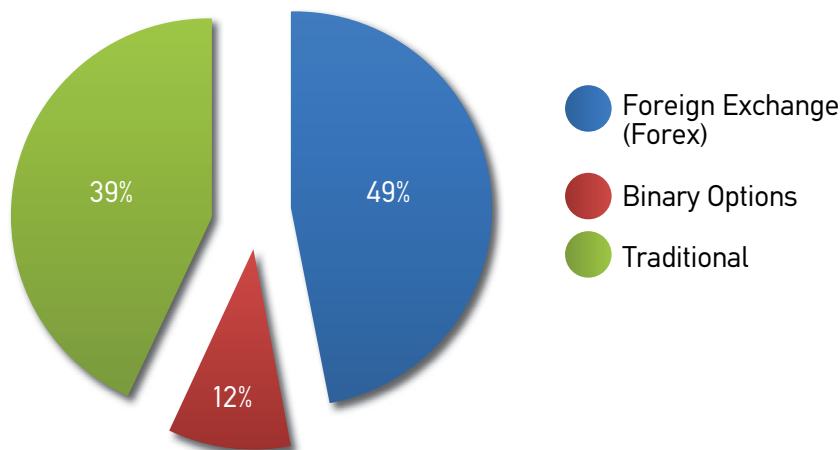
At the end of 2017, CySEC regulated and supervised 632 entities. Also, submission of applications to CySEC from Cyprus and abroad for licensing of new supervised entities continued unabated throughout 2017. At the end of the year, 125 applications were under examination. This interest undoubtedly shows that Cyprus continues to have substantial advantages and be an attractive investment destination. The activation of these organizations, in addition to hindering unemployment by employing high-level staff, renting office space, purchasing services and strengthening the tourism industry in the country, also significantly increases state revenues through the taxes paid. The categories of entities that were under the supervisory remit of CySEC at the end of 2017 and the number of applications submitted are presented in the table below (Table 2).

Table 2: Entities authorised by CySEC

	Supervised Entities	Authorised 31/12/2017	Authorised 31/12/2016	New applications under review 31/12/2017
A1	Cyprus Investment Firms	235	214	33
A2	Administrative Service Providers	164	167	9
	Subtotal	399	381	42
B	Markets			
B1	Cyprus Stock Exchange (CSE)	1	1	0
B2	Multilateral Trading Facility	1	1	0
	Subtotal	2	2	0
C	Issuers			
C1	Issuers trading in CSE	73	81	0
C2	Issuers trading in markets abroad	13	12	0
	Subtotal	86	93	0
D	Management Companies and Collective Investment Funds			
D1	UCITS Management Companies	4	5	1
D2	External Licenced Alternative Investment Fund Managers	16	12	15
D3	Special Purpose Companies	9	6	0
D4	UCITS	7	5	5
D5	Licensed Alternative Investment Funds (Self-managed)	1	1	62
D6	Registered AIFs (Self-managed)	1	0	
D7	Registered Alternative Investment Funds LNP (Self-managed)	55	37	
D8	AIFs (Externally managed)	16	9	
D9	Alternative Investment Funds LNP (Externally managed)	36	27	
	Subtotal	145	102	83
	Total	632	578	125

Chart 1 below lists the CIFs by type of financial products they offered in 2016. (Data from the rest of the supervised entities are collected after the preparation of the Annual Report.)

Chart 1: CIFs by type of financial products they offer



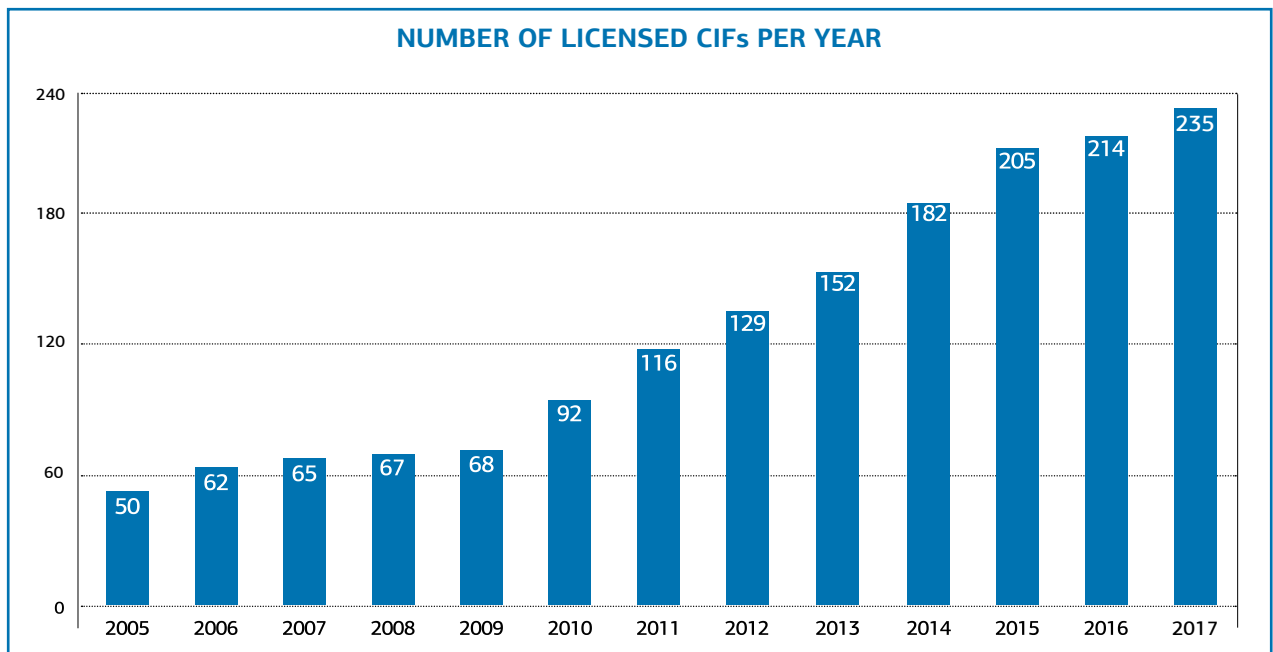
It is noteworthy that in 2017, CySEC granted authorization to 5 AIFMs, 6 AIF and 29 newly established AIFLNPs. The number of licenses issued by CySEC in 2017 is presented in Table 3.

Table 3: Number of licenses granted by CySEC

Entity	Licenses granted
ASP	14
CIF	37
AIFM	5
UCITS	2
AIF	6
AIFLNP	29

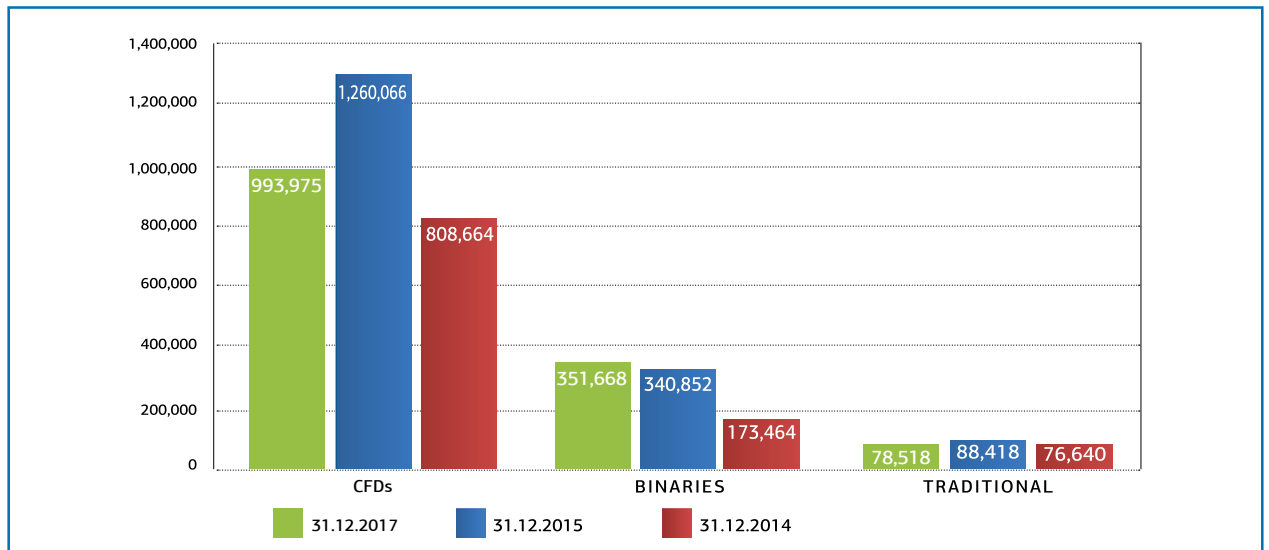
As a result of the interest observed in the start-up of new companies in the provision of investment services in Cyprus, there has been a steady increase in the number of licensed CIFs in recent years, as shown in Chart 2. From 2016 to 2017 there is an annual increase of 9.81%.

Chart 2: Number of licensed CIFs per year



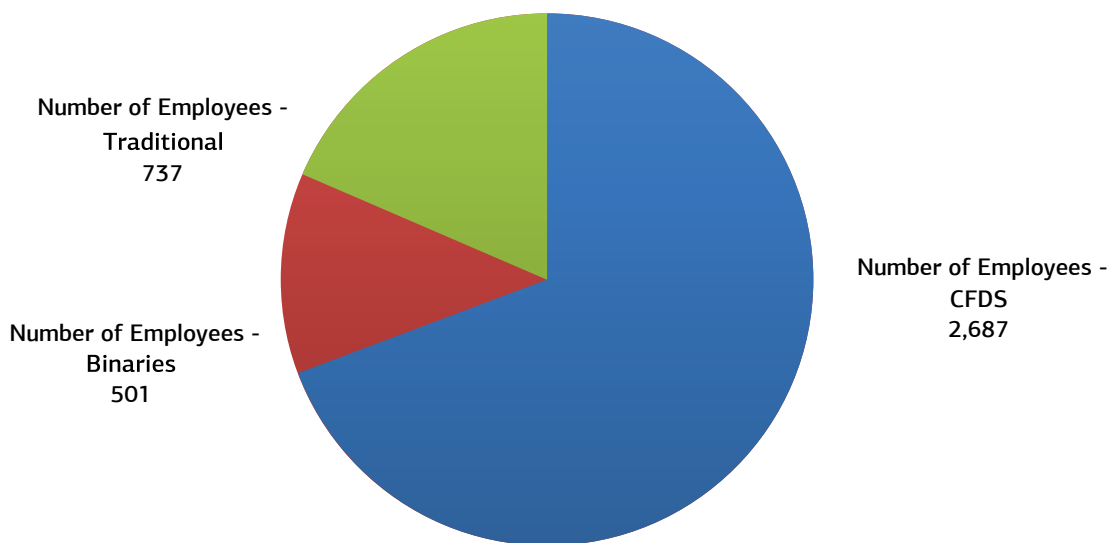
From the data held by CySEC there is also an increase in the number of the entities' clients. Chart 3 below shows the number of CIF clients by category in 2016 compared to 2015 and 2014. (Data from the rest of the supervised entities are collected after the preparation of the Annual Report.)

Chart 3: CIF clients by CIF category



It is also worth noting that the continuous increase in the number of licensed CIFs and their activation in recent years has contributed to the employment of highly educated staff. By way of example, Chart 4 shows the number of people working on CIFs at the end of 2016.

Chart 4: CIF employees per CIF category



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

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

- Up to €100 million with leverage or up to €500 million without the use of leverage.
- And they do not have the right to redeem their units, which can be exercised over 5 years from the date of initial investment in each AIF.

On the basis of the data submitted to CySEC, on 31 December 2016, 15 CIFs managed Alternative Investments Funds and/or Alternative Investments Funds of a Limited Number of Persons whose total assets under management amounted to €337,722,671.

The total number of foreign harmonized UCITS that hold shares in the Republic for 2017 increased in relation to 2016. During the year under review, 4 foreign harmonised UCITS (umbrella schemes) were registered with CySEC to market their units in the Republic. (Table 4).

Table 4: Foreign UCITS

Number of foreign UCITS	2017	2016
Single scheme UCITS	0	0
Umbrella scheme UCITS	31	27
Total	31	27

The home countries for foreign UCITS in 2017 were primarily Luxembourg and Ireland (Table 5).

Table 5: Foreign UCITS Home Country

Foreign UCITS Home Country	2017	2016
Number of Harmonised UCITS		
Greece	0	0
Luxembourg	22	22
Ireland	81	5
France	0	0
Total	103	27

The total number of sub-funds under UCITS umbrella schemes in 2017 has decreased to 348 (2016 - 358) (Table 6).

Table 6: UCITS sub-funds

Total number of sub-funds under umbrella schemes	2017	2016
Harmonised UCITS	348	358
Non-harmonized UCITS	0	0
Total	348	358

The number of Representatives registered with CySEC in 2017 was increased to 13 in relation to 11 in 2016.

The number of UCITS Management Firms registered in an EU member-state other than the Republic of Cyprus that offer cross-border services in Cyprus, has not changed in relation to 2016, as shown in Table 7 below.

Table 7: UCITS Management Company Home Member-States

UCITS Management Company Home Member-States	2017	2016
France	5	5
Luxembourg	3	3
Liechtenstein	1	1
Greece	5	5
UK	1	1
Total	15	15

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

Additionally, CySEC supervises the sole licensed regulated market operating in the Republic of Cyprus, the Cyprus Stock Exchange (CSE). CySEC also supervises the CSE as a Multilateral Trading Facility (MTF). The number of firms with transferable securities issued and traded on the CSE, whose home member-state is the Republic of Cyprus and are under CySEC supervision, were 73 at the end of 2017 (2016 - 81).

A total of 164 Administrative Service Providers (ASPs) were also under CySEC supervision at the end of 2017 (2016 - 167). The following charts show the growth of the sector through the increase in the number of firms and their employees in the last few years.

Chart 5: Administrative Service Providers

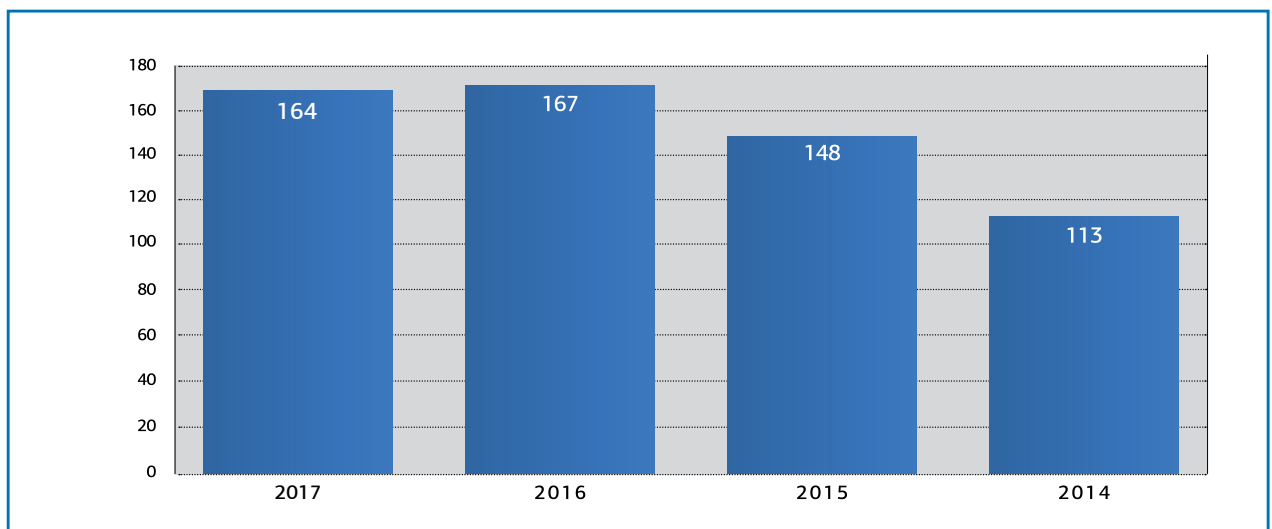
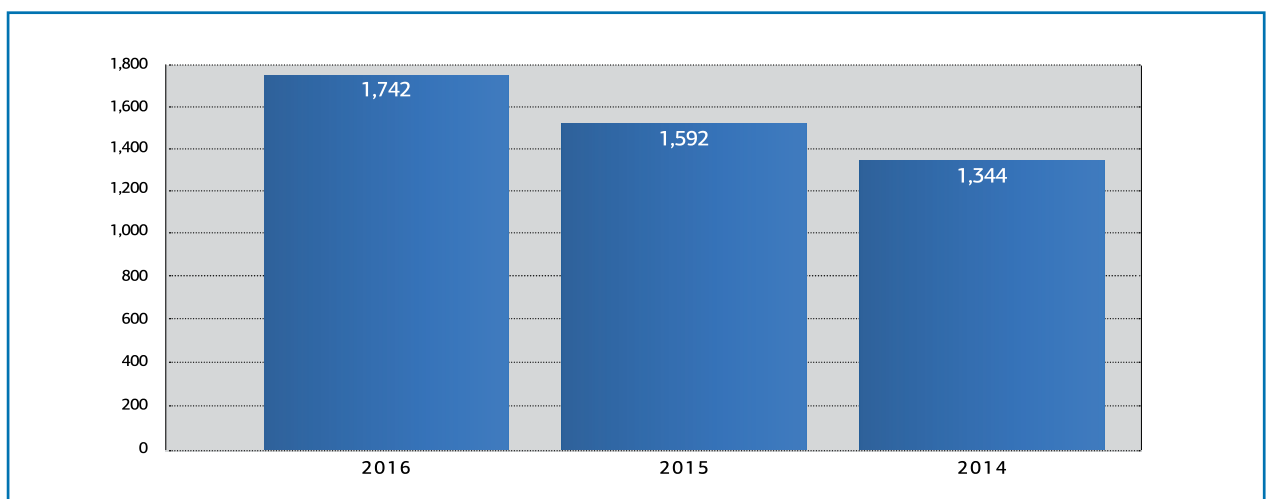
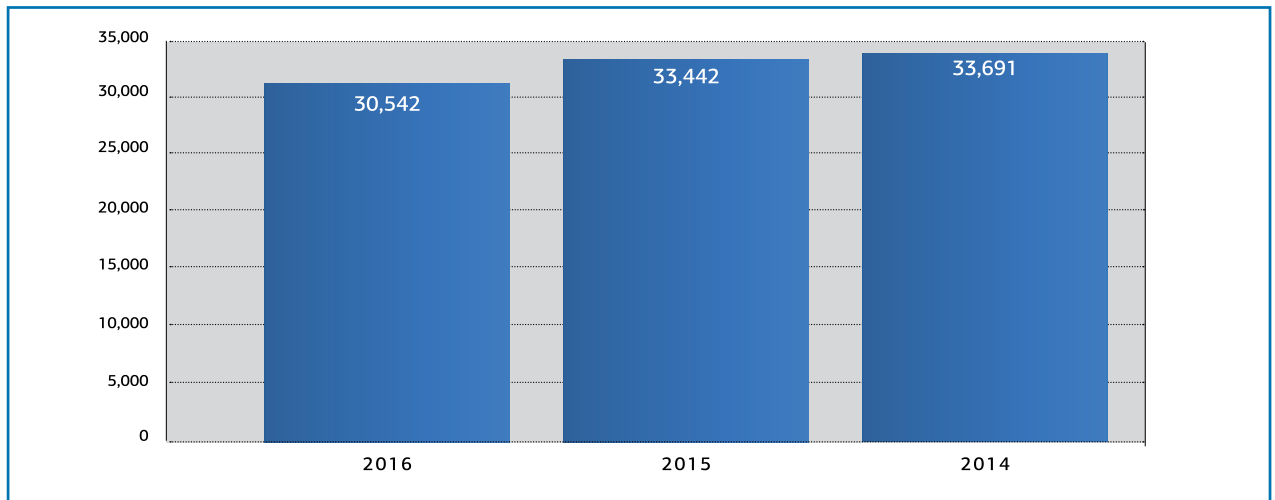


Chart 6: Number of ASP employees



According to data available to CySEC, the number of ASP clients in 2016 was 30,542, showing a small decrease compared to 33,442 in 2015.

Chart 7: ASP client number



3.2 MARKET TRENDS

In 2017 the Cyprus economy recorded growth of around 4%, which was the fifth highest in the EU. The Financial sector in general along with Tourism and Shipping played a key role in the growth of the Cyprus economy. The banking sector has managed to stabilize, but the challenges remain, and especially the need to reduce non-performing loans.

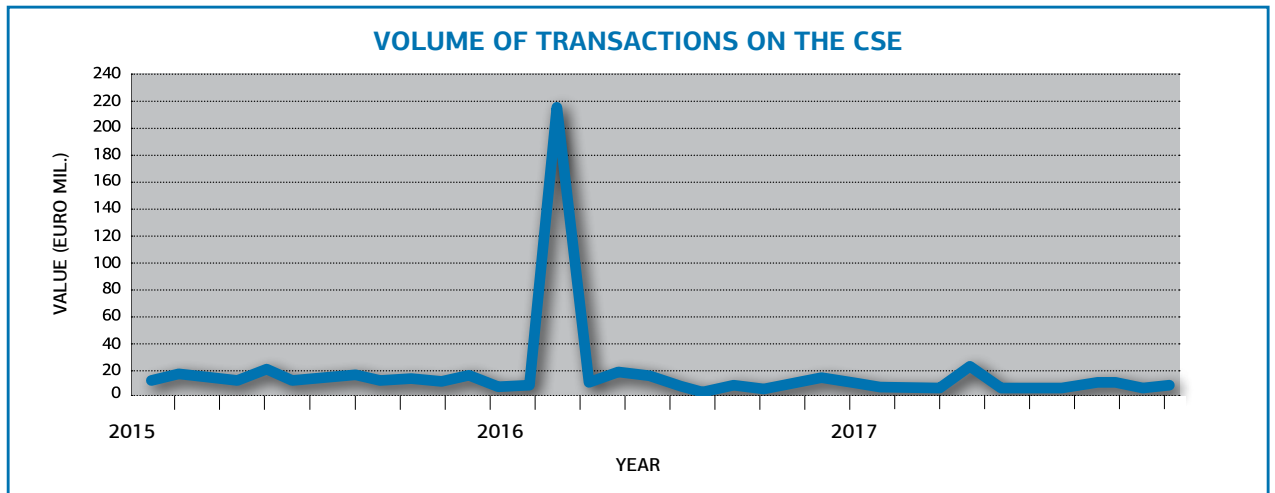
The prospects for the years 2018 and 2019 are very positive, with growth expectations exceeding 3% of GDP. According to the European Commission's spring forecast, GDP growth in Cyprus is anticipated to be at 3.6% in 2018 and 3.3% in 2019.

The European Commission predicts that employment in the years 2018 and 2019 will increase by 2.8% per year, while unemployment will decrease in 2018 to 9% and in 2019 to 7.1%. Concerning public finances, the European Commission predicts that the general government balance will reach 2% in 2018 and 2.2% in 2019, while the public debt will reach 105.7% in 2018 and it will decline to 99.5% in 2019. As reported in the European Commission's spring forecast, public debt fell below 100%, but after the support granted to the Cooperative Bank, it rose by 8%.

In 2017, the stock market in Cyprus moved in positive terms, with the total volume of CSE transactions falling, however, compared to the previous year. Specifically, the total volume of CSE transactions declined to €83.59 million in 2017 compared to €307.7 million, recording an annual decrease of 72.83%. However, it should be noted that the €307.7 million include an amount of €207.14 million relating to 8 treasury bills executed in March 2016, which accounted for 67.32% of the total volume of transactions of the CSE for the year.

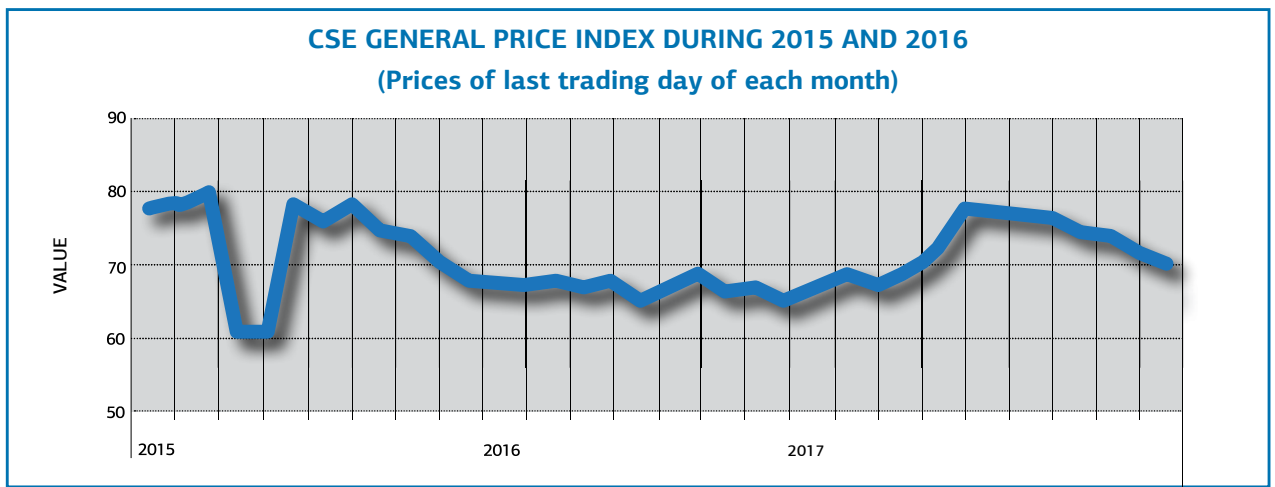
The average daily trading volume in 2017 fell to €334,366, compared with €1.24 million in the previous year. The chart below shows the monthly total volume of transactions in the CSE over the last three years (Chart 8).

Chart 8: Volume of Monthly Transactions on the CSE



The CSE General Price Index recorded a downward trend and closed at 69.50 units, recording an annual drop of 4.65%. Its highest point during the year was at 77.07 units on 5th May and the lowest was at 65.55 units on 10th February. (Chart 9).

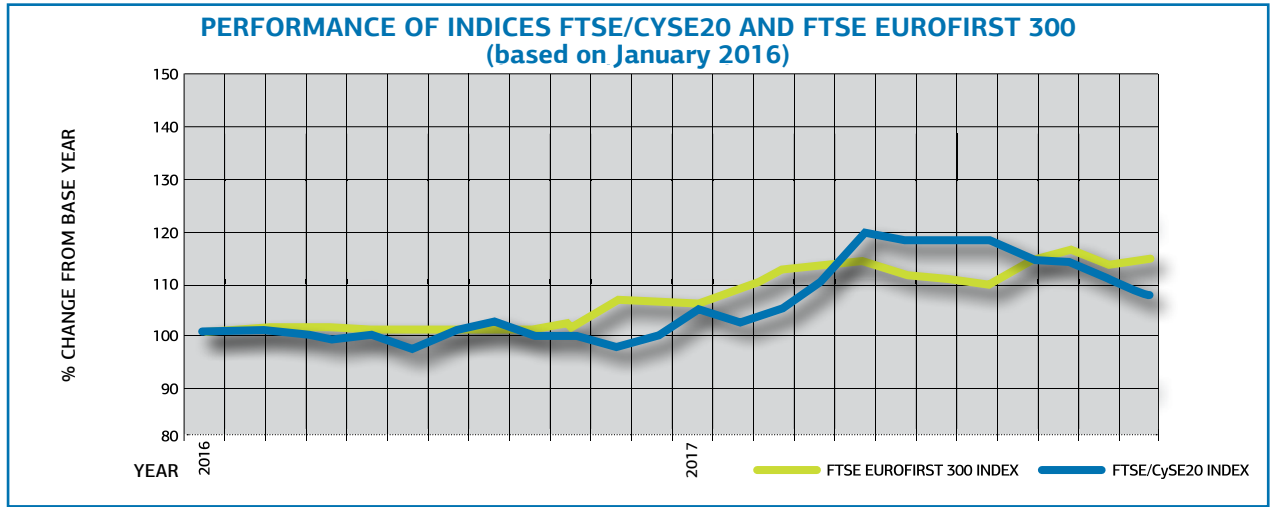
Chart 9: CSE General Price Index



At the end of the year, the Stock Market value was at €2.3 bln. The total capitalisation of all CSE markets in 2017 rose to €4 bln, compared to €3.99 bln at the end of the previous year, showing a marginal increase of 0.3%.

The FTSE/CySE20 index, which consists of a representative sample of 20 shares from the Cyprus stock market, showed an increase of 7.1% in one year. The fluctuation in the FTSE/ CySE20 index throughout the year was greater than that of the European index FTSE EuroFirst 300, which accounts for the performance of the 300 companies in Europe with the largest capitalisation. The FTSE EuroFirst 300 index recorded an increase of 7.8% between December 2016 and December 2017. The following chart (Chart 10) shows the percentage change of the two indices over the past two years.

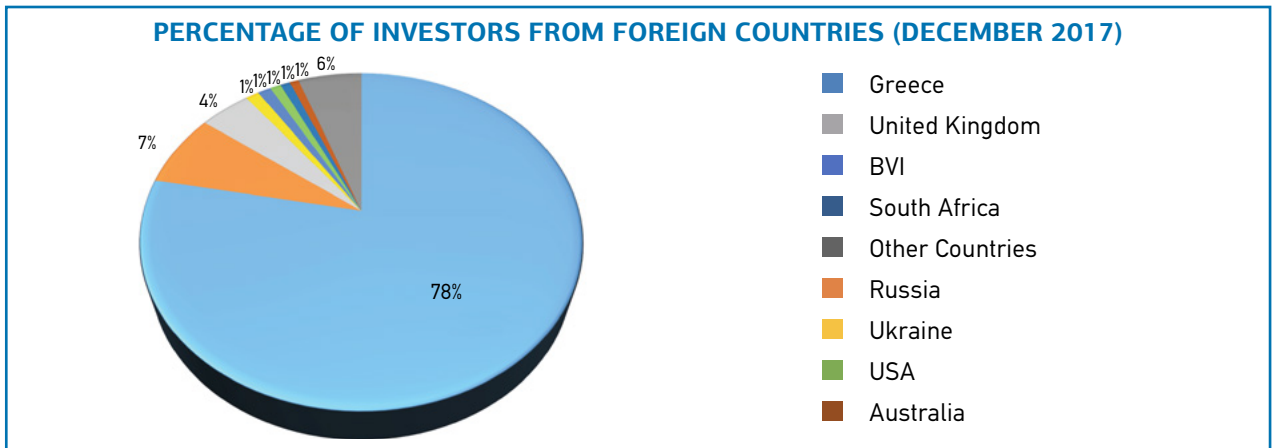
Chart 10: Performance of Indices FTSE/CYSE20 and FTSE EuroFirst 300



The number of transactions during 2017 in the CSE dropped to 26.796 in comparison to 32.468 of the previous year, showing a decrease of 17.5%.

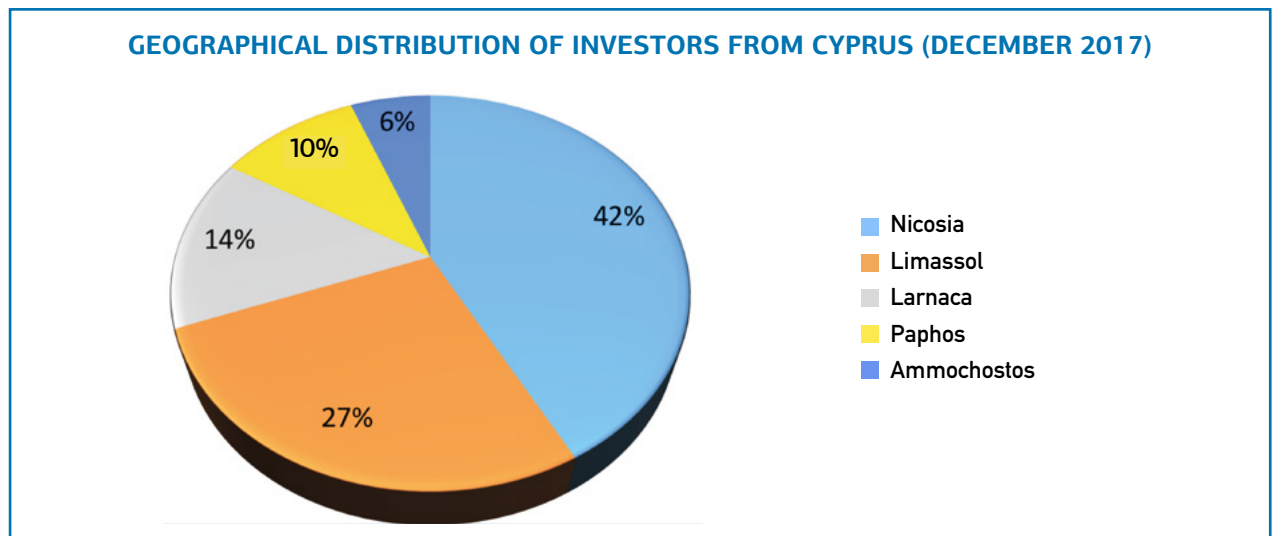
The participation of investors from foreign countries in the market capitalisation at the end of December 2017 was at 21.01% of the total share value, compared to 28.90% at the end of December 2016. Foreign investors came from various countries, such as Greece, Russia, the United Kingdom, Ukraine, USA, Australia, and South Africa (Chart 11).

Chart 11: Percentage of investors from foreign countries (December 2017)



In relation to investors from Cyprus, the overwhelming majority (42.10%) resided in Nicosia (Chart 12).

Chart 12: Geographical distribution of investors from Cyprus (December 2017)



3.3 IMPORTANT CHANGES AND PROJECTS

Regulatory Framework

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

MiFID II/MIFIR

In 2017, CySEC placed great emphasis on completing the preparation of the new regulatory framework governing investment services, known as MiFID II / MIFIR, as well as preparing a series of directives. Each Department of CySEC, on the basis of its competencies, has made appropriate arrangements since January 2017 to be ready for the implementation of the new framework.

In July 2017, the Law on Investment Services and Activities and Regulated Markets was voted by the House of Representatives, which was prepared and taken forward as part of the harmonisation with the MiFID II Directive (Directive 2014/65/EU), which entered into force on 3 January 2018. It is the most important European regulatory change, as it is transforming the financial sector.

The new regulatory framework includes additional requirements from the supervised entities with a view to ensuring greater transparency. In particular, with the implementation of MIFIR, Cyprus Investment Firms (CIFs) are now required to send additional information to CySEC on the transactions they conduct either directly or indirectly through authorized ARMs licensed by CySEC. For this purpose, in 2017, CySEC proceeded to modify the Transactions Reporting System and the databases that store the information to support the expanded information. Particularly, the new Investment Services Law extends the fields to be reported for each transaction from 23 to 65. The information is broadened in the reporting of transactions in financial instruments that are listed on Regulated Markets and in Multilateral Trading Facilities such as the Emerging Companies Market of the CSE, as well as the over-the-counter transactions of the CIFs. In addition, CySEC developed part of this system locally, collecting and processing all information transferred from ESMA systems and incorporating this information into TRS for the proper routing of financial instruments.

Due to the new regulatory framework, CySEC also issued a series of circulars for the supervised entities and notices on the main changes under MiFID II / MiFIR in the context of the licensing process for informing the public and supervised entities. Among other things, an important circular issued by CySEC was for the provision of investment and ancillary services and/or the pursuit of investment activities in third countries. CIFs should inform CySEC in writing of this intention, they should have previously secured any authorization required by the respective Competent Authorities in accordance with the legal framework of the third country concerned and should publish on their website information on the third countries in which they operate.

CySEC also proceeded to review all its forms in order to comply with the new requirements. Specifically, by 2017, CySEC has revised 20 forms, including the application for a CIF authorization or extension of authorization, the notification for cross-border services/activities in other EU member states and in third countries, as well as and the form for assessing the suitability of the members of the board of the Data Reporting Service Providers.

In addition, in 2017, in order to facilitate the supervised entities and other stakeholders, CySEC created dedicated e-mail addresses on matters related to licensing, supervision and technical issues for electronic systems in view of MIFID II. Questions in relation to new forms, new procedures, how to submit information to CySEC electronically, as well as questions about legislation and other relevant enquiries have been addressed to these dedicated email addresses.

European Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing

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

CySEC gives priority to upgrading the institutional framework by ensuring full compliance and harmonization at the EU level.

To this end, in the framework of cooperation with the respective supervisory authorities of Cyprus, CySEC participated in the ad-hoc transposition group specifically set up to study and adopt the 4th European AML Directive, as well as its incorporation into Cypriot law. The provisions of the 4th European AML Directive have been incorporated into a draft Law amending Law L.188(I)/2007, which is before the House of Representatives and is expected to be adopted by 2018.

Furthermore, in the context of harmonization with the above European Directive, CySEC has undertaken the creation, management and supervision of the Trust Registry, which is provided for in the 4th European AML Directive (Article 31). According to the European Directive, the ultimate objective of this Registry is, among other things, to improve transparency by ensuring that information on the beneficial ownership of trusts is stored in a central register.

It is noted that on 5 July 2016 the European Commission submitted a legislative proposal to amend Directive 2015/849. The purpose of this proposal is to take further measures to combat the financing of terrorism. Among other things, it includes extending the scope of Directive 2015/849 to cover digital exchange platforms and digital wallet custody providers as well as enhancing the powers of financial intelligence units and facilitating cooperation between them.

In examining this proposal to amend Directive 2015/849, CySEC was actively involved, both by submitting comments and by participating in the meetings of the Financial Services Working Group of the EU Council for the revision of this Directive. Early in 2018, it is expected that this proposal for amending Directive 2015/849 will be finalized and will be published in the Official Journal of the EU. These amendments are expected to be incorporated into the Cypriot Legislation within 18 months from their publication in the Official Journal of the EU.

Compliance of the supervised entities

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

CIF Continuous Supervision Group:

The CIF Continuous Supervision Team is responsible for the continuous monitoring of the compliance of high risk and moderate to high risk CIFs with their obligations as derived from the laws on the provision of investment services, the exercise of investment activities and the operation of regulated markets (MiFID II), OTC derivatives, Central Counterparties and Trade Repositories (EMIR), Securities Financing Transactions (SFTs), the Key Information Documents re Packaged Retail and Insurance-based Investment Products for Private Investors (PRIIPs), and strengthening Securities Settlement and Central Securities Depositories (CSDs).

Furthermore, the Continuous Supervision Team is responsible for monitoring the CSE's securities repository with its ongoing obligations.

Thematic Supervision of CIF, Markets and Products Group:

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

Prudential Supervision Group:

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

Continuous Supervision of Funds and Managers Group:

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

On the basis of the supervisory program established for 2017, the Supervision Department's Groups carried out checks on the compliance of the supervised by CySEC entities.

As a result, CySEC has imposed administrative sanctions on CIFs. It also suspended or revoked the authorization of a number of CIFs, in which significant problems or serious infringements were identified. In addition, CySEC has instructed these supervisors to take a series of corrective measures to improve their internal procedures, arrangements and practices, in order to fully comply with their legal obligations. More details on the checks and sanctions can be found in Chapter 4.2 Supervision and Market Surveillance.

Gravity was also given in the case of companies/persons who provided investment services illegally, i.e. without being authorized to be subject to the necessary supervision by CySEC. In cases where it is established that a company provides investment services in Cyprus or out of Cyprus without a CIF license, CySEC, following an investigation, issues an urgent warning to the investing public.

Regarding the Issuers of Securities Trading on a Regulated Market, in 2017, some improvement in their compliance with their periodic reporting obligations under the Transparency Requirements Law was observed. CySEC continued to monitor the compliance of the Issuers with their continued obligations under the Transparency Requirements Law and in particular their obligation to disclose the Annual Financial Report for the full financial year and the six-month Financial Report. It is recalled that with the amendment of the Transparency Law in April 2016, the obligation to publish the Indicative Results for the full financial year was abolished.

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

Further, the evaluation of the issuer's financial statements for compliance with International Financial Reporting Standards, on a sample basis, was continued.

CySEC issued a number of circulars and announcements to the Issuers drawing their attention to various issues identified or to be taken into account in order to comply with their ongoing obligations or when preparing their financial disclosures.

With the implementation of the Auditors Law of 2017 in June 2017, CySEC requested the Issuers to inform it of the composition of their Audit Committees in accordance with that Law for the purpose of establishing their compliance. The assessment of compliance of Issuers with Article 78 of the said Law with respect to the Audit Committees is ongoing.

During the year, CySEC examined and approved in five cases the decision of the CSE Board to continue the suspension of the trading of the securities of five Issuers and in three cases requested the suspension of the trading of the Issuers' securities where it was considered that the orderly functioning of the market was not guaranteed. Also, CySEC approved the decision of the CSE to delist the securities of five companies from the CSE (in most cases the delisting related to their non-compliance with their continuous obligations).

In 2017 CySEC also examined three Public Offer Documents for the acquisition of 100% of the securities of three Issuers and approved two of them, while the Third Document was withdrawn by the Offeror. In addition, it examined six requests for approval of Prospectuses for the public offering of new shares or their admission to a regulated market and approved three of them. One application was withdrawn, while the examination of the remaining two applications continued in 2018.

Document leak of Mossack Fonseca or 'Panama Papers'

Regarding Mossack Fonseca's leaked papers, which appeared on the internet, more commonly known as "Panama Papers", CySEC proceeded to issue two circulars in 2016. In particular, information has been collected from about 400 supervised entities, of which about 60 supervised entities reported that their customers had and/or have a business relationship with Mossack Fonseca and/or customers of theirs were included in Panama Papers. Of the approximately 60 supervised persons, additional information has been collected. In addition, CySEC has carried out a total of 6 onsite inspections (five in ASPs and 1 in CIF). As a result of the aforementioned onsite and desk-based inspections, CySEC decided to impose administrative sanctions on 2 cases (2 ASPs) and corrective measures to be taken by the two entities.

Risk Based Supervision Framework

Risk management is the process by which organizations approach methodically and systematically the risks associated with their activities. Effective risk management requires the existence of a framework that facilitates

and supports all risk management processes. The majority of supervisors in the major financial centres around the world, recognizing the need for coordinated supervision, based on the assessment of the risks they face in relation to their strategic objectives, have developed and implemented specific management systems of the risks.

CySEC, following the example of other supervisory authorities abroad, has decided to develop a framework to supervise licensed entities based on their risks. This Risk Based Supervision Framework (RBS-F) enables CySEC to determine how it supervises, taking into account and assessing the risks faced by each supervised entity on its merits in order to intensify the oversight of entities with the most significant risks.

The benefits resulting from the implementation of the RBS-F framework in CySEC are important, both for the supervised entities and for itself. The RBS-F framework contributes to:

- (i) Making better decisions based on risk management;
- (ii) Taking direct and comparable/uniform supervisory measures where necessary;
- (iii) To carry out oversight work on a priority basis;
- (iv) Strengthening the capacity of CySEC to take effective supervisory measures;
- (v) Increasing the capacity, efficiency and transparency of supervision, focusing on entities with higher risks;
- (vi) More efficient allocation of CySEC resources;
- (vii) The adoption of a solid and consistent risk assessment for all supervised entities;
- (viii) To adopt a supervisory framework that is comparable to that applied by other supervisory authorities abroad, both in the EU and worldwide;
- (ix) To better understand both the work and the risks of supervised entities;
- (x) Encouraging regular and open communication between the supervised entities and CySEC; and
- (xi) Developing the culture of the supervised entities to comply with the new supervisory framework and encouraging them to adapt their own internal risk management systems.

Now all supervised entities are placed under the Risk Based Supervision Framework and a supervision program is being prepared based on their risk profile.

Investor Compensation Fund

In 2017, the Policy Department's officers dealt with the issue of a discussion paper to review the way the Investor Compensation Fund ("ICF") works, collect and record the responses received and the subsequent actions required. For the creation of the proposed revision, which was issued for consultation, a comparative study has been carried out on the way in which investor compensation funds operate in the rest of the EU, in order to take account of best practices.

Further, the Policy Department officers were the coordinators for collecting and submitting the relevant data to the advisory body responsible for conducting a study on the revision of the annual contribution to the ICF and on the delimitation of the special contribution.

The Policy Department also contributed by providing expertise in structuring CySEC's position on supervisory policy or policy in general, which was subsequently submitted to the relevant European fora or notified to market participants. It further undertook clarification of the ambiguities arising from the European regulatory framework by communicating with the European institutions.

In 2017, a discussion paper on strengthening the sound administration of CIFs was prepared, which is expected to be issued by 2018.

Other developments

During 2017, 1774 (2016: 1050) persons took the certification exams. Also, 26 seminars were organized by CySEC in Nicosia and Limassol with about 800 participants for their continuous professional training. More details on the new framework are given in section 4.2.7 titled "Improving Compliance of Supervised Bodies" and 4.2.8 of this Report, titled "Register of Certified Persons, Continuing Professional Training and Examinations". At the end of the year, 2539 (2016: 2047) people were enrolled in the CySEC's public register.

Based on the certification framework for persons who are or would be willing to be employed in a position related to the provision of investment services, persons who have passed the CySEC Certification Examinations and are included in the Register of Certified Persons must complete specific training sessions each year.

3.4 MOST IMPORTANT GOALS FOR 2018

The most important goals set by CySEC to be implemented by the end of 2018 are mainly to further strengthen market surveillance, complete the investigations re the banking sector and promote legislation that will encourage the growth and progress of the market, in line with the legislative developments at the European level.

Department of Strategy, International Relations and Communications

The Department of Strategy, International Relations and Communications will continue to play its role in the strategic planning of CySEC, its internal and external communications and the promotion of its work, its international relations, the promotion of public education in matters relating to the securities markets and the support of the CySEC Chair and Vice-Chair on the above matters. Among other things, an important goal within the Department's responsibilities is the advancement of CySEC's proposal to the Ministry of Education to introduce a common core course on financial literacy as a measure to address the issue of financial illiteracy in Cyprus, as well as to promote CySEC's proposal to the President of the Republic for the creation of an independent Agency for the study of economic illiteracy in Cyprus and the elaboration of a national policy to address it.

Supervision Department

The plans of the Supervision Department in relation to the supervision of CIFs include the following:

- Monitoring compliance with the obligations arising from the new Law 87(I)/2017, which entered into force on 3 January 2018 (MiFID II alignment), and in particular providing advice/guidance to CIFs to ensure proper and full compliance with the new requirements. Emphasis will be placed primarily on the requirements:
 - product governance requirements,
 - appropriateness and suitability requirements,
 - inducements and remunerations requirements,
 - best execution requirements,
 - information addressed to clients requirements, including marketing communications,
 - transaction reporting and transparency requirements,
 - governance requirements,
- Monitoring compliance with the PRIIPs KID requirements.
- Monitoring compliance with the EMIR requirements.

- Monitoring their compliance with capital adequacy requirements. Emphasis will be given to clients' funds requirements, risk management requirements, Pillar I and II requirements and Pillar III requirements.
- Upgrading the regulatory and supervisory framework governing the operation of CIFs and, in particular, preparing a draft law on capital requirements and instructions and circulars related to the regulatory requirements governing the operation of CIFs.
- Active participation in committees, in and outside Cyprus, where the regulatory framework governing CIFs is defined.
- Automation/Improvement of departmental operations/procedures for more effective supervision.

Regarding the planning of the Supervision Department in relation to the supervision of the Collective Investment Fund Managers, the following are included:

- Monitoring their compliance with their statutory obligations, with particular emphasis on organizational requirements, conflicts of interest requirements, and assets under management requirements/calculations.
- Issuing of guidelines to help the supervised entities to comply with their statutory obligations, including the preparation of a Directive on Capital Requirements.
- Active participation in committees, within and outside Cyprus, where the regulatory framework governing these supervised entities is defined.
- Automate departmental operations/procedures for more effective supervision.

AML Department

In 2018 the AML Department will proceed with the implementation of the "Trust Registry" project, which is provided for in the 4th European Directive (EU) 2015/849 on combating money laundering and terrorist financing. The project includes the creation, management and supervision of this Registry.

It will also proceed with the amendment of the CySEC Directive on the Prevention of Money Laundering and Terrorist Financing, for the purpose of the harmonization with the 4th European AML Directive and will issue various circulars in order to explain and define proper implementation by the supervised entities.

The AML Department will also proceed with the implementation of the RBS-F Annual Audit Program (onsite and desk-based), prepare for CySEC's assessment by the Evaluation Committee of the Council of Europe tasked to assess the AML measures taken, known as MoneyVal. Appropriate planning will also be made for the purposes of applying and implementing the Action Plans included in the National Risk Assessment (NRA) Report in relation to the securities sector and the ASPs sector.

Issuers Department

In 2018, the Issuers Department will focus on the modernization of the legislative framework through the identification of points in the legislation that need to be amended and study of the new Regulation of the European Parliament and the Council re the prospectus, published in June 2017, in relation to the discretionary powers provided for in the Regulation for their incorporation in the Cyprus Legislation (e.g. the public offer threshold for exemption from prospectus etc), in cooperation with the Legal Department. It also aims to provide publishers with more frequent information on issues identified by monitoring their compliance with their ongoing obligations or arising from ESMA committees by issuing circulars and notices as well as stepping up audits and compliance monitoring issuers with their continuing obligations as well as their financial statements in accordance with International Financial Reporting Standards.

It also aims to provide Issuers with more frequent information on issues identified by monitoring their compliance with their ongoing obligations or those arising from ESMA committees, by issuing circulars and announcements as well as stepping up audits and compliance monitoring of Issuers with their continuing obligations as well as their financial statements in accordance with International Financial Reporting Standards.

Policy Department

In the Policy Departments strategic planning for 2018, the following are included:

- The creation of a rulebook, the establishment of procedures and defining of requirements for supervised entities. In 2018, priority will be given to Cypriot Investment Firms ("CIFs"). As this project is ambitious and its completion will take a considerable amount of time, the rulebook will be issued one chapter at a time, with the first chapter dealing with client money.
- The issue of a discussion paper on the establishment of procedures to strengthen the CIFs' proper administration and compliance and the subsequent incorporation of the relevant procedures into the existing regulatory framework.
- The completion of the revision of the way the ICF operates.
- The study of the European Parliament's proposal for the revision of the European regulatory framework governing the functioning of the European Supervisory Authorities, as well as the submission of comments and the representation of the Republic at the meetings of the Working Party on Financial Services at the European Council. The proposed revision includes, inter alia, amendments:
 - to the Regulation (EU) 1095/2010 on the establishment of a European Supervisory Authority (European Securities and Markets Authority), Regulation (EU) 345/2013 on European venture capital funds,
 - to the Regulation (EU) 346/2013 on European Social Entrepreneurship Funds,
 - to the Regulation (EU) on the markets for financial instruments, Regulation (EU) 2015/760 on European long-term investment funds,
 - to the Regulation (EU) 2016/1011 on indices used as benchmarks for financial instruments and financial contracts or to measure the performance of investment funds (Benchmark Regulation); and
 - to the Regulation 2017/1129 on the prospectus to be published when securities are offered to the public or when securities are admitted to trading on a regulated market (Prospectus Regulation).
- The study of ESMA guidelines and the submission of suggestions to the CySEC Board in relation to their adoption.
- Monitoring of innovative services and products and submitting proposals to the Board for possible CySEC intervention where deemed necessary. In this context, if it is possible to dedicate appropriate resources, an Innovation Hub will be created to provide guidance to supervised and non-supervised entities, in relation to the implementation of the supervisory framework to innovative products or services.
- Clarifying any practical uncertainties arising from the European regulatory framework.
- In co-operation with other relevant CySEC departments, a framework for the regulation of web-based crowdfunding will be considered.

Legal Department

Within 2018, the draft amendment to the UCITS Law to introduce arrangements for listed UCITS and listed UCITS units and the draft law on AIFM managers below the limits of the AIFM Law are expected to be completed. Also,

a series of Directives will be prepared in relation to the new legislation for collective investment funds. Directive (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market will be incorporated into the Cyprus legislation and Directive 2003/71/EC will be repealed.

Risk Management and Statistics Department

The Risk Management and Statistics Department, within 2018, plans, inter alia, to modify and further develop the existing Risk Based Supervision Framework (RBS-F), to modify and extend existing Calibration tools and apply a Calibration Process for RBS-F, to study for the development and implementation of a framework for Enterprise Risk Management Framework (ERM) and the publication of a series of statistical bulletins on an annual or quarterly basis with the main market statistics/indices.

Authorisations Department

The objective for 2018 is to establish a procedure for Registered Alternative Investment Funds by voting on amendments to the AIF Law.

IT and Operations Department

A new system of transaction reporting to CySEC is expected to be in place by 2018 from those who hold managerial positions and duties in Issuers, as well as from persons closely related to them. The disclosures include transactions carried out on own account in shares, debt securities, derivatives or other linked financial instruments of the particular Issuer.

Market Surveillance and Investigations Department

In 2018, three more cases are expected to be completed re the banking sector. With these three cases, CySEC investigations of the banking crisis and the bail-in period will be completed.

Finance, Human Resources and Education Department

The substantial personnel growth, changes in the structure of the Organization and changes in the market made it necessary to change CySEC's pricing policy. The Finance, Human Resources and Education Department in co-operation with other CySEC departments has completed the study on the change in CySEC's pricing policy for CIFs, which was approved. A new pricing policy is to be fully implemented in 2018.

Press Conference

In March 2018, during a press conference, the CySEC Chairman presented the developments in the field and the work done during 2017, as well as the priorities set for 2018 on the basis of CySEC's strategic planning.



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The main operations of CySEC, among others, include the following:

- The monitoring of the compliance of Issuers with listed securities on CSE or on other regulated markets whose home member-state is the Republic of Cyprus, with their continuous obligations in general and specifically with those that relate with disclosure of financial information (e.g. the publication of annual and semi-annual financial reports, indicative results etc), the timely and complete publication of substantial information, issues that arise from the Securities and Stock Exchange Laws, corporate governance issues etc;
- The approval of prospectuses for public offer of transferable securities or admission to trading on a regulated market and the monitoring of the application of the Public Offer and Prospectus Law;
- The supervision of public takeover bids and the monitoring of the application of the Takeover Bids Law of 2007;
- The examination of applications for authorisation of CIFs or Ifs of third countries for the establishment of a branch in the Republic and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of regulated markets and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of applications for authorisation of CRAs and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The exercise of the competencies of CySEC derived by the Law for the Prevention and Suppression of Money Laundering;
- The examination of applications for the authorisation of UCITS, UCITS Management Companies, or UCITS management companies from third countries and the monitoring of their compliance with the provisions of the legislation that governs their operation;
- The examination of notifications for the cross-border provision of services and the establishment of a branch by UCITS management companies established in other EU member-states in the Republic;
- The examination of notifications and applications for the marketing of foreign UCITS through Representatives in the Republic and the supervision and application of the Open-Ended Undertakings in Collective Investments in Transferable Securities (UCITS) and Related Issues Law;
- The conduct of investigations in relation to cases concerning, inter alia, CIFs or companies that have securities listed in CSE/a regulated market;
- The monitoring of the stock market and the transactions; The supervision and application of the Insider Dealing and Market Abuse Law;
- Issues regarding the review or and reform of the legislation that governs the securities market and the conduct of research for the preparation and submission of laws;
- The conduct of research, preparation and issue of Directives pursuant to the applicable Law of CySEC and the securities market in general;
- Administrative issues that relate to the functioning of CySEC;
- The conduct of research in relation to issues that concern CySEC and the securities market in general;
- Investor education on matters relating to the securities market;
- The participation in committees and technical committees at national and European level that relate with the CySEC's competencies.

4.1 AUTHORISATION AND APPROVAL

4.1.1 Applications

The applications submitted to CySEC during 2017 for examination are summarised in the following table (Table 8):

Table 8: Applications submitted to CySEC in 2017

Submitted Applications	2017	2016
CIF Authorisation	31	66
CIF Authorisation Extension	96	69
Free provision of cross-border services by CIF	90	61
Establishment of CIF branch	7	9
Tied agent registration	29	10
CIF Representation Offices	8	0
Termination of CIF authorisation	15	16
CRA Registration	0	0
ASP	12	13
Authorisation of Cypriot UCITS Management Company	0	2
Cypriot UCITS License	1	6
AIFMD	6	11
AIF and LNPAIF License	53 (15 AIF, 38 LNPAIF)	37 total (8 AIF, 29 LNPAIF)

4.1.1.1 Applications for CIF authorisation

During 2017 CySEC received 31 new applications for a CIF Authorisation (2016 – 66 new applications). CySEC granted 37 CIF licenses (2016 – 29 licenses). Also, 20 CIF license applications were terminated, of which 8 were rejected by CySEC and 12 were withdrawn by the applicants.

4.1.1.2 Applications for CIF authorisation extension

During 2017 CySEC examined 96 applications for the extension of CIF operating licenses for the provision of additional investment and/or related services and/or financial instruments (2016 – 69 applications).

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

During 2017 CySEC examined 90 applications by CIFs for the free provision of services in other EU Member States and/or third countries (2016 – 61 applications) and 7 applications by CIFs for the establishment of a branch in another EU Member State (2016 – 9 applications). Furthermore, CySEC received 482 notifications from IFs in other EU Member States for the free provision of services in the Republic. In 2017, CySEC received 1 notification for the establishment of a branch in the Republic by an IF from another EU Member State (2016 – 0).

4.1.1.4 Applications for CIF and IF tied agent registration

During 2017 CySEC examined 6 applications for the registration of a tied agent in the public registry, that were established in the Republic and were acting on behalf of CIFs (3 applications) and IFs (3 applications)

(2016 – 4). Also, CySEC cooperated with the relevant supervisory authorities in other EU Member States for the evaluation of 26 applications for tied agents established in those Member States and acting on the behalf of CIFs (2016 – 6).

4.1.1.5 Applications/notifications for CIF Representation Offices

In 2017 CySEC examined 8 applications for CIF Representation Offices in other EU member-states (2016-0).

4.1.1.6 Applications/notifications for other CIF data changes

In 2017, CySEC examined a considerable number of applications for the approval of changes concerning primarily alterations to the organisational chart, the organisational structure, the internal operations manual, the activities, and the CIF operational model. In the case that the above changes were deemed by CySEC as non-compliant with the relevant legislation, their implementation was not allowed.

4.1.1.7 Applications for the withdrawal of CIF authorisation

During 2017 the license of 13 CIFs was withdrawn (2016 – 12) due to voluntary renouncement and 2 were revoked by CySEC.

4.1.1.8 Applications for the registration of CRAs

During 2017 no application was received for the registration of CRAs, just as in 2016, due to the fact that this competency has been transferred to ESMA, according to European Regulation 513/2011 of 11th May 2011.

4.1.1.9 Applications for the registration of ASPs

During 2017 CySEC received 12 new applications for the registration of ASPs. CySEC granted an operating license to 14 Administrative Service Providers.

4.1.1.10 Applications for Cypriot UCITS Management Companies

In 2017 no new applications for licensing of Cypriot UCITS Management Companies were submitted to CySEC. CySEC granted two new licenses.

4.1.1.11 Applications for Cypriot UCITS

In 2017 CySEC received 1 applications for a UCITS operating license. Two such licenses were granted during the year.

4.1.1.12 Applications for AIFMs

During 2017 CySEC received 6 new applications for Alternative Investment Fund Managers. CySEC granted 5 licenses.

4.1.1.13 Applications for AIFs and LNPAIFs

In 2017 CySEC received 53 applications for AIFs and LNPAIFs. CySEC licensed 6 new applicants for AIFs and 29 new applicants for LNPAIFs.

4.1.2 Prospectuses and other applications related to Public Takeover Bids

4.1.2.1 Applications for the approval of Prospectuses for a public takeover or introduction of securities on a regulated market

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

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

In 2017 6 applications for the approval of a Prospectus for public offer and/or listing of securities on a regulated market (2016 – 5) were submitted to CySEC within the context of the Public Offer and Prospectus Law. CySEC examined these applications and approved 3 of the prospectuses (2016 – 5 approvals). The examination of another prospectus application was not completed because the application was withdrawn by the applicant, while the examination of the other two application continued in 2018.

During the year, CySEC did not receive any applications for the approval of a Supplementary Prospectus, within the context of the Law, whereas in 2016 CySEC received 2 applications, which were examined and the relevant Supplementary Prospectuses were approved in January 2017. (2015 – 1 approval).

One of the above-mentioned approved Supplementary Prospectuses (2016 – 2) were notified to the competent Authorities of an EU host Member State, in the regulated market of which the public offering of the securities in question would take place, following a request by the Issuer.

4.1.2.2 Transfer of competency for Prospectus approval

In 2017 CySEC also received 4 requests by Issuers (2016 – 3) for the transfer of competency for Prospectus approval to the competent Authority of another member-state, where the home member-state, according to the Public Offer and Prospectus Law, was the Republic of Cyprus. CySEC examined the requests and decided, pursuant to Article 26(8) of the Public Offering and Prospectus Law, to transfer the competency for approving the (2016 – 3) Prospectuses of these Issuers to the competent supervisory Authority of the other EU member-state on the basis of the request, given that each competent supervisory Authority had given its consent to the transfer.

Within the year, no request from another supervisory Authority for the transfer of the power to approve the Prospectus of an Issuer to CySEC, the home Member State of which was not the Republic of Cyprus, was submitted.

4.1.2.3 Public Takeover Bid Documents

In accordance with the Public Takeover Bids Law for the acquisition of securities of companies and other related issues, CySEC is the competent authority for the supervision of the Public Takeover Bid in case the company under acquisition has its registered office in the Republic and its securities are listed and traded on a regulated market in the Republic. Furthermore, CySEC is the competent Authority on Public Takeover Bids for securities that are not listed and traded in a regulated market in the member-state where the company has its registered office, where certain provisions defined in the Law apply. The relevant Law harmonizes

the European Directive 2004/25/EU in relation to public takeover bids and the scope of its application derives from the relevant Directive.

The Public Takeover Bid documents are assessed as to their compliance with the general principles governing every public offer and the conditions as defined in the Public Take Over Bids Law, and the assessment of the completeness of the provided information within the context of the relevant Law and CySEC Directive DI41-2007-03 in relation to the content of the Public Takeover Bid Document.

In 2017 3 Public Offer Documents (2016 - 1 Document) was submitted to CySEC following a notice by the Offeror for a voluntary or compulsory public bid to acquire 100% of the titles of an Issuer with securities listed in the CSE.

CySEC examined these Documents and decided to approve and allow publication for two of them (2016 – 1 approval). The third Public Offer Document was withdrawn by the Offeror after having received the approval of CySEC to withdraw the announcement for a public offer.

In 2016 and 2015 no Revised Public Offer Documents were submitted to CySEC.

In 2017, CySEC also provided significant assistance to a supervisory authority in another member-state in connection with a public takeover bid for a Cypriot company whose securities were admitted to trading on a regulated market in that member-state in relation to issues concerning the Cyprus legislation and related to the responsibilities of CySEC. In 2016 there was no corresponding request.

4.1.2.4 Prospectus equivalent Documents

During 2017 and 2016 no Prospectus Equivalent Documents were submitted to CySEC for granting an exemption as provided by the Public Takeover Bids and Prospectus Law.

4.1.2.5 Exemptions from the obligation to conduct a Public Takeover Bid

In 2017, 13 (2016 – 11) applications were submitted to CySEC for granting an exemption from the obligation to conduct a Public Takeover Bid. CySEC examined the relevant applications and issued a decision (of approval or rejection) for 10 of them, while 1 application was withdrawn by the applicant.

CySEC also examined 1 application from an Issuer (2016 – 2 applications) for the extension of the deadline granted in order to comply with the terms set by CySEC during the provision of an exemption from the obligation to present a public takeover bid offer to the shareholders. CySEC approved the aforementioned application (2016 – 2 approvals).

4.1.2.6 Applications to exercise squeeze-out right

In 2017 CySEC received 1 application (2016 – 1) for the exercise of a squeeze-out in an acquisition of the securities of a company which were not acquired in the Public Takeover Bid phase. CySEC examined and approved the application

4.1.3 Decisions related to the smooth operation of the Stock Market

4.1.3.1 Delisting/suspension of trading

In 2017, CySEC examined and approved 5 requests of the CSE Board (2016 – 6 approvals) for the approval of its decision for delisting from CSE's regulated markets of the securities of Issuers. Four of these cases

concerned delisting because of not adherence to the prerequisites for the smooth operation of the stock market and one case concerned the absence of adequate share capital distribution by the Issuer, following a public Takeover Bid.

CySEC also examined four requests (2016 – 4) by the CSE Board for the approval of its decision for the delisting from the CSE's non-regulated market ("Emerging Companies Market") of securities by the equivalent number of Issuers. CySEC approved the CSE's Board decisions due to the not adherence to the prerequisites for the smooth operation of the stock market in terms of the specific Issuers.

Within the year, CySEC also approved in the case of five Issuers (2016 – 1 Issuer) the decision by the CSE Board for the continued suspension of trading for the securities of those Issuers in CSE regulated markets. Furthermore, for three additional Issuers (2016 – 2), CySEC, after taking into account the fact that the CSE did not have the authority to continue the suspension of trading for the securities of those companies, decided on the basis of the power granted to it by article 127(2) of the Investment Services and Activities and Regulated Markets Law, to request from the CSE Council to suspend the trading of the securities of the relevant Issuers until they comply with their continuous obligations or until a specific date determined by CySEC. In 2017 CySEC also approved the decision by the CSE Board for the continuation of the suspension of the trading of the securities of ten Issuers (2016 – 9) on the Emerging Companies Market (non-regulated).

4.2 SUPERVISION AND MARKET SURVEILLANCE

4.2.1 Monitoring of CIF and ASP Compliance

CySEC monitored the compliance of CIFs and ASPs with their continuing legal obligations either by conducting on-site inspections at the CIF's offices or by examining documents that must be submitted, pursuant to the legislative framework, to CySEC.

4.2.1.1 Conduct of supervision by the Supervision Department

In 2017, the Supervision Department's teams conducted a series of inspections on CIFs to verify compliance with their legal obligations.

The team for the ongoing supervision of CIFs conducted onsite inspections of 13 high and moderate high-risk CIFs to examine their compliance with their regulatory obligations. Emphasis was placed on obligations related to organizational requirements, governance arrangements and CIF's professional behaviour towards their clients (e.g. information addressed to clients, advertising announcements, suitability test/appropriateness test of service/product evaluation, best execution of orders). The team for the ongoing supervision of CIFs also carried out desk-based inspections on various documents to a significant number of CIFs. In particular, the team evaluated the information addressed by CIFs to the investing public (advertising announcements) to ensure that they are fair, clear and not misleading, checked the adequacy of the compliance officer's and internal audit reports, handled a substantial number of complaints concerning CIFs received from supervisors outside the Republic, and prepared circulars and audit programs and other policy documents. Also, the team monitored the wind down process of CIFs whose licenses have been revoked and the changes in the regulatory framework of the CIFs and the CSE Securities Depository and it contributed in their preparation.

The Team for Thematic Supervision of CIFs, Markets and Products carried out onsite inspections of 11 CIFs to examine their compliance with the following requirements, which were considered to pose a risk to the market at large:

- appropriateness test of the products offered to customers.
- provision of leverage to customers.
- negative balance protection.
- withdrawal of client money.
- organizational requirements and requirements re the provision of services to clients.

The Prudential Supervision Team carried out onsite inspections of 12 CIFs in order to examine their compliance with their legal obligations in terms of prudential supervision, risk management and safeguarding of client assets. It also carried out desk-based checks on various documents for a substantial number of CIFs. In particular, it examined the audited financial statements, the risk management reports, the reports on the appropriateness of the arrangements made by the CIFs in relation to their clients' assets, the reports regarding the fair presentation of the CIF publications in relation to their capital adequacy, and capital adequacy statements and large exposures submitted to CySEC on a quarterly basis. In addition, it reviewed the data on client money submitted to CySEC on a quarterly basis, the need to take necessary measures at an early stage for prudential purposes, and the internal capital adequacy assessment reports. The Prudential Supervision Team also regularly collects and submits data on CIFs to the Central Bank of Cyprus for the purpose of exercising its competences being the designated Macro-Prudential Authority as well as the Resolution Authority of the Republic of Cyprus and cooperates with the Central Bank of Cyprus on matters relating to CIFs. In addition, it provides support to upgrade the capital adequacy database, prepares circulars, audit programs and other policy documents, and monitors changes in the CIF's prudential framework, and contributed in their preparation.

4.2.1.2 Conduct of supervision by the AML Department

The AML Department has conducted a total of 20 onsite inspections to assess the adequacy and suitability of the relevant measures and procedures applied by supervised entities to prevent money laundering and terrorist financing, as follows:

- 14 onsite inspections to CIFs
- 6 onsite inspections to ASPs

Also, in 2017, the AML Department carried out:

- Review of annual reports by Compliance Officers in relation to the prevention of money laundering, including the relevant practices by the board, submitted by CIFs and ASPs. The reports concern mostly the policy, practices, measures and processes, and the mechanisms implemented for the prevention of money laundering and terrorism financing.
- Collection and evaluation of specific information from CIFs concerning matters of compliance with their continued obligations in line with the Law L.188(I)/2007 and the relevant CySEC Directive;
- Inspection on the data/information collected in CIF and ASP monthly preventive reports on significant transactions in cash;
- Review and analysis of information submitted by all CIFs and ASPs on the basis of the Risk-Based Supervision Framework (RBSF).
- Collection and evaluation of data collected from the onsite and desk-based inspections to supervised entities which have states that they have clients that either currently have or previously had business relationship with Mossack Fonseca and/or a person included in Panama Papers.

4.2.2 Compliance monitoring of UCITS managers/AIFMs

In 2017, the Supervision Department's Team for the ongoing supervision of Funds and Fund Managers carried out onsite inspections on 3 Collective Investment Managers to determine their compliance with organizational requirements, conflicts of interest requirements and asset management. Also, it performed desk-based inspections on reports submitted to CySEC from the AIFM under Article 110(1) of EU Regulation No. 231/2013 and on the reports of the compliance officer, internal control and risk management. It also monitors changes in the regulatory framework and contributes to their determination. In cases where CySEC found non-compliance of the AIFM with their legal obligations, CySEC granted a deadline for compliance and requested corrective measures to be taken.

4.2.3 Sanctions

In cases where CySEC established the non-compliance of supervised entities with their continuous obligations according to the Law, it decided to take supervisory action, weighing the severity of the violations. Details on the sanctions in Annex A.

Also, as a result of the onsite and desk-based inspections of the AML Department in cases where non-compliance was found or weaknesses and/or omissions were identified which are inconsistent with the provisions of Law L.188(I)/2007 and of the relevant CySEC Directive, CySEC has decided to:

- Impose an administrative fine to 2 ASPs.
- Request to a number of CIFs and ASPs to take a series of measures for the purpose of correcting their internal procedures, arrangements and practices, in order to fully comply with their legal obligations. CIFs and ASPs have to take appropriate action within the deadline set by CySEC and at the end of which CySEC will reassess their compliance.

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

4.2.4.1 Monitoring the implementation of the Public Offer and Prospectus Law

During 2017, Officers of the Issuers Department continued their monitoring of announcements by Issuers concerning the issue/offer of securities or the introduction of securities in an organised market, in order to determine their compliance with the Public Offer and Prospectus Law in respect of their obligation to issue a Supplementary Prospectus or whether they were exempted from the Law.

Furthermore, the Issuers Department continued to monitor the notifications of approved prospectuses from the competent Authorities of other Member States, which concern, mainly, public offers of transferable securities in the Republic, of Issuers established in EU Member States other than Cyprus. The relevant notifications were posted on CySEC's website. During 2017, 8 Prospectuses (2016 – 16) have been notified to CySEC by the competent Authorities of other Member States, and 22 Supplementary Prospectuses (2016 - 22).

In those cases, where, in the course of the examination of applications for approval of Prospectuses or of the relevant announcements, matters which might constitute violations of the current legislation governing the securities market emerged, those have been referred to the Market Surveillance and Investigations Department to be investigated.

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

Officers of the Issuers Department continued to monitor on a continuous basis the announcements/

publications in order to ascertain the compliance of the parties involved with the Public Takeover Bids Law.

In 2017, the Issuers Department investigate 1 case concerning a possible violation of article 13(1) of the Public Offering Law (L.41(I)/2007 as amended) (2016: 0 cases). The examination of said case was completed in 2018 and CySEC decided that there had been an infringement by the acquirer of article 13(1) of Law L.41(I)/2007 because the Issuer did not comply with the essential time, with the obligation to carry out a mandatory Public Proposal to the shareholders of the company for the acquisition of 100% of its share capital.

In relation to this infringement, CySEC decided not to impose an administrative fine on the acquirer but to draw its attention to the provisions of Law L.41(I)/2007 concerning the obligation to make a public offer, taking into account, among others, the fact that the acquirer at later stage did make a public offer for the acquisition of 100% of the share capital of the aforementioned company.

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

CySEC is the competent Authority for the supervision and ensuring the proper implementation of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, as applicable, which sets the Transparency Requirements for the disclosure of information of an Issuer whose transferable securities are admitted for trading on a regulated market. The relevant Law harmonises the Directive 2004/109/EU of the European Parliament and of the Council for the harmonisation of the transparency requirements. The said Law governs the Issuers whose home Member State is the Republic of Cyprus and their transferable securities are admitted to trading on a regulated market in the Republic or in another Member State. The purpose of the relevant Law is to establish the conditions for the publication of periodic and continuous information of Issuers whose transferable securities are admitted to trading on a regulated market.

Within the context of monitoring of the compliance of the Issuers whose transferable securities are listed on a regulated market, with their continuous obligations in accordance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC examined their compliance with the provisions of the law and specifically, with their obligation for publication of the Annual Financial Report and the Half-yearly Financial Report, and the content of the said reports. In particular, it examined whether the financial information has been prepared in accordance with the relevant provisions of the Law. It should be noted that the disclosure requirements for the indicative results for the full financial year and the Interim Management Statement were abolished on 8 April 2016 with the amendment of the Transparency Requirements Law (Securities Transactions on a Regulated Market).

■ Annual Financial Report

Annual Financial Report for the financial year 2016

While reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for 2016, CySEC proceeded in the investigation of 5 cases for potential violation of section 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the non-publication of the Annual Financial Report within the deadline specified in the Law, and/or of section 37(2)(a) of the same Law regarding the non-submission of the Annual Financial Report to CySEC. The investigation of the cases was completed in 2017 and CySEC decided to impose administrative fines on four Issuers as follows:

- Administrative fine to two Issuers for violation of articles 9(1) and 37(2)(a) of the Law.
- Administrative fine to an Issuer for a violation of article 9(1) of the Law.

In the fifth case, CySEC decided to reprimand the Issuer for a violation of Article 9(1).

Within the framework of the same compliance review, CySEC also sent letters to a number of Issuers who presented minor shortcomings or omissions when disclosing their Annual Financial Report for the year 2016, drawing their attention to the provisions of the relevant legislation.

■ Interim Financial Report

Interim Financial Report for the first half of the financial year 2016

While examining the compliance of Issuers with their obligation to disclose their Six-month Financial Report for the first half of the financial year 2016, CySEC investigated 2 cases concerning a possible violation of Article 10(1) of the Transparency Requirements (Transferable Securities admitted to trading in a Regulated Market) Law, due to the non-publication of the Six-month Financial Report within the time limit set by the Law and/or Article 37(2) (a) of the Law as regards to non-submission to CySEC. It also investigated 2 cases concerning a possible violation of Article 10(3)(b) of the same Law because the Interim Management Report was not included in the Six-month Financial Report for the first half of the financial year 2016 of the Issuer in question. The examination of these cases was concluded in 2017 and CySEC imposed administrative fines on 3 Issuers as follows:

- Administrative fine to an Issuer for a violation of section 10(1) of the Law.
- Administrative fine to two Issuers for violation of article 10(3)(b) of the Law.

Within the framework of the same compliance review, CySEC also sent letters to a number of Issuers who presented minor shortcomings or omissions in the publication of their Six-month Financial Report for the first half of the 2016 financial year, 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 2016

In 2017, CySEC proceeded to examine the Issuers' compliance with the content of their Interim Management Reports for the first six months of the financial year 2016, which are included in the published Six-month Financial Reports of the Issuers for that period as required by Article 10(3) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007.

In the context of this examination, CySEC sent letters to a number of Issuers who presented minor shortcomings or omissions in the content of the Interim Management Report for the first half of the financial year 2016, drawing their attention to the issues identified and the provisions of the relevant legislation. It also issued a Circular for all Issuers drawing their attention to issues identified by CySEC during its compliance review.

Interim Financial Report for the first half of the financial year 2017

In 2017, CySEC also started to review the compliance of Issuers with their obligation to disclose their Six-month Financial Report for the first half of the financial year 2017 and their compliance with the content of their Interim Management Reports for the first half of the financial year 2017, which are included in the published Six-month Financial Reports of the Issuers for the same period. This review continued in 2018.

■ Content of financial information

CySEC examined the financial statements of a number of companies listed on a regulated market for the year 2016 and/or the six-month financial report for the period ending 30 June 2017 to determine whether the financial information thereon was prepared in accordance with the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law.

In particular, the purpose of the examination was to assess the degree of compliance of these financial statements with the International Financial Reporting Standards (IFRS).

It is noted that the selection of the sample of financial statements assessed annually by CySEC is based on a combination of risk-based and rotation-based sampling, in line with the ESMA Guidelines on Enforcement of Financial Information which entered into force in December 2014 and which CySEC has adopted. The risk-based option takes into account the risk of inaccuracies in the financial statements, as well as the implications of market inaccuracy. The selection criteria also take into account the common European priorities for the supervision of financial statements, which are determined each year by the European Supervisory Authorities in cooperation with ESMA. More information on how the sample is selected can be found in the Practical Guide "Listed Companies RBSF Handbook" which is available on the CySEC website.

The choice of financial statements assessed in 2016 was made on a sample basis as described above. A total of 13 issuers were selected for assessment. In some cases, an overall assessment of the financial statements in relation to compliance with IFRS has been performed, while in some cases a focused/thematic review has been conducted in relation to a specific accounting treatment or for the purposes of the joint European priorities for the supervision of the financial statements for the year 2016 as defined by the European Supervisory Authorities in cooperation with ESMA. The results of the assessments were sent by CySEC, where deemed necessary, to the companies concerned, in order to provide explanations and/or take corrective actions by the companies in their financial statements. In some cases, the assessment continued in 2018.

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

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

As soon as the Auditors Law of 2017 came into force, CySEC has requested the Issuers to inform it of the composition of their Audit Committee in accordance with the said Law for the purpose of assessing their compliance. The assessment of the Issuers' compliance with Article 78 of the Law with regard to the Audit Committee continued in 2018.

4.2.5 Market Surveillance

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

Market surveillance helps to ensure the smooth operation of the markets so that market participants feel safe and secure for their integrity and reliability. Therefore, the smooth and integral operation of the markets encourages investments and strengthens economic development.

Overall, market surveillance by CySEC is conducted through the monitoring in real time and on a continuous basis of the regulated markets with the use of a specially adapted electronic system and applications provided from the provider of the platforms. Furthermore, within the context of market surveillance, historic data from

the databases re transaction orders and shareholder information and transactions which are maintained internally are analysed and examined.

Furthermore, CySEC conducts on-site inspections to ensure that a company maintains a local presence in Cyprus, and audits through the websites of companies to determine whether a company seems to provide investment services through its website without having the necessary authorisation by CySEC.

At the same time, the CySEC Department responsible for market surveillance carries out on a daily and continuous basis a review of news and announcements in the media, including websites, in Cyprus and abroad, which may concern the entities regulated by CySEC and the Cyprus investment services market.

4.2.6 Improvement of the compliance of the Regulated Entities

In order to improve the compliance of regulated entities with the applicable legislation, CySEC carries out seminars for regulated persons and open lectures for all interested parties. The aim of these seminars and lectures is to present new legislation or changes in the legal framework and explain the basic legal provisions and the obligations of supervised entities which derive from those changes.

In total, 26 seminars were held in 2017 for Continuing Professional Training for Certified Persons. Out of these, 10 were held in Nicosia and 16 in Limassol. The seminars, attended by more than 800 people, most of whom are either professionals of the sector and are registered, or wish to be registered in the CySEC Public Register of Certified Persons. The seminars included analysis of the legal framework of Collective Investment Schemes and Custodian Services within the UCITS and AIFM, analysis of the Transparency Law, the Market Abuse Regulation, the MiFID II Directive, the Law on Recovery and Resolution and analysis of the Law on the Prevention of Money Laundering Activities.

In 2017, 1774 people were enrolled to pass the exam, and 779 of them were successful. More specifically, 1340 people were enrolled to take over the basic examination, of which 624 were successful and another 434 were enrolled to attend the upgraded examination, of which 155 were successful.

In relation to the training of certified individuals, CySEC intends to enrich the topics covered by the Continuous Professional Education seminars in 2018.

CySEC has carried out an updating of the content of the examinations, incorporating new legislation and recently introduced European Directives. At the same time, it is proceeding with the preparation of new examinations for Anti-Money Laundering Compliance Officers, which are expected to start in 2018.

In the course of 2017, CySEC has automated the procedure for participation in the examinations for registration in the Public Register of Certified Persons, the registration procedure for the seminars it organizes and the process of renewal of the registration of certified persons in the public register. Automation enables interested parties to easily complete these processes electronically through its website. CySEC is examining ways to further automate these procedures.

4.2.7 Register of certified persons, continuous professional training and examinations

Since November 2012, CySEC is responsible to simplify the process of certifying individuals, conducting the examinations for the certification of persons who may be employed by CIFs and Credit Institutions in the provision of investment services to Management Companies and Variable Capital Investment Companies, and the keeping of the Register of Certified Persons. As of 2014, examinations are conducted uninterruptedly under the responsibility of CySEC.

According to the new framework, the persons registered in the public register are now required to submit information on their continuing professional training to CySEC in order to retain their registration. This new framework improves among other things the level of knowledge of certified persons in relation to the latest developments and changes in the legal framework governing the securities market while reducing the risk of

non-compliance with the legal obligations of the supervised entities and upgrading the specialized professional knowledge of certified persons in specific areas of investment services. At the same time, it is possible to address any weaknesses or gaps identified by the Supervisory Authority from time to time and help those who may not be employed for some time in the field remain informed about the developments in the institutional framework.

In this way, the quality of the services offered is upgraded and the culture of compliance is promoted to each supervised entity and, by extension, to the market overall, which will maximize the further development and growth of the investment services sector in Cyprus. At the end of 2017 there were 2.539 people (2016 - 2.047 persons) registered in the Public Register.

4.3 INVESTIGATIONS

4.3.1 Investigation of potential violations

In 2017, the CySEC Market Surveillance and Investigations Department investigated cases in connection with potential violations of existing legislation and, in particular, cases concerning banking institutions, within its remit. In particular, CySEC investigated a number of cases related to banks that have securities listed in the CSE.

CySEC, within its remit, took final decisions on two cases in the banking sector, the investigation of which was complex and involved the study of a large volume of documents and testimonies. The decisions form part of the findings that have already been investigated for the banking crisis and concern the period before the bail-in, between 2010 and 2011.

In one case, administrative sanctions amounting to €1.14 million were imposed on former members of the Board of Directors and the former Chief Financial Officer of the former Cyprus Popular Bank Public Co Ltd Group due to the lack of provisions for doubtful and bad debts. In the latter case, administrative sanctions amounting to €595,000 were imposed on Bank of Cyprus, former members of the Board of Directors and the former Senior Executive Director due to insufficient provisions for loan impairment. Details of the sanctions are in Annex A.

As a result of the cases investigated by CySEC since 2011, a total of €18,24 million of administrative penalties have been imposed, of which €10,8 million relate to the banking sector. Out of these fines, €4,9 million were collected by the end of 2017, of which €548,000 relate to the banking sector and CySEC has taken legal action in order to collect the remaining amounts. In a number of cases, the court has ruled in favour of CySEC to collect the fine by suspending the execution of the decision until the decision is taken in the appeal filed by the supervised entity. An appeal against a CySEC decision has already been handed down and the decision was in favour of the CySEC, resulting in 50% of the fine due being paid and the remaining 50% to be paid after the decision of the Plenary Session of the Supreme Court on the appeal.

For most of the cases for which the investigation has been completed, CySEC has sent the findings, facts reports and other data to the Legal Service of the Republic to investigate whether criminal offenses also arise.

In 2018, the investigation of the last three cases completed in connection to the banking sector is to be completed. With these three cases, the CySEC investigations into the banking crisis and the bail-in period will be completed.

4.3.2 Investor Complaints

CySEC may be receiving complaints by investors against entities under its supervision, including Cyprus Investment Firms (CIFs) and the Issuers of securities listed on the CSE, as well as other types of complaints, which it takes into consideration in the framework of its supervisory role.

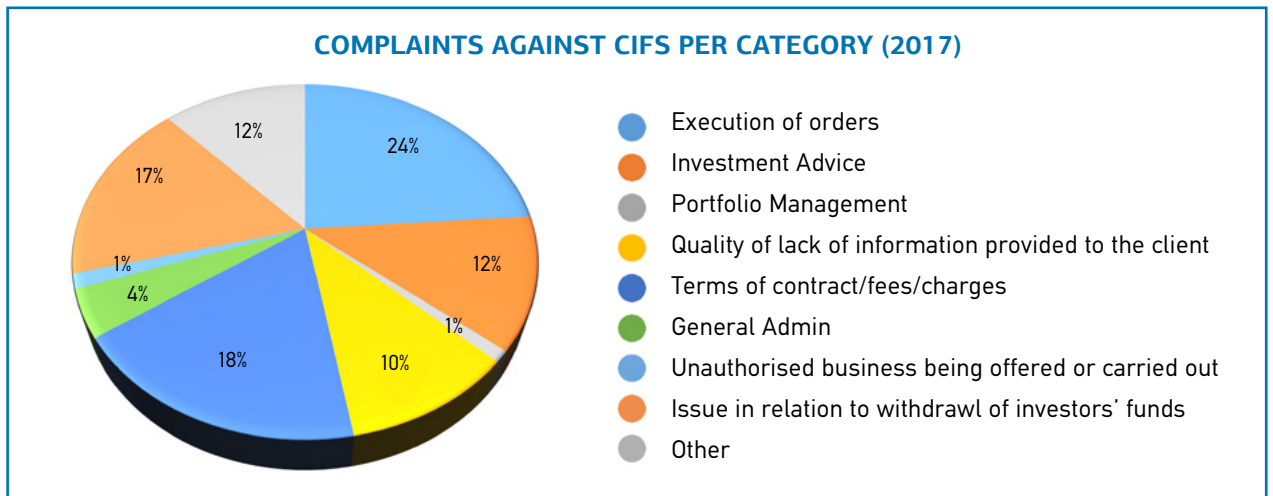
Complaints against CIFs

CySEC is not the competent body in relation to the compensation of investors concerning complaints against CIFs and, as such, it does not investigate individual complaints. However, all complaints submitted to CySEC concerning CIFs are taken into account by CySEC in the exercise of its supervisory role.

1. Investor Complaints through CIFs

In 2017, CySEC received 2129 complaints by investors against CIFs concerning various matters (Chart 13).

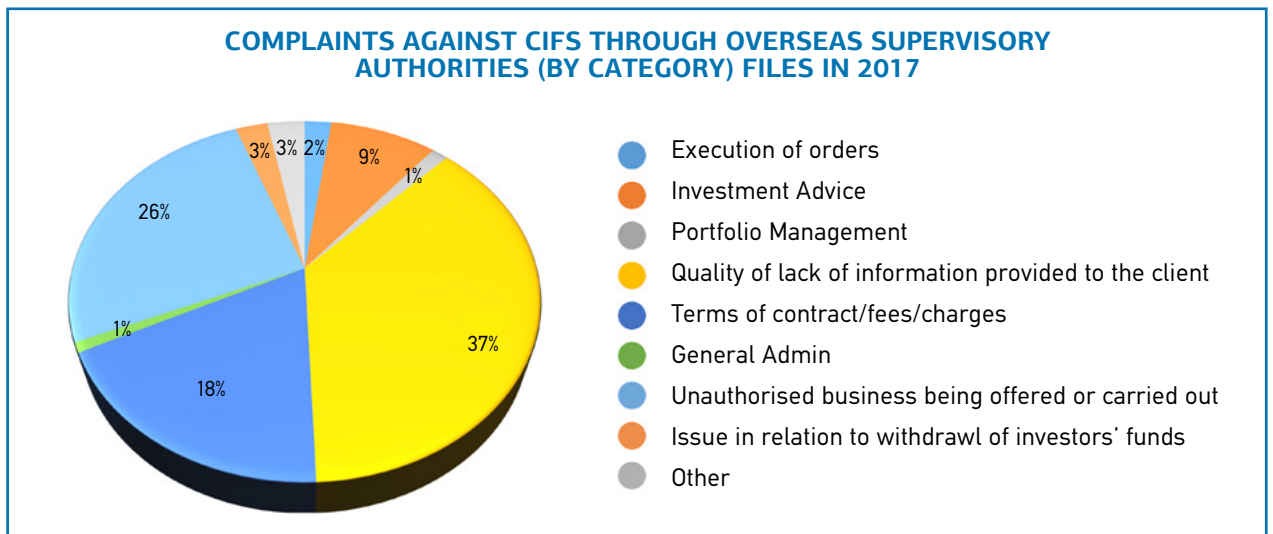
Chart 13: Complaints against CIFs submitted in 2017



2. Investor Complaints through foreign Supervisory Authorities

In 2017, CySEC received from foreign Supervisory Authorities 314 complaints by investors against CIFs concerning various matters (Chart 14).

Chart 14: Complaints against CIFs through overseas Supervisory Authorities (by category) filed in 2017



Complaints against companies for possible unauthorised provision of services

During 2017, CySEC received 256 investor complaints against entities allegedly offering unauthorized investment services.

For the examination of these cases, the Market Surveillance and Investigations Department conducts on-site investigations in order to determine whether a company has physical presence in Cyprus. The Department conducts its investigations through the company websites in order to determine whether the company is offering services via its website without the necessary CIF license, and requests information by individuals believed to be in a position to offer CySEC helpful information.

Because of the above, on 21 December 2017, CySEC issued an announcement informing investors and the public at large that the websites included in the list below are not websites that hold CIFs license by CySEC to provide Investment services. (Table 9).

Table 8: List of websites not belonging to a CIF

NON AUTHORISED WEBSITES	
1. app.qbitsmegaprofit.co	2. autotradingbinary.com
3. investrader.net	4. www.tradingbanks.com
5. www.tradorax.com	6. www.ubinary.com
7. www.ukoptions.com	8. www.utrader.com
9. www.vipoptions.com	10. www.whaleoptions.com
11. www.wikioption.com	12. www.winoptions247.com
13. newtradefx.com	14. zenithoptions.net
15. www.touchtrades.com	16. otmfx.com
17. rbinary.com	18. sbotrading.com
19. sunbirdfx.com	20. thetrueoption.com
21. trade12.com	22. unitedoptions.com
23. www.10markets.com	24. binaryswiss.com
25. www.500option.com	26. www.55profit.com
27. www.aaoption.com	28. www.afghanbawar.org.af
29. www.albatrosgt.com	30. www.algobanque.com
31. www.alliance-options.com	32. www.b4binary.com
33. bitransax.com	34. www.banco-capital.com
35. www.beeoptions.com	36. www.bforex.com
37. www.bigoption.com	38. www.binaring.com
39. www.binary8.com	40. www.binarybrokerz.com
41. www.binaryfn.com	42. www.binaryroom365.com
43. www.binary-slot.com	44. bloombex-options.com
45. www.binaryuno.com	46. www.bmpoption.com
47. www.brokerofficial.com	48. www.brokeroption.com/it/
49. www.bsdooption.com	50. www.cfd1000.com
51. www.citrades.com	52. www.cyprusinvestmentllc.com
53. www.daily-trades.com	54. www.eclipse-finance.com
55. fmtrader.com	56. www.edgedalefinance.com
57. www.empireoption.com	58. www.evrolife-association.com
59. www.exbino.com	60. www.finpari.com

61. www.ftrade.com	62. www.fx-inter.com
63. www.g4trader.com	64. www.goldenratioassetmanagement.com
65. www.gotooption.com	66. ftradition.com
67. www.gtoptions.com	68. www.hedefonline.com
69. www.highoption.com	70. www.imperialoptions.com
71. www.insideoption.com	72. www.ivoryoption.com
73. www.ksftrade.com	74. www.lbinary.com
75. www.lottmarket.com	76. www.marketsdl.com
77. go24invest.com	78. www.marketsrally.com
79. www.maxoptions.com	80. www.mrtmarkets.com
81. www.netotrade.com	82. www.nextoption.com
83. www.no1options.com	84. www.noafx.com
85. www.onetwotrade.com	86. www.option500.com
87. www.optionbit.com	88. goptions.com
89. www.optionstarsglobal.com	90. www.optionsxo.com
91. www.pacificoption.com	92. www.plusfinancials.com
93. www.plusoption.com	94. www.plustocks.com
95. www.porterfinance.com	96. www.primebrokerz.com
97. www.pwrtrade.com	98. hfx.com
99. investcapitalmarket.com	100. www.rtgtrading.com
101. www.safeklik.com	102. www.safe-option.com
103. www.scala.trade	104. www.SecuredOptions.com
105. www.swissfxpro.com	106. www.tadawulinvestments.com
107. www.thetrueoption.com	108. www.titantrade.com
109. www.Tradersking.com	110. www.swissfxpro.com
111. www.tadawulinvestments.com	112. www.thetrueoption.com
113. www.titantrade.com	114. www.touchtrades.com
115. www.trade-24.com	116. www.Tradersking.com
117. www.tradextra.com	118. www.tradingbanks.com
119. www.tradorax.com	120. www.ubinary.com
121. www.ubkfx.com	122. www.ukoptions.com
123. www.utrader.com	124. www.vipoptions.com
125. www.vncbrokers.com	126. www.vtgfx.com
127. www.whaleoptions.com	128. www.wikioption.com
129. www.winoptions247.com	130. zenithoptions.net

CySEC urges the investing public to consult its website to be informed of the approved websites (<http://www.cysec.gov.cy/entities/investment-frms/approved-domains>) and the websites that are not authorised by CySEC (<http://www.cysec.gov.cy/el-GR/non-approved-domains/>).

Complaints against Issuers

In 2017, no investor complaint was submitted to CySEC against Issuers of shares listed in the CSE.

4.3.3 Submission of Data to the Law Office of the Republic

Pursuant to section 35(1)(a) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009), in cases where the potential violation may, prima facie, constitute a criminal offence, CySEC prepares a memo or report of facts and submits it with all the evidence in its possession to the General Attorney of the Republic. In 2017, CySEC sent 2 cases to the Attorney General for the latter to decide whether any potential criminal offences are present in relation to companies or natural persons.

4.3.4 Cooperation with other Supervisory Authorities for the conduct of Investigations

In 2017, following 86 requests for assistance from foreign Supervisory Authorities, CySEC collected information on legal entities and individuals as provided by Article 32(4) of the Cyprus Securities and Exchange Commission Law of 2009 (L.73(I)/2009) on behalf of the foreign Supervisory Authorities. Of the 86 requests for information, 23 requests concerned the lifting of banking confidentiality.

4.4 UPGRADING OF THE LEGAL FRAMEWORK

4.4.1 Laws

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

CySEC has prepared a draft Law which was forwarded by the Ministry of Finance to the Law Office of the Republic of Cyprus. The aims of the draft Law are:

- (a) to give CySEC authority to issue circulars.
- (b) to increase non-executive members of the CySEC Board from 3 to 4, in order to allow the establishment of an Audit Committee consisting of 3 members of the Board, excluding the Chairman and the Vice-Chairman.
- (c) to give CySEC the power to collect information from supervised entities for statistical analysis and risk management.
- (d) to give CySEC the power to enforce administrative measures provided for in European Union acts for which CySEC has been designated as the competent authority on the basis of a notification from the Finance Minister.

The draft law is pending in the Law Office.

CySEC, through the Finance Ministry, has again submitted to the House of Representatives a draft law to strengthen its powers in relation to information and data gathering.

Draft Law – Disclosure of infringements Law

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

The need for the drafting of this draft law stems from the recent changes in the European regulatory framework, which now refers specifically to the obligation of Member States to regulate complaints. The said draft law is pending at the Finance Ministry.

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

On July 7, 2017, the Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017) was published, which was prepared and forwarded to Parliament in the framework of harmonization with Directive 2014/65/EU. Directive 2014/65/EU redrafts/replaces Directive 2004/39/EC and was transposed into Cypriot law by Law L.144(I)/2007.

Law 87(I)/2017 incorporates the provisions of Directive 2014/65/EU into the Cypriot legislation and made substantial changes to the financial markets, mainly on the following key issues:

- (a) The scope is further extended to additional financial instruments and investment products, such as emission allowances and structured deposits, while the exceptions are limited. In addition, it introduces a new type of trading venue, the Organised Trading Facilities (OTFs), which can be provided as a new investment service. At the same time, individuals who carry out own-account transactions and apply high-frequency algorithmic trading techniques fall within the scope and need to be licensed.
- (b) The role and tasks of the Board of Directors of an investment firm, a market operator or a data reporting service provider and the corporate governance arrangements are enhanced. There are also stricter obligations in terms of product governance for both creators and distributors.
- (c) Professional business ethic rules apply to a wider range of clients and financial instruments. The provision of investment advice is separated on an independent and non-independent basis, while imposing further restrictions on the inducements for portfolio management or investment advice on an independent basis. In addition, stricter supervision of remuneration policies and financial incentives for an investment firm's staff is required.
- (d) Investment firms operating through algorithmic transactions are required to comply with specific requirements in relation to their risk management systems and controls. They are also required, when following a special trading strategy, to provide liquidity on a regular and predictable basis at the trading venue. An investment firm that allows a person to use its trading code to enable that person to electronically transmit orders for a financial instrument directly to the trading venue, must implement the necessary systems and controls to prevent trading that may put at risk the firm itself, the orderly functioning of the market or lead to market abuse.
- (e) Limits are applied to the equity position that a person may hold at any one given time on commodity derivatives, both for those traded on trading venues and on financially equivalent OTC derivative contracts. Non-financial entities are excluded from these limits in terms of risk-reducing positions that are directly related to their trading activity. There are also extensive new reporting obligations in relation to positions held in commodity derivatives.
- (f) Obligations for licensing and continuous operation of data reporting service providers are added, introducing enhanced consolidation and disclosure of transaction data.
- (g) Harmonized rules are provided for the licensing of third-country investment firms providing services to private clients and professional clients on request, but without the European passport.
- (h) The structure of the markets is altered to ensure that trading takes place as much as possible on organised, suitably regulated markets, subject to a higher degree of transparency. To this end, a new trading venue, the Organised Trading Facilities (OTFs), alongside existing trading venues, such as regulated markets and Multilateral Trading Facilities (MTFs), is added. Only non-equity instruments, such as bonds, structured finance instruments, emission allowances and derivatives, are traded in the OTFs. It is permissible for the market operator of the OTF to carry out matched principal trading for own account in non-equity instruments - except derivatives subject to clearing under the European EMIR Regulation - and to carry out own-account transactions only on sovereign bonds for which there is no liquid market.

The date of entry into force of said Law is 3 January 2018.

Regulation (EU) No 600/2014 on markets in financial instruments and amending Regulation (EU) 648/2012

On 12 June 2014, Regulation (EU) No. 2015/2365 on markets in financial instruments and amending Regulation (EU) No. 648/2012 was published in the Official Journal of the European Union.

Regulation (EU) 600/2014 lays down uniform obligations on the communication of transactional data to the public, the disclosure of transactions to competent authorities, the trading of derivative products in an organised trading facility, non-discriminatory access to clearing and non-discriminatory access to trading on the basis of benchmarks, intervention powers of the national competent authorities, the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA) in relation to products and ESMA's powers concerning position management and position limits and, in some cases, the provision of investment services or activities by third-country firms.

The date of entry into force of Regulation (EU) 600/2014 is 3 January 2018.

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

In view of the obligation, under Directive 2014/59/EU, of the CIFs and their branches falling under Law L.20(I)/2016 to pay contributions to the Resolution of Credit and Other Institutions Scheme, a suggestion was made to amend L.5(I)/2016 with a view to include in article 2 of the aforementioned law the definition of "affected institution", which includes licensed credit institutions and CIFs of L.20(I)/2016, which have the obligation to pay the relevant contribution.

The relevant draft law is expected to be voted into law in 2018.

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

On 16 May 2017, the Transparency Requirements (Transferable Securities for Trading in a Regulated Market) (amending) Law of 2017 (L.56(I)/2017) was published for the purpose of better harmonization with the provisions of Directives 2004/109/EC, 2007/14/EC and 2013/50/EU, which introduced the following changes in the Law L.190(I)/2007:

- (a) The timing of publication by the issuer re the acquisition of own shares, the time for the issuer to disclose information received from the persons liable for disclosure and the time to notify the issuer re the participation in its capital in terms of 'trading days'.
- (b) Determination of 'trading days'.
- (c) Inclusion in the definition of "financial instruments" and financial instruments referred to in the ESMA indicative list.

Further, a draft law has been forwarded to the Legal Service for the purpose of better implementation and improvement of Law 190(I)/2007 and, in particular, to:

- (a) Replace in Law L.190(I)/2007 the references to laws/European Directives that have been repealed with those currently in force.
- (b) The issuer is required, at the same time as the disclosure of "inside information" pursuant to Regulation (EU) 596/2014, to submit them to the CySEC.

Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

On 30 June 2017 the European Parliament and Council Regulation (EU) 2017/1129 was published in the Official Journal of the European Union on the prospectus to be published when securities are offered to the public or when

securities are admitted to trading (Prospectus Regulation). This Regulation will apply from 21 July 2019, with the exception of certain provisions (i.e. points (a), (b), (c) and 2nd paragraph of Article 1(5)) which have been applied since 20 July 2017 and some others (Articles 1(3) and 3(2)) to be applied from 21 July 2018.

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

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

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

In the framework of the application of Regulation (EU) 2017/1129 (Prospectus Regulation), a draft law was prepared and forwarded to the Ministry of Finance for the amendment of the Public Offer and Prospectus Law of 2005. The proposed amendment is Law 114(I)/2005 is in line with the provisions of Regulation (EU) 2017/1129, which came into force on 20 July 2017 and with the provisions applicable from 21 July 2018.

Modification of the regulatory framework governing Alternative Investment Funds

Following market suggestions and for improving national legislation, CySEC has taken steps to modify the regulatory framework governing Alternative Investment Funds (AIFs), with a view, inter alia, to the introduction of the Registered AIFs in the national institutional framework. Registered AIFs will not be licensed by CySEC but will be supervised through their managers that are licensed and supervised by CySEC. Registered AIFs can operate as an open or closed type, taking the legal form of the common fund, the fixed or variable capital company and the limited partnership. In addition, it will be possible to set up and operate registered Alternative Investment Funds with the legal form of the limited partnership (Registered Alternative Investment Fund Cooperatives). In addition, the possibility of establishing and operating AIF in the form of a limited partnership, with legal personality (subject to the amendment of the Partnerships and Business Names Law), is included. These investment tools will be targeted exclusively at professionals or well-informed investors. These new categories will offer alternatives to the promotion of diversified investment products, a prudential regime, ensuring a climate of confidence and adequate investor protection.

The draft law was filed with the Parliament for voting in 2018.

Draft Law re the Mini Managers (under the AIFMs limits)

Following suggestions from market participants and for improving national legislation, CySEC is promoting a Draft Law for regulating and operating managers below the limits set by the Alternative Investment Managers Law, the "Mini-Managers". These managers will be licensed by CySEC and will be able to manage portfolios of funds whose assets will not exceed the limits of the AIFM Law (€100 million using leverage or €500 million without the use of leverage). This category of managers does not fall under European Directive 2011/61/EU (nor the AIFM Law), so national law will govern their operations.

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

The draft law is expected to be completed and filed with the Parliament for voting in 2018.

Draft Law re the Administration of Alternative Investment Funds

Following market suggestions and for improving national legislation, CySEC is promoting a Draft Law on the regulation and operation of alternative investment fund administrators. Based on the existing institutional framework, the trustee, who is licensed and fully supervised by CySEC, has the right to entrust administration of AIFs to third parties.

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

The draft law is expected to be finalized and submitted for voting in 2018 or 2019 - depending on when the drafting will be completed.

Amendments in Companies Law

For the purpose of improving the existing institutional framework, CySEC has taken steps to prepare a Draft Law amending the Companies Law, in cooperation with the Registrar of Companies, with a view to incorporating in it provisions for "limited liability companies with variable capital" to operate as Investment Companies of Variable Capital.

The CySEC regulatory framework permits limited liability companies to operate as Investment Companies of Variable Capital under the Alternative Investment Funds ('AIF Law') and the Open-ended Collective Investment Funds Laws ("UCITS Law").

The amending draft law on the Companies Law will incorporate the new form of "limited liability company with a variable share capital" into the Companies Law, so that licensed Investment Companies of Variable Capital can be constituted in this form. The relevant provisions regarding the operation of these companies will remain in the specific Laws for AIFs and UCITS, while the Companies Law will include, inter alia, provisions and/or definitions regarding the establishment and registration of "limited liability companies with variable share capital", and the share capital without nominal but floating value.

The amending draft law has been sent to the Ministry of Energy, Commerce, Industry and Tourism, which will forward it to the Law Office.

Amendments in the Partnership and Business Names Law

In view of improving the existing institutional framework and for the better functioning of the Alternative Investment Funds, CySEC, in cooperation with the Office of the Registrar of Companies, took steps to prepare a Draft Law amending the Partnership and Business Names Law. The aim of the amendment is to introduce a new form of Alternative Investment Fund, which will be a limited partnership with a separate legal personality. With the amendment, limited partnerships with a separate legal personality may be set up and, based on the relevant changes in the institutional framework governing Alternative Investment Funds, may be authorized as AIFs.

The amending draft law has been sent to the competent Ministry of Energy, Commerce, Industry and Tourism, which will forward it to the Law Office.

European Regulation on Money Market Funds

On 30 June 2017, Regulation (EU) No. 2017/1131 for money market funds (MMFs) was published in the Official Journal of the European Union.

Regulation 2017/1131 lays down rules for the operation of MMFs and, in particular, for the composition of their portfolios. These rules seek to strengthen MMFs and limit contagion channels.

This Regulation entered into force on 20 July 2017, and its implementation starts on 21 July 2018, with the exception of Articles 11(4), 15(7), 22 and 37(4) applicable from 20 July 2017.

European Regulation amending Regulation (EU) No 345/2013 on European venture capital funds and Regulation (EU) No 346/2013 on European social entrepreneurship funds

On 10 November 2017, Regulation (EU) No. No 2017/1991 amending Regulation (EU) No 345/2013 on European Venture Capital Companies and Regulation (EU) No 346/2013 in relation to European Social Entrepreneurship Funds, was published in the Official Journal of the European Union.

Regulations of the European Parliament and of the Council (EU) 345/2013 and (EU) No. 346/2013 lay down uniform requirements and conditions for managers of collective investment undertakings wishing to use the EuVECA or EuSEF definition in the European Union for the commercialization of qualifying venture capital funds and social entrepreneurship funds respectively.

Regulations (EU) 345/2013 and (EU) No. 346/2013 contain rules that govern in particular eligible investments and holding institutions as well as eligible investors.

This Regulation entered into force on 3 December 2017, and its implementation begins on 1 March 2018.

Regulation on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 (SFTR)

On 23 December 2015, Regulation (EU) No. 2015/2365 on the transparency of securities financing and re-use transactions and amending Regulation (EU) 648/2012, was published in the Official Journal of the European Union.

Regulation 2015/2365 lays down rules on the transparency of securities financing transactions and re-use. In particular, Regulation 2015/2365 significantly improves the transparency of securities financing transactions in the shadow banking sector. These new rules also help to identify the risks associated with these financial transactions as well as their size.

In August 2017, a notice from the Finance Minister was published in the Official Journal of the Republic, whereby CySEC is designated as the Competent Authority for the implementation of this Regulation in respect of the financial counterparties subject to its supervision, non-financial counterparties, as well as for the purposes of Articles 13 and 14 of the relevant Regulation, concerning UCITS management companies, UCITS investment companies and AIFM.

Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds

On 29 June 2016 Regulation (EU) No. 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, was published in the Official Journal of the European Union. This Regulation shall apply from 1 January 2018.

Regulation (EU) 2016/1011 establishes a common framework to ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds in the European Union. It thus contributes to the smooth functioning of the internal market, while achieving a high level of consumer and investor protection.

In November 2017, a notice from the Minister of Finance was published in the Official Gazette of the Republic, where CySEC is designated as the competent Authority for the implementation of this Regulation.

Revision of the operation of the Investor Compensation Fund

As part of the transposition of the MiFID II Directive, a Draft Law on the regulation of the operation of the Investor Compensation Funds (ICF) is being prepared by CySEC in cooperation with the Ministry of Finance and the Central Bank of Cyprus.

In addition, a discussion paper was issued in 2017 to review the way the ICF operates. The discussion paper was prepared on the basis of a comparative study on how to operate the Investor Compensation Funds in the European Union, in order to take into account, the best European practices to modify the existing Directive of the ICF (Directive 144-2007-15).

European Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing

On 5 June 2015, Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing was published in the Official Journal of the European Union. Member States were required to comply with Directive (EU) 2015/849 by June 26, 2017. In the context of harmonization with this Directive, a draft law was drafted to amend the Anti-Money Laundering Law of 2007. This draft law is in the House of Representatives for voting.

It is noted that on 5 July 2016 the European Commission submitted a legislative proposal to amend Directive 2015/849. The purpose of this proposal is to take additional measures to combat the financing of terrorism. Among other things, it includes extending the scope of Directive 2015/849 to cover digital exchange platforms and digital wallet custody providers as well as strengthening the powers of financial intelligence units and facilitating cooperation between them. In examining this proposal to amend Directive 2015/849, CySEC was actively involved, by submitting comments and participating in the meetings of the Council of the EU's Financial Services Working Group tasked to revise the Directive. On 19 December 2017, the Presidency of the European Council sent the final compromise text of the proposed amendment to Directive 2015/849 and is expected to be published in the Official Journal of the European Union.

Pursuant to Directive (EU) 2015/849 and the proposal to amend Directive (EU) 2015/849, the establishment of a Central Trust Registry in the Republic is envisaged. The establishment of this Central Trust Record was undertaken by CySEC and CySEC was designated as the competent Authority for its development, maintenance and operation. CySEC will make tenders for specifying the specifications and the development of system software to achieve this project.

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

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

The provisions of the Law were implemented for the first time in 2016 with the transfer of 5 Officers and 3 Assistant Secretarial Officers from the CSE to CySEC. CySEC has been authorized to use the provisions of L.126(I)/2015 for the transfer of 2 Officers and 3 Assistant Secretaries in the course of 2018.

4.4.2 Directives

With the enactment of the Investment Services and Activities and Regulated Markets Law of 2017 (Law 877(I)/2017) in the framework of harmonization with Directive 2014/65/EU and in view of the entry into force of the Law on 3 January 2018, in 2017, the following Instructions have been prepared by CySEC:

- Directive DI87-01 for the Safeguarding of Financial Instruments and Funds belonging to Clients (Replacing R.A.D. 360/2017)
- Directive DI87-02 for the repeal of certain CySEC Directives
- Directive DI87-03 for the charges and annual fees
- Directive DI87-04 for the provision of investment services by third country firms to eligible counterparties and professional clients

Furthermore, in 2017, as a consequence of the amendments made to the Transparency Requirements Law 2007 with the Laws L.35(I)/2016 and L.56(I)/2017, was also prepared and a new Directive DI190-2007-01 was issued in relation to the Share of Voting Rights Issuance to Issuer (Significant Participation) (R.A.D. 222/2017). Directive DI1907-2007 of 2017 was published on 30 May 2017.

In addition, within the year, the Directive on Certification of Personnel and Certification Registries (R.A.D. 22/2017) and the Directive on the Payable Rights and Annual Contributions of the AIFs and their Managers (R.A.D. 279/2017) were prepared and published by CySEC.

4.4.3 Circulars

During 2017, CySEC prepared and issued various circulars to CIFs, the most important of which concerning:

- Guidelines on sound remuneration policies.
- Transaction Reporting Requirements.
- Product Governance requirements under MiFID II.
- Re-identifying reference data relating to financial instruments.
- Capital instruments that can be qualified as Common Equity Tier 1.
- Redefining threshold criteria of 'significant CIF'
- Use of Affiliates.
- Adoption of ESMA Q&As on the entities that provide CFDs.
- Preparation of an Executive Summary in the reports of the Compliance, Risk Management and Internal Audit Functions.
- Obligations of CIFs when providing information to clients on the services and instruments offered.

In the course of 2017, the following Circulars on the prevention of money laundering and terrorist financing were prepared and made public:

- C219 addressed to CIF, ASP, UCITS, UCITS MC, AIFM, AIF, AIFLNP re the ESAs Guidelines on anti-money laundering and countering the financing of terrorism – 'The Risk Factors Guidelines', published on 5 July 2017.
- C218 addressed to CIFs, ASPs, UCITS, UCITS MC, AIFMs, AIFs, AIFLNPs re the Consultation Paper on regulatory technical standards to strengthen group-wide money laundering and terrorist financing risk management (EBA, EIOPA and ESMA – 'ESAs'), published on 5 July 2017.
- C205 addressed to CIFs, ASPs, UCITS, UCITS MC, AIFMs, AIFs, AIFLNPs re the Consultation Paper on draft Guidelines to prevent terrorist financing and money laundering in electronic fund transfers - Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA - 'ESAs'), published on 28 April 2017.

- C197 addressed to CIFs, ASPs, UCITS, UCITS MC, AIFMs, AIFs, AIFLNPs re the ESAs Joint Opinion on the risks of money laundering and terrorist financing affecting the Union's financial sector, published on 3 April 2017.
- C196 addressed to CIFs, ASPs, UCITS, UCITS MC, AIFMs, AIFs, AIFLNPs re the Article 68C of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, published on 31 March 2017.
- C186 addressed to CIFs, UCITS, M.C. UCITS, AIFs, AIFMs, ASPs, AIFLNPs re the Executive Summary in the Compliance Officer's Annual Report and the Internal Audit Report on the prevention of money laundering and terrorist financing, published on 3 March 2017.
- C191 addressed to CIF, ASP, M.C. UCITS, UCITS, AIF, AIFM re the Compliance with reporting and other obligations, published on 1 March 2017.
- C189 addressed to CIFs, ASPs, UCITS, UCITS M.C., AIFMs, AIFs, AIFLNPs re the Findings of the assessment of the Compliance Officers' Annual Reports and the Internal Audit Reports on the prevention of money laundering and terrorist financing, published on 22 February 2017.

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

- Publication of the ESMA's extract on decisions concerning the enforcement of International Financial Reporting Standards.
- The Common Positions of the Supervisory Authorities on Frequently Asked Questions Concerning Prospectuses
- ESMA Public Statement 'European common enforcement priorities for 2016 financial statements.'
- Half-Yearly Financial Reports for the first half of the financial year - Content of the Interim Management Reports.
- Obligations arising from the Auditors' Law of 2017.
- Acquisition of a Legal Entity Identifier 'LEI'
- Publication of Directive DI 190-2007-01 of 2017 on the notification of major holdings in an Issuer.

4.4.4 Consultation papers

During 2017, CySEC prepared and published a series of consultation papers for stakeholders, concerning:

- Consultation Paper CP(2017-03) concerning amendments to the Anti-Money Laundering Law
- Consultation Paper CP(2017-02) – Replacing the legal framework governing the operation of the Investor Compensation Fund
- Consultation Paper CP(2017-01) – Strengthening the regulatory obligations of CIFs during the provision of investment services on binary products.

4.4.5 Forms and Other Documents

During 2017, updated Q&A documents concerning legislation related to CySEC duties, and updated documents on notifying significant changes to participation in an issuer for compliance with Articles 28, 30, 31, and 31A of Law L.190(I)/2007 and Directive D.190-2007-01 of 2017, were prepared and published on the CySEC website.

4.4.6 Communication with supervised entities/investors/interested parties

In 2017, the CySEC Legal Department received by market participants, investors, lawyers, auditors and other persons, a large number of queries on legal issues all of which have been dealt with. The Laws that gathered most questions are summarised on the table below.

Law	No. of Questions
Investment Services and Activities and Regulated Markets Law	450
Administrative Service Law	80
UCITS/AIFM/AIF Laws	100
Other Laws	150

4.5 INTERNATIONAL AND DOMESTIC COOPERATION

4.5.1. INTERNATIONAL COOPERATION

4.5.1.1 Permanent Representation of the Republic in Brussels

An Officer of the Legal Department is seconded to the Permanent Representation of the Republic of Cyprus in Brussels (Financial Services Attaché) to handle all issues of the EU Council in relation to financial services related and to the competence of CySEC.

The Financial Services Attaché represents Cyprus at EU Council meetings and works closely with the other EU institutions to promote the interests of Cyprus in dealing with issues falling within the competence of CySEC, as well as other government Departments.

4.5.1.2 European Securities and Markets Authority

The European Securities and Markets Authority – ESMA – is an independent Authority of the EU that contributes to the stability of the financial system of the EU that ensures the integrity, transparency, efficiency and the smooth operation of the securities markets and the enhancement of the protection of investors. ESMA enhances the cooperation between capital market Authorities, and the reinforcement of the protection of investors. ESMA enhances the cooperation between capital market Authorities and the various financial sectors by cooperating closely with the other European Competent Authorities in the banking and the insurance section and the professional pension schemes.

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

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

CySEC is in direct and close cooperation with ESMA on matters related to the transferable securities sector. CySEC participates at the highest level as a member of ESMA, since the members of ESMA are the heads of

the supervisory authorities of the capital markets of each EU Member State, and participates in the meetings of the administrative bodies, such as the Board of Supervisors and at experts' level with the participation of its Officers in various committees established within the framework of operation of ESMA. Subsequently, reference is made to the main governing bodies of ESMA and to the number of the committees and groups in which CySEC is involved.

Board of Supervisors and the Management Body

The ESMA Board of Supervisors consists of the heads or their authorized representatives of the 28 national authorities, with one observer from the European Commission, Norway, Iceland and Liechtenstein as well as a representative of EBA and EIOPA and a representative of the ESRB.

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

The Board of Supervisors meets about seven times per year to discuss significant issues that affect the securities markets in EU and CySEC participates through its Chairwoman.

The Management Board of ESMA consists of the ESMA Chair and a number of representatives of national competent Authorities. Furthermore, a representative of the European Commission participates as an observer. The Management Board ensures that ESMA accomplishes its mission.

Permanent Committee on Supervisory Convergence (former Review Panel)

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

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

In 2017, CySEC participated in 5 Committee meetings through the participation of a senior Officer and in 1 conference call session. At the same time, CySEC periodically provides the Committee with data concerning the above issues, so that it is evaluation on the basis of its quality and effectiveness in the practical implementation of EU legislation in the Cyprus securities market.

On 8 November 2017 the first meeting on Enforcement Workstream took place under the auspices of the Permanent Committee, with the participation of a Senior Officer from the Investigations and Market Surveillance Department.

Investors Protection and Intermediaries Standing Committee

The Investors Protection and Intermediaries Standing Committee deals with matters relating to the provision of investment services by investment firms (IFs) and credit institutions. It focuses on investor protection and specifically on professional ethics, distribution of investment products, investment advice and assessment of the suitability of the investor. Also, the Committee is responsible for training and technical advice to the European Commission, and for the preparation of technical standards, guidelines and recommendations on provisions of MiFID, governing investment services. In 2017, a Senior Officer of the Supervision Department participated in 5 meetings of the Standing Committee.

Secondary Markets Standing Committee

The Secondary Markets Standing Committee deals with the structure, transparency and the effective functioning of secondary markets for financial instruments, including trade execution platforms and OTC transactions. Additionally, this Committee draws up technical standards, guidelines and recommendations on matters within its competence. In 2016, an Officer of the Supervision Department participated in 8 meetings of the Standing Committee.

Post-Trading Standing Committee

The Post-Trading Standing Committee deals with the clearing and settlement of transactions in financial instruments. This Committee is responsible for processing and specialization of matters contained in Regulation 648/2012/EU on OTC derivatives, central counterparties and Transaction Log Files (European Markets Infrastructure Regulation - EMIR). In 2017, an Officer of the Supervision Department participated in 3 meetings of the Standing Committee.

Market and Integrity Standing Committee

The Market and Integrity Standing Committee undertakes ESMA's work on issues relating to market surveillance, implementation of legislation on financial instruments, to facilitate cooperation between national supervisory authorities and the exchange of information on investigations on market abuse. Regarding market surveillance, this Committee is working to enhance the efficiency and effectiveness of national supervisory authorities' market surveillance activities, including the use of various market surveillance tools (including analysis of transaction reports). The Standing Committee also has a forum in which national supervisory authorities can share their experiences on the supervision of the market and enforcement activities. Regarding cooperation, the Standing Committee is working to ensure the effective and timely cooperation in cross-border cases and to facilitate the exchange of information under the ESMA Multilateral Memorandum of Understanding. Finally, the Standing Committee has the responsibility of providing technical assistance to the European Commission, the adoption of technical standards, guidelines and recommendations on issues related to the integrity of markets (e.g. Directive on market abuse and short selling). In 2017, an Officer from the Market Surveillance and Investigations Department participated in 6 meetings of the Committee.

Market Data Standing Committee

The Market Data Standing Committee aims to enhance the quality of market data submitted to the National Supervisory Authorities and Transaction Log Files and is promoting supervisory convergence between supervisory authorities in their field of competence. This Committee also deals with the processing of technical standards, guidelines, and questions and answers on the review and implementation of reporting requirements arising from two important laws: the European Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) and the revised Directive on Markets in Financial Instruments (MiFID II) in order to achieve consistency, to the extent possible, avoid conflicts in reporting issues between the two laws. In 2017 a CySEC Officer of the IT and Operations Department participated in 2 meetings of the said Committee.

Corporate Reporting Standing Committee

The Corporate Reporting Standing Committee handles matters relating to the endorsement and enforcement of International Financial Reporting Standards in the EU, auditing of financial statements, as well as issues concerning the provision of periodic financial information, as derived from the European Directive for the

harmonization of transparency requirements. In 2017, CySEC participated via one Officer from the Issuers Department in 3 meetings and 1 teleconference of the said Committee.

European Enforcers Coordination Sessions of the Corporate Reporting Standing Committee

This Committee was initially established under Standard No.2 on financial information - coordination of enforcement activities and maintained under the ESMA Guidelines on enforcement of financial information. Participating are all the supervisory authorities of EU Member States which are responsible for the supervision of financial information, be they members of ESMA or not. In meetings the group discusses, among others, important decisions by each Supervisory Authority on enforcement of the implementation of International Financial Reporting Standards. During the year Officers from the Issuers Department participated in 7 meetings of this Group.

Corporate Finance Standing Committee

The Corporate Finance Standing Committee handles issues concerning the European Prospectus Directive, corporate governance, as well as certain aspects of the European Directive on the harmonization of transparency requirements such disclosures of holdings in Issuers. In connection with the European Directive on Prospectuses, the Standing Committee discusses issues arising from the practical implementation of the Directive and shall, where necessary, document the common positions of the supervisory authorities of ESMA members ('ESMA - Questions and Answers - Prospectuses'). In 2017, Officers from the Issuers Department participated in 2 meetings and 2 teleconferences of the said Committee.

Investment Management Standing Committee

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

Financial Innovation Standing Committee

The Financial Innovation Standing Committee coordinates the treatment and behaviour of national supervisory authorities, to new and innovative financial activities, and provides advice to ESMA on the adoption of guidelines and recommendations in order to promote supervisory convergence. In addition, Committee advises the issue of warnings or assumption of supervisory measures necessary to prevent damage to investors or risks to financial stability. Part of the Standing Committee's activities is the collection, analysis and reporting of investor trends. During the year, CySEC participated with Officers from the Policy and Authorisations Departments at 3 meetings and one conference call of the Committee.

Committee for Economic & Markets Analysis

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

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

- Report on Trends, Risks and Vulnerabilities (TRV) - a six-monthly, analytical report on Trends, Risks and Market Vulnerabilities.
- Risk Dashboard (RD) - Quarterly, summary report on the different segments/ categories and sources of market risks. During 2017, the Department of Statistics, Studies and Risk Management monitored remotely the progress of CEMA's work.

In 2017 Officers from the Risk Management and Statistics Department participated in 4 CEMA meetings and 2 joint meetings of CEMA members with members of the Group of Economic Advisers (GEA).

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

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

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

- Report on Trends, Risks and Vulnerabilities (TRV) - a six-monthly, analytical report on Trends, Risks and Market Vulnerabilities.
- Risk Dashboard (RD) - Quarterly, summary report on the different segments/ categories and sources of market risks. During 2017, the Department of Statistics, Studies and Risk Management monitored remotely the progress of CEMA's work.

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

Task Force on the provision of contracts for CFDs and other speculative products to retail clients

The Task Force on the provision of contracts for CFDs and other speculative products was set up on 10 June 2015 to address supervisory convergence in relation to the provision of CFDs, Forex and Binary Options (IPISC) for investor protection. The purpose of this specialized Working Group is to promote convergences in product surveillance through:

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

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

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

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

During 2017, an Officer of the Supervision Department participated in 5 meetings and a number of teleconferences.

Takeover Bids Network

An Officer from the Issuers Department also monitors the activities in the ESMA contact group on issues concerning Takeover Bids, in cooperation with the Legal Department. This contact group aims to exchange information and experience arising from the practical implementation of the Directive on Takeover Bids. In 2017, an Officer of the Issuers Department participated in 1 conference call of the said Network.

Group for the Exchange of Personnel among ESMA members

CySEC, through its Administration and Personnel Department, participates in the ESMA group responsible for the development of a common culture and cooperation between the Securities Commissions of the EU Member States. As part of this group, the project to establish a common policy for the exchange of personnel of ESMA members was implemented. Also, training in cooperation with the other two authorities of the EU financial sector, the European Banking Authority, which is responsible for credit institutions, and the European Insurance and Occupational Pensions Authority, which is responsible for insurance and occupational pension funds, was promoted. Within the above framework the study for the development of CySEC personnel education policy continued.

Information Technology Governance and Management Group

An Officer from the Information Technology and Operations Department participates in the ESMA Information Technology Governance and Management Group, which is working on the exchange of data and information between national supervisory authorities and ESMA. The Committee meets 4-5 times a year. In 2017 the Head of the CySEC IT and Operations Department participates in 6 Committee meetings.

4.5.1.3 European Systemic Risk Board

The European Systemic Risk Board (ESRB) is an independent body of the EU, whose mandate is the macroprudential oversight of the financial system of the EU as a whole. The establishment of this body, that concentrates the competencies for the oversight of the systemic risks in all financial sectors, was deemed necessary due to the internationalization of the financial markets and the contagion risk of financial crises. CySEC participates in ESRB meetings via its Vice-Chairman or a Senior Officer, under observer capacity.

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

The Risk Management and Statistics Department, within the framework of its competency to monitor and evaluate CySEC's external risks, including EU financial system risks, prepares the answers on behalf of CySEC for the Quarterly Systemic Risk Survey, that the Central Bank of Cyprus sends to the ESRB. Particularly, the CySEC positions and opinions on the risks faced by the financial system, especially securities markets and asset management, both in Cyprus and the EU are included.

4.5.1.4 International Organisation of Securities Commissions

The International Organization of Securities Commissions – IOSCO – is the international body that promotes the international cooperation among the securities regulators and it is the recognised global standards setter for the securities sector.

IOSCO members meet annually during the Annual Conference to discuss essential issues related to the global securities markets. The Annual Meeting for 2017 took place in Jamaica (14-18 May 2017), and CySEC participated via its Vice-Chairman. In the context of the Annual Session, IOSCO focused its attention on issues of challenges for strengthening the resilience of securities markets, dealing with financial misconduct, and the financing of the real economy through securities markets. In addition, during 2017 the CySEC Vice-Chairman participated in 2 meetings of the IOSCO European Regional Committee.

4.5.1.5 Signing of Memoranda of Understanding and Cooperation

By signing memoranda between the supervisory authorities of two countries a framework and close collaboration procedures are created to facilitate the exchange of information between supervisory authorities for the better promotion of goals and especially better supervision of transactions and activities in the securities markets. With the signing of these memoranda, fertile climate to promote the exchange of experiences, expertise and best practices that will positively contribute to the expansion and strengthening of supervisory procedures and practices is also created. These Memoranda reveal the mutual spirit of cooperation between CySEC and the national supervisory authorities of other countries, and the openness of their economies, contributing to the boosting of fertile business relations between Cyprus and the respective countries, to the benefit of their national securities markets.

To date CySEC has signed 20 bilateral Memoranda of Understanding and Cooperation, 48 Memoranda of Understanding and Cooperation with supervisory authorities outside the EU according to the European Directive on Alternative Investment Fund Managers (AIFMD) and is signatory to the Multilateral Memorandum of the European Supervisory Authority ESMA and the IOSCO.

In 2017, cooperation between IOSCO members was broadened and strengthened. There are currently 127 signatories to the IOSCO Multilateral Memorandum of Understanding (MMoU) and an additional 25 candidates under evaluation, which once they fulfil their commitments to legislative changes will be able to sign the IOSCO MMoU.

Signing of Memorandum of Understanding and Cooperation with the Abu Dhabi supervisory Authority

In July 2017 CySEC signed a bilateral Memorandum of Understanding and Cooperation with the respective supervisory Authority in Abu Dhabi, the Financial Services Regulatory Authority («FSRA»).

The signing of the Memorandum will further strengthen cooperation between the two supervisory Authorities and specifically aims to facilitating the exchange of information and expertise. The agreement establishes a cooperation framework between CySEC and the FSRA that facilitates effective investigations of possible violations of the Law. Both Authorities will cooperate closely to ensure the integrity of their markets, ensure the interests of investors, and promote healthy growth between their securities markets.

Signing of Memorandum of Understanding and Cooperation between CySEC and other Supervisory Authorities outside the EU in relation to the European Directive on AIFMs (AIFMD)

Within the framework of the Alternative Investment Fund Managers Law adopted on 4 July 2013, harmonizing European Directive 2011/61/EU on AIFMs into national law and the promotion of investments in this sector,

CySEC proceeded with the signing of Memoranda of Understanding and Cooperation for strengthening the supervision of AIFMs, with 48 supervisory authorities outside the EU. The Central Bank of Bahrain has been added to the list of Supervisory Authorities with which CySEC has already signed a Memorandum of Understanding on 26 January 2017. This list is presented in Annex B. The supervisory authorities of Qatar and Abu Dhabi are expected to be added to this list.

The existence of Memoranda between EU Member State supervisory authorities and their counterparts outside the EU, is a prerequisite of the European Directive for AIFMs to allow managers from third countries access to EU markets and to provide fund management, by delegation from the EU Managers.

The main objective of the signing of the Memoranda is to facilitate cross-border supervision of entities subject to the AIFMD and also an important step in the further development of the collective investment industry, as it permits AIFMDs from third countries to be provided in the EU. Also, these Memoranda contribute to an even closer supranational cooperation between supervisory authorities, facilitating the exchange of information, cross-border on-site investigations and mutual assistance in complying with the implementation of their respective supervisory laws. CySEC expects that cooperation in this field, will promote the growth of the market of collective investments in Cyprus by offering a variety of possibilities for the promotion of alternative investment products.

4.5.1.6 Cooperation and Exchange of Information between National Supervisory Authorities

In the context of international cooperation between the supervisory authorities of national securities markets, namely under the bilateral or multilateral Memoranda of Understanding and Cooperation that CySEC has signed with other countries, there is a need to handle a growing volume of requests for exchange of information and assistance.

The exchange of information concerns entities supervised by national supervisory authorities, who have a transnational scope of activities. For most of these requests, investigation and information gathering by the relevant national supervisory authority is required, including the need to lift the bank confidentiality of organizations or persons under investigation.

On the basis of the Memoranda signed by CySEC with the respective national supervisory authorities and with the various securities markets supervisory authorities and other relevant bodies abroad, CySEC also requests information on the operations of organizations and persons abroad, for purposes of its investigations. Many of these requests relate to assistance to the opinion-forming frame on “fitness and probity” of persons as part of the evaluation of their application for authorization. Other cases for the provision of assistance concern the exchange of views on interpretation and practical application of legislation, as well as sharing best practices and experiences in matters of supervision.

During 2017, CySEC cooperation with supervisory authorities and organizations abroad has intensified, given the growing volume of requests for investigation and the collection of information, on the basis of bilateral or multilateral Memoranda. The increased activity of firms providing investment services, mainly at a European level, either through the cross-border provision of investment services or through a tied agent or branch, has created the need for even closer cooperation and coordination between supervisory authorities.

The exchange of information and mutual assistance between supervisory authorities is important because it strengthens the supervision and investigation of potential violations of the law. In several cases there was the need for the lifting of bank confidentiality concerning organizations or persons under investigation. Also, at the stage of the application evaluation for authorization and in case of a subsequent change in the shareholder and management structure, numerous requests are sent for information in order to form an opinion on the “fitness and probity” of shareholders and directors.

Specifically, during 2017 CySEC received 371 (2016-306, 2015-274, 2014-233, 2013-180, 2012-104) incoming requests for assistance, that is, requests sent to CySEC by foreign supervisory authorities, and has sent 133 (2016-102, 2015-73, 2014 -71, 2013 – 98, 2012 – 51) outgoing requests, that is, requests with which CySEC requested information for its own purposes.

4.5.1.7 Participation in International Assessments and Questionnaires

Within the framework of the ESMA Standing Committee on Supervisory Convergence (formerly Review Panel), CySEC is involved in peer reviews by national supervisory authorities and self-assessment exercises, during which both the application of supervisory standards is examined, and the promotion of best practices. For 2017, the following evaluations were conducted:

Assessment by ESMA of the compliance function

During 2016 the ESMA Assessment Committee, which comprises by both ESMA personnel and experts from other supervisory authorities, begun the evaluation of supervisory practices by the 31 countries in the EEA, and the implementation of guidelines on compliance aspects of MiFID. The Assessment Committee also conducted on-site investigations in 5 countries, including Cyprus in March 2017. The findings of this investigation were published in November 2017 and will be utilised by ESMA in its efforts for further convergence of national competent authorities' practices.

Assessment by ESMA of regulatory compliance with respect to financial information

Within 2017 the assessment on ESMA Guidelines on enforcement of financial information was concluded. The findings of the assessment were published in July 2017 and will be utilised by ESMA in its efforts for further convergence of national competent authorities' practices.

Assessment by ESMA of guidelines on Exchange-Traded Funds – ETFs and other matters related to UCITS

In December 2017 ESMA proceeded with the collection of information by national competent authorities, within the framework of an evaluation to ensure that the use of efficient portfolio management – EPM techniques is in compliance with its guidelines, only a small number of national competent authorities will be called to respond to the entire self-evaluation questionnaire on supervisory practices and will be subject to on-site assessments.

Follow up on the results of past evaluations

Towards the end of 2017 the Assessment Committee proceeded with a follow-up to the suitability requirements assessment for when investment advice is provided to individual investors.

It should be noted that CySEC contributes to the positive evaluations of Cyprus by international bodies, such as the Council of Europe's MoneyVal Committee for the prevention of money laundering and terrorist financing.

4.5.1.8 Participation in projects

BARAC Project

CySEC participates in the «Blockchain technology for Algorithmic Regulation And Compliance» project, the aim of which is to examine the possible uses of Blockchain in the automation of compliance regulations in their various obligations through the use of algorithms. The project manager is the UCL Innovation Centre, and in addition to CySEC the CIIM, Financial Conduct Authority (FCA) and the R3 CEV consortium, which has more than 200 members in the public and private sector such as the Barclays Bank, RBS, HSBC and

Bank of America/Merrill Lynch, also participate. The R3 CEV consortium manages a platform based on blockchain technology and provides its members the capacity to develop innovative applications in financial and electronic trade.

Following various meetings between CySEC and the CIIM, as well as with representatives from the UCL that had visited Cyprus, the first official meeting on the project took place in London in December 2017. The Risk Management and Statistics Department participated through a teleconference, in cooperation with the UT Department. CySEC involvement in the project is expected to be strengthened during 2018..

4.5.2. Domestic Cooperation

4.5.2.1 Cooperation with Committees and Authorities in Cyprus

CySEC cooperates closely with all the competent Authorities of the financial services sector of Cyprus and other Authorities, while it maintains excellent relationships and cooperation with other interested parties and bodies. This facilitates the exercise of their respective duties and responsibilities, the exchange of information, and the provision of assistance between national competent Authorities.

CySEC has a close cooperation with the Ministry of Finance and participates in High Level Meetings of the Competent Authorities for the Cyprus Financial Sector, along with the Central Bank, the Insurance Authority and the Service for the Supervision and Development of Cooperative Institutions which aim to the exchange of information on issues related with their duties and responsibilities regarding the supervision of the financial sector. CySEC also participates through its Chair at the Cyprus Public Audit Oversight Board, which is the evolution of the Cyprus Public Audit Oversight Committee, to which CySEC has participated since 2012. The competencies of the Board, established on the basis of the 2017 Audit Law [L.53(I)/2017] in June 2017, are:

- The approval of and maintenance of a registry of approved auditors and audit offices
- The adoption of standards of professional ethics and internal quality control of audit offices and audit standards
- The continuous training, ensuring quality, and observance of investigation and sanction systems.
- In the exercise of its responsibilities, CySEC may also cooperate with the Legal Service of the Republic, the Cyprus Police and the Office of Financial Crime Investigation, the Companies Registrar, the Courts etc.

CySEC is in constant communication, consults and takes the views and suggestions of organised groups, bodies and associations, such as the Pancyprian Investors' Association, the CIF Association, the Cyprus Bar Association, the Cyprus Institute of Certified Public Accountants and many others. Furthermore, CySEC cooperated with the Cypriot Consumers Association in the context of its program of investor education lectures in securities market issues.

There is also close cooperation between CySEC and the Cyprus Investment Promotion Agency, CIPA, in relation to the proper representation of the securities market and its regulatory framework abroad.

CySEC participates in the Consulting Committee on the application of the sanctions resulting from the United Nations Security Council Resolutions and the restrictive measures of EU Regulations.

CySEC representatives participate in the Administrative Committee of the Investor Compensation Fund, which is responsible for the management of the CIFs' and IFs' Investor Compensation Fund.

CySEC closely cooperates with other domestic supervisory Authorities and the Unit for Combatting Money Laundering (MOKAS) regarding issues on preventing money laundering and terrorist financing, and in the Technical Committee of the Competent Authorities which examines issues in relation with the supervision of the financial sector regarding the prevention of money laundering and terrorist financing.

CySEC participates in the Consulting Authority for the Prevention of Money Laundering and Terrorist Financing that has been established according with article 56 of the Law. The Authority competencies are:

- Examines new measures, such as legislation amendments,
- Briefs the Council of Ministers on measures adopted and on the general policy implemented to combat money laundering and terrorist financing,
- Consults the Council of Ministers on additional measures, which it believes must be adopted for the better implementation of the relevant law,
- Promotes the Republic internationally as a country compliant with all Conventions, resolutions and decisions by international organisations in relation to combatting money laundering and terrorist financing,
- Defines countries outside the EEA that implement processes and measures for the prevention of money laundering and terrorist financing equal to the requirements of the relevant EU Directive. For this purpose, it implements all relevant European Commission decisions, according to article 40(4) of the European Directive. Furthermore, it notifies its decision to the relevant Supervisory Authorities, for its notification to people subject to their supervision.

Furthermore, CySEC participates in the Extended Special Technical Committee of Cypriot Supervisory Authorities for purposes of preventing money laundering and terrorist financing, as those are defined in article 59 of the Law. The main competencies of the Technical Committee are the identification, discussion, and examination of issues concerning the supervisory authorities, so as to set common interpretation, response, and handling.

Within the framework of cooperation with the other supervisory authorities of Cyprus, CySEC participates in the ad-hoc transposition group specifically set up to study the adoption of the 4th European Directive 2015/849 and its incorporation into national legislation.

Furthermore, within the framework of the Memorandum of Cooperation between the Central Bank of Cyprus and CySEC, CySEC provides statistics on CIFs to the Central Bank of Cyprus Statistics Department.

4.6 INVESTOR PROTECTION

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

4.6.1 National legislation harmonisation with European Directives

One way in which investors are protected is the prompt harmonisation of the national regulatory framework with European Directives. This ensures that the regulatory framework for the provision of investment services in Cyprus and the level of investors' protection is of the same standard as that which applies in other EU Member States.

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

4.6.2 Regulatory framework in accordance with MiFID II

The provision of investment services in Cyprus and the activities of CIFs are regulated as of January 2018 by the new Investment Services and Activities and Regulated Markets Law of 2017 (L.87(I)/2017), with which the Cyprus law was harmonized with Directive 2014/65/EU. Directive 2014/65/EU replaces Directive 2004/39/EU, transposed into Cyprus national law with Law L.144(I)/2007. Further details are included in Section «4.4 Upgrading the Legislative Framework, 4.4.1 Legislation.»

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

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

4.6.4 Dealing with violations in relation with the provision of investment services by non-regulated entities

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

Furthermore, CySEC has established an electronic system for the submission of complaints against authorised CIFs and non-regulated entities, in order to facilitate investors in the submission of their complaints. Around the end of 2015, CySEC issued a clarifying announcement in relation to the way in which complaints are submitted, having in mind the operation of the Financial Services Ombudsman. In its announcement to investors, it is also clarified that CySEC does not investigate complaints on an individual basis, but those are taken into consideration as part of the exercise of CySEC’s supervisory duties.

4.6.5 Public education

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

In addition to benefits on an individual level, financial education also has significant benefits for society and the economy as a whole. An informed investor is expected to take correct decisions, reducing risk when it comes to their money, and as such reducing the possibility of greater financial loss, that under certain circumstances can lead to bankruptcy.

Financial education is particularly necessary in these times, when the complexity and availability of financial products and services continues to increase, securities markets are moving at a fast pace, are rapidly evolving

and fluctuating and globalisation and open markets have multiplied opportunities as well as risks. Additionally, the economic needs of individuals have also become more complex and are creating a greater need for the correct management of their funds.

CySEC is promoting the education of the public on securities market matters through various means. For this purpose, CySEC maintains a special section on its website dedicated to investors, and with educational information, advice, and warnings issued by CySEC and other authorities added periodically. Additionally, CySEC publishes in newspapers, economic magazines, and various websites informative article for investors. Also, CySEC organises lectures and presentations open to the public, the dates of which are announced on its website.

CySEC's actions and mode of operation on educating the public have been decided according to the findings of a Cyprus market survey, conducted in 2010 and repeated in 2014, with the aim of determining the public's knowledge of matters related with the securities market and investments in securities.

Within 2017 weight was placed on the continuous provision of information to investors, focusing on the new legislative framework governing investment services, while CySEC regularly publishes in newspapers, economic magazines, and websites articles informative to investors.

4.6.6 Proposal for the introduction of financial education in schools

Within 2017 CySEC officers met with Ministry of Education officers, discussing the promotion of a CySEC proposal from 2016 for the introduction of classes in financial education as part of the Lyceum curriculum.

In March 2016, following the request of the Ministry of Education, CySEC contributed to the revision of the Finance classes taught at Lyceum level, and specifically to the revision of the chapter concerning the securities market.

On 25 May 2016, in a letter to the Minister of Education, CySEC proposed the introduction of a Basic Economics – Financial Knowledge class, as a core class for Lyceum students. The aim of the proposal is for Cypriot citizens to be equipped from a young age with knowledge necessary for their development into economically active citizens. Also, the smooth operation of the financial sector and investor protection are not ensured only by a comprehensive legislative and supervisory framework, but also by the ability of each individual investor to evaluate the risks and performance of different investment options. CySEC, as one of the financial sector supervisory authorities with the strategic aim of ensuring investor protection and the healthy growth of the Cyprus securities market, considers its duty to take all necessary actions so that each Cypriot citizen is adequately informed of their rights in the management of their finances.

4.6.7 Warnings to investors

CySEC on 21 December 2017 issued an announcement warning investors and the wider public that the websites included in the below list are not maintained by CIFs licensed by CySEC for the provision of investment services. The aim of the warning was to inform investors so as not to cooperate with these websites, and in general to exercise caution in selecting a company for the provision of investment services. More details are included in section 4.3.2, entitled Investor Complaint Investigation.

Further to the warnings included in section 4.3.2, CySEC during 2017 issued new warnings regarding the risk from investing in complex products and virtual currencies. Investor are often not in a position to fully comprehend how virtual currencies and complex financial products work, which at times are advertised through attractive slogans and promises of high yields. As such, CySEC in relevant announcements stresses that if investors do not fully comprehend the basic characteristics of the offered product or its risks it is preferable to avoid investing in them. In the case of virtual currencies, it is stressed that those entail large risks, are not backed by any physical asset, are not regulated by EU law, and do not offer any legal protection to investors.

4.7 MARKET SUPPORT AND DEVELOPMENT

4.7.1 Promotion of Cyprus Securities Market in Cyprus and abroad

In 2017 the interest and the submission of applications for licensing by CySEC of new supervised entities continued unabated, which reflects the fact that the financial sector will continue to contribute positively to the wider services sector and to the Cypriot economy as a whole. The applications submitted are from Cyprus and abroad and concern the licensing of new companies that will be active both in the provision of investment services and in the field of administrative services. This shows that Cyprus continues to have substantial benefits and is an attractive investment destination. However, many challenges remain and hard work and collective effort is needed by all bodies.

For this reason, CySEC supports the actions of the Cyprus Investment Promotion Agency (CIPA) in terms of a coordinated effort for the promotion of Cyprus abroad as a trusted investment destination. CySEC's role in this purpose includes the presentation of the regulatory and supervisory framework governing the Cyprus securities market at various conferences organized by CIPA or other entities in Cyprus and abroad. Specifically, in 2017, the Chair and Vice-Chair of CySEC have participated as speakers, among others, in 36 events in Cyprus and abroad, the subject of which was related to the institutional framework of the Cyprus securities market.

At the same time, 16 interviews, quotes or clarifications have been provided in financial media in Cyprus and abroad referring to developments in the Cyprus securities market. In addition, 15 articles have been written which aimed at illustrating the regulatory and supervisory environment, while in another 50 cases, information and/or statements referring to the securities market have been published in local and international financial brochures, websites and news portals

4.8 Risk Management, Statistical Analysis, and Studies

4.8.1 Risk Management

Risk management is at the core of every organisation's strategy management. It is the continuous and evolving process with which organisations approach risks related to older, current, and particularly future activities methodically and systematically, so as to achieve benefit in every activity at organisation level.

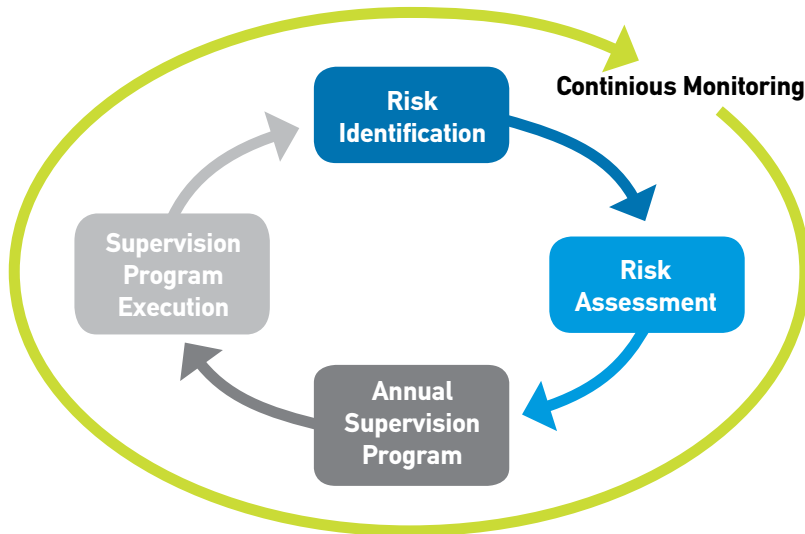
4.8.1.1 Risk Based Supervisory Framework (RBS-F)

Between 2012-2016 CySEC proceeded with the establishment and gradual implementation of a framework for the supervision of licensed entities on the basis of their risk management. Specifically, this framework (Risk Based Supervision Framework, RBS-F) allows CySEC to determine the way in which supervision is exercised, taking into account and evaluating the risks faced by each supervised entity and their importance, so as to focus supervision on entities that have the greatest risks.

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

Within the framework of RBS-F implementation the risk evaluation cycle, as described in Diagram 15 and developed on the basis of international risk management practices, is implemented for each supervised entity category on an annual basis.

Diagram 15



During 2017, within the framework of this annual risk evaluation cycle for supervised entities, the following took place:

1. Risk Identification

The recognition of new risks that arise from factors such as changes in legislation and the market environment, as well as changed risks such as risk concentration and market size takes place annually. The aim is always to recognize all the major risks associated with CySEC supervised entities and the environment in which it operates. Next, the new risks are parameterized and included in the data collection documents, on the basis of the RBS-F database and the eGRC software used for RBS-F purposes.

Additionally, on the basis of a specialised Calibration Tool, the verification and recalibration of the risk evaluation calculation model for supervised entities takes place.

2. Risk Assessment

CySEC proceeded with the collection of quantitative data from all supervised entities in relation to their risk evaluation. The data was utilised for the calculation of the risk for supervised entities on the basis of software developed for this purpose. Supervised entities were subsequently categorised as Low, Medium Low, Medium High and High risk. The calculation takes into account the impact and probability of the risk.

Evaluation of Supervised Entity Risk	
	High
	Medium High
	Medium Low
	Low

3. Annual Supervision Programme

On the basis of the risk profile of supervised entities, Risk Reports are prepared that form the basis for the annual supervision plans for the relevant CySEC Departments. The purpose is to deal with the risks that arise for various supervised entities according to their risk profile (Risk Mitigation).

4. Supervision Programme Execution

The relevant CySEC Departments implemented their plans for the annual supervisory checks at supervised entities. The execution of the supervision programme, as well as possible issues that may arise, are monitored by the Executive Committee established for this purpose.

5. Continuous Monitoring

The implementation of the RBS-F is continuously monitored by the Risk Management and Statistics Department, in order to be constantly updated so as to ensure the proper management of supervised entity risks.

The relevant Executive Committee is also informed of the framework update, the members of which can decide on possible actions necessary for achieving its goals.

4.8.1.2 Establishment and operation of Executive Committee for the monitoring of the RBS-F implementation

The Executive Committee for the monitoring of the implementation of the RBS-F supervisory framework, established in 2016, has as its main purpose the monitoring of the implementation, upgrade, and resolution of matters that concern the supervisory framework. The Committee is comprised of the CySEC Chairman and Vice-Chairman, Risk Owners, and the Risk Management and Statistics Department. The Risk Management and Statistics Department assumes the role of coordinating and organising the Executive Committee meetings which include, among others, defining and preparing the agenda and observance of the minutes of the meetings.

The Executive Committee duties and responsibilities include among others:

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

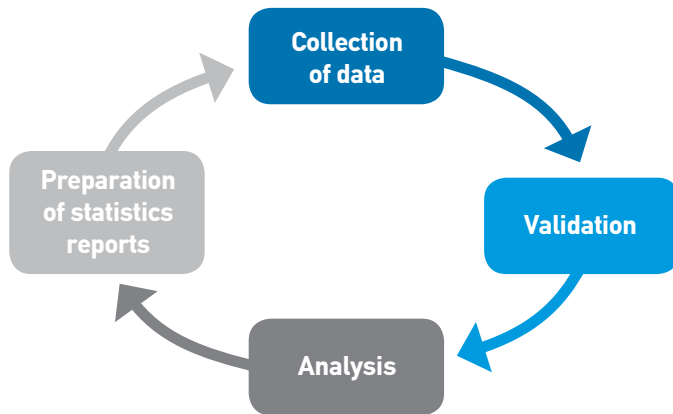
The Executive Committee, which is planned to meet every quarter or whenever the need arises, met for a total of four times in 2017.

4.8.2 Statistical Analysis and Studies

One of the duties of the Risk Management and Statistics Department (RMSD) is the collection and statistical analysis of data, the preparation of reports and special studies, as well as the management of information with the aim of reinforcing the supervisory role and the strategic goals of CySEC.

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

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



The RMSD during 2017 proceeded with the following:

- Preparation of documents T190/001 and T190/002 addressed to companies listed in the CSE, and companies listed in European Regulated Markets and for which Cyprus is the country of origin, for RBS-F purposes.
- Preparation of document T144/003, addressed to CIFs managing Collective Investment Funds.
- Creation of databases and specialised software that presents data collected by documents T190/001, T190/002 and T144/003. For other data collection documents issued by the Risk Management and Statistics Department the relative infrastructure is already in place.
- Publication of circulars, FAQ documents, and other documents on the CySEC website for the electronic submission of data by supervised entities.
- Continuous communication with supervised entities for the resolution of questions, provision of clarifications, and responding to various issues that may arise during the completion of the documents or their submitting to the Transaction Reporting System ('TRS').
- Collection of data from the below supervised entities, for purposes of evaluating risks in the implementation of RBS-F:

A/A	Supervised Entity Type	Document Name	Number of Supervised Entities
1)	Administrative Service Provider ('ASP')	T196/001	145
2)	Cyprus Investment Firm ('CIF')	T144/001	191
3)	Collective Investment Trading Managers ('UCITS Managers')	T56-78-131-002	47
4)	Local listed companies	T190/001	72
5)	International listed companies	T190/002	11
Total number of supervised entities for RBS-F purposes			466

- Collection of data from CIFs quarterly, regarding clients' money and financial services, as well as many other statistics according to document T144/002 ('quarterly statistics').
- Preparation of statistics concerning CIFs for the Central Bank of Cyprus Statistics Department, within the framework of the Memorandum of Cooperation with CySEC.
- Collection of data for 2016 from 15 CIFs that managed collective investments, according to document T144/003.

- Validation and statistical analysis of data collected from supervised entities through various documents.
- Preparation of internal memos and reports, as well as of the annual statistical bulletin, for the presentation of statistical analysis of the data collected from supervised entities to the CySEC Board and personnel.
- Provision of assistance and support, and preparation of various ad-hoc reports, for other CySEC Departments concerning the collection and processing of information that concern supervised entities.
- Identification of important CIFs for 2016 according to Circular E228 and on the basis of document T144/001 ('RBS-F Form') submitted by CIFs, and preparation of the relevant internal memo for briefing the CySEC Board and personnel. It is CySEC policy to implement an objective definition with pre-set criteria and limits, that define which CIF is considered important.

Furthermore, in an attempt to upgrade the completeness and reliability of these reports, as well as to reduce the time required to prepare them, the Department recommended and proceeded with the gradual implementation of the creation of electronic reports, - through the SAS Visual Analytics platform software - which are interactive and have the capacity to automatically update information. For the creation of these electronic reports the following were made:

- Cooperation with the IT Department for the correct transfer of data from various forms/reports to the SAS Visual Analytics software, in such a way as to allow the automatic update of data.
- Study and practice of the Department personnel to the use of the SAS Visual Analytics software, through workshops and inter-departmental discussions for the correct and effective of such interactive reports.

4.8.3 Categorisation of CIFs

The CySEC Risk and Statistics Department proceeded with the formulation of a statistical model that can, through the association of various criteria, separate CIFs in two categories, Contract for Difference (CFD) and Traditional (TR).

4.8.4. Implementation of calibration for statistical analysis and evaluation of Risk Based Supervision Framework ('RBS-F') data from Investment Firms

Within the framework of the annual evaluation of the risk for supervised entities, for the implementation of the RBS-F, the data being used are evaluated so as to ensure that they comply with the defined data fitness/calibration.

4.8.5. Adoption of NCA guidelines 2016 72 on the characteristics of a Risk-based approach for matters concerning Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT)

The three European Supervisory Authorities (ESAs), specifically ESMA, the EBA, and EIOPA, issued on 16 November 2016 their Joint Guidelines NCA 2016 72 on the characteristics of a methodology on Risk-Based AML/CFT Supervision.

The Guidelines aim to provide a common European basis for the implementation of a methodology for the risk-based AML/CFT supervision, as defined in Directive (EU) 2015/849 (known as Fourth EU Anti-Money Laundering Directive, 4AMLD) and the relevant recommendations of the Financial Action Task Force ('FATF').

Specifically, the main goal of the Guidelines is to establish a common understanding on Risk-Based AML/CFT Supervision and implement common and effective practices by all member states. Within this framework National Supervisory Authorities have to take into account the nature and size of the businesses they supervise, and to implement specialised supervisory measures where it is deemed necessary.

4.8.6. Information on the National Risk Assessment ('NRA') report on the preventing money laundering and terrorist financing

Throughout 2017, meetings were held with the rest of the project's stakeholders to finalize and publish the NRA Report, which will include the individual reports of all the groups together with the Action Plans. Publication of the NRA Report is expected to be made in 2018.

In line with International Financial Action Task Force (FATF) anti-money laundering and terrorist financing standards, each country is required to assess the relevant risks it faces for these purposes and to promote measures addressing them. To this end, a special committee was established to prepare a National Risk Assessment report. In addition to CySEC, all relevant actors in Cyprus are involved, such as the other domestic supervisory authorities, MOKAS, the Police, as well as representatives from the private sector.

4.8.7. Preparation and Publication of Regulated Entities Handbook and Listed Companies Handbook on RBS-F

Within the framework of informing CySEC supervised entities on the implementation of the Risk Based Supervision Framework-'RBS-F', two informative publications and handbooks have been prepared and published on the CySEC website.

The first publication concerns CIFs, ASPs, and Management Companies.

<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=942e2383-5f14-4eb6-84b5-12927ee651b7>

The second publication concerns CSE Listed Companies, and companies for which Cyprus is the home company and are listed in Regulated Markets in the European Economic Area.

<https://www.cysec.gov.cy/CMSPages/GetFile.aspx?guid=f8d85d16-9f83-4c77-b801-1714765be9c5>

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5.1 PERSONNEL TRAINING

CySEC ensures the continuous training of its personnel through seminars organised at the CySEC offices or through personnel participation to various select seminars and conferences in Cyprus and abroad. CySEC also participates in the eLearning programme, offered by ESMA.

During 2017, CySEC personnel participated in seminars on the following topics:

- IFRS Update refreshing seminar
- Microsoft Excel expert level
- Communication and Interpersonal Effectiveness
- Seminar related to Public Procurement
- ESMA seminar in the area of major holdings
- ICPAC Seminar - IFRS updates for 15, 9,4,16 and 17 as well as Regulatory and EU updates
- ICPAC seminar - IFRS 15- Revenue Recognition
- ICPAC seminar - "False Assurance" and the Directors' changing responsibilities
- Internal seminar - The new European regulatory framework on markets in financial instruments.
- Internal seminar - MiFID Product Governance
- Promotion of Financial Products – Marketing Compliance
- Blockchain Technologies
- Investors Protection – MiFID II
- Corporate Governance
- Cryptocurrencies
- Trading Book issues and Market Infrastructure
- How safe is your business?
- Cyprus Anti-Financial Crime Symposium
- Anti-money laundering and countering the financing of terrorism
- Seminar on the new Auditors Report
- International Innovation Seminar
- The Future of Corporate Governance: New regulations, Best practices and Corporate Culture
- Product Governance and Investor Protection under the new regulatory framework of MiFID II/MiFIR
- Reporting Corporate Responsibility and Sustainability
- Cyber Security and Social Engineering
- Decentralized 2017 - Blockchain Conference
- 8th Pension Forum
- Introduction to Enterprise Risk Management
- Effective Organisation and Office Management

Additionally, additional internal seminars were organised for CySEC personnel according to their thematology and field of interest. Indicatively, the Risk and Statistics Department organised two educational seminars on the use of the eGRC platform and the RBS-F supervisory framework.

5.2 CHANGES IN ORGANISATIONAL STRUCTURE

Establishment of new structure for the future development of CySEC

The reconfiguration of the CySEC structure was necessary due to the additional competencies in CySEC's mandate, the inclusion of new organisations in the sphere of CySEC supervision mandate, the increase in the number, volume, and complexity of existing supervised entities, and the increased legal obligations of supervised entities according to the latest European Directives.

In order to respond to the increased obligations because of the abovementioned reasons, CySEC needs additional personnel and a rational internal structure that ensures as much as possible the productive use of the human resources that CySEC has or will have in the future.

Therefore, aiming to make CySEC more effective and flexible in its operations, the reorganisation that started in 2012 continued with the creation of a new organisational chart. This new organisational chart is expected to contribute to the assimilation and more effective utilisation of the additional personnel that CySEC requires and is expected to employ in the near future. As part of preparations for this new organisational chart, a study of the organisational charts of other Competent Supervisory Authorities in the EU and other third states took place. Also, the need for CySEC to gradually increase gradually its personnel over the next five years, on the basis of current data on the supervisory front, was taken into account. Any needs that may arise in addition to those included in the new organisational chart will be covered through the ad-hoc provision of services.

As part of planning for the new CySEC organisational structure, CySEC was strengthened with five Officers and one Assistant Office Administrator.

5.3 INFRASTRUCTURE PROJECTS

5.3.1 Upgrade of Document Management System (eOASIS)

During the year the better organisation and connection of the Document Management System (eOAS) with the CySEC Internet Gateway continued.

The said Document Management System is becoming increasingly important and a central part of Information Systems in CySEC, as it contributes to the proper and efficient governance of the information necessary for CySEC's operation.

Specifically, the CySEC Document Management System is utilised for the following functions:

- Create, receive, and organise data
- Workflow processing, distribution and control
- Disseminating information to users
- Frequent save and back-up creation

5.3.2 Design and creation of an Online Document Submission Portal

This CySEC project aims at the provision to regulated entities of the possibility to submit electronically documentation (applications, documents etc.) as required for them to do so.

The project aims the creation of an online portal to allow for:

- Regulated entities to submit in electronic version the documentation required by them to do so, by the use of appropriate electronic forms.

- The submission of electronic forms, digitally signed by the use of Secure Signature Creation Devices and Qualified Certificates.
- The transfer of such digitally signed forms submitted, to the Archiving System of CySEC in an automated method (with no human intervention).

In 2017, the Online Document Submission Portal has been further expanded by enabling the online submission of additional documents relating to ASPs and Issuers. This particular IT system provides full compatibility with the eOASIS document management system so that the submitted documents end up promptly to the end user for processing.

Through the system, supervised entities have the ability to see whether the submission of the documents has been successful, which enables them to be certain that submission deadlines are met.

5.3.3 Support of Supervisory Framework on the basis of Risk Management

During 2017 the proper and unobstructed operation and support of the eGRC IT system for the purposes of the Risk Based Supervision Framework – ‘RBS-F’ continued.

The IT Department offers continuous support to ensure the smooth operation of the system, and specifically provides:

- Technical support for the smooth operation of the system.
- Training to new users on the use of system.
- Entry of new Regulated Entities along with their corresponding risk measurements, in relation to the field in which they are active.

The IT and Operations Department took part in training for the creation of new framework, as well as the formulation of the current framework. The Department also participated in training so as to better manage the SAS platform used by the eGRC.

5.3.4 Data on Supervised Entities

During 2017 the CIF Record Content System was implemented, which is part of the CySEC Portal and provides CIFs a user-friendly interface for the effective entry and submission of data. CIFs have the capacity to update in real time CySEC on their corporate data, providing a timely picture of any changes that concern them, including information on their directors, shareholders, and organisational structure. The system is based on Forms divided in various groupings so as to increase the information provided by CIFs to CySEC.

During 2018, according to planning, the system will include the submission of information by Alternative Investment Fund Managers, and at a later stage will be extended to all supervised entities.

5.3.5 Transaction Reporting IT System

With the enactment of MiFIR, CIFs are obliged as of January 2018 to provide CySEC with additional information on transactions, either direct or indirect, through approved transaction reporting mechanisms (ARMs) licensed by CySEC. For this purpose, within 2017 CySEC amended the Transactions Reporting System and the databases for the storage of data so as to support the additional information provided. Specifically, the new Investment Services Law relevant Regulation extends the fields that will need to be reported for any transaction from 23 to 65. The information is extended to the reporting of transactions on regulated markets and Multilateral Trading Facilities such as the Cyprus Stock Exchange NEW MARKET, as well as to transactions of CIFs outside regulated markets.

Transactions are exchanged among supervising Authorities through similar IT Systems (Transactions Reporting

Systems-TRS) in order for Authorities to detect and investigate possible market abuse cases, and to ensure the fair and smooth operation of markets.

At the end of 2017 CIFs had the capacity to participate in a virtual reporting environment for the new transactions, so as to determine if their systems are ready for this new obligation.

During 2018 the system will produce specialised reports so as to determine the quality of provided information, the compliance of CIFs with the provisions of the Law, as well as to allow for the investigation of possible market manipulation violations.

5.3.6 Financial Instruments Reference Data IT System

Within the framework of the implementation of the new Investment Services Law, enacted on 3 January 2018, CySEC assigned to ESMA the FIRDS project, which is directly associated to the Transactions Reporting Systems (TRS). Through the FIRDS system ESMA collects, stores, and verifies qualitative and quantitative information on all financial instruments, and provides this information to national Supervisory Authorities.

Additionally, within 2017 CySEC developed part of this system locally, collecting and processing the information transferred from the ESMA system and incorporating the specific information to the TRS for the proper routing of financial instruments.

5.3.7 AIF/AIFM data system

Alternative Investment Fund Managers are obliged to provide CySEC, during a specified period, information concerning the funds that they manage, which in turn is sent to ESMA.

During 2017 validation checks were added for submitted data so as to ensure that they are in line with ESMA checks. Additionally, the data already provided to ESMA and concern the specific Funds have been updated, so as to be in line with the codes issued by the Authorisations Department.

During 2018 the reports concerning the specific Funds will be updated and will be used by the Supervision Department so as to facilitate the supervision of the submitted data.

5.3.8 Special email addresses

Also, during 2017, in order to facilitate supervised entities and other involved partners, CySEC created special email addresses for Authorisations, Supervision, and technical matters on electronic systems, ahead of the implementation of MiFID II. Questions concerning new documents, new processes, the submission of data to CySEC, questions concerning legislation, and other relevant questions, were submitted to these email addresses

5.4 CySEC relocation

Initial CySEC planning was the letting of the entire building in which it is housed, so as to cover the needs of the additional personnel hired in 2016. Due to delay in the relocation of the Labour and Family Court, CySEC was forced to temporarily let part of a neighbouring building. At the same time, the process for letting a single building was initiated, with the approval of the Central Body for the Housing of State Services. The process is expected to be concluded within 2018.

5.5 SOCIAL RESPONSIBILITY

In recognition of the positive contribution of Corporate Social Responsibility (CSR) to society, CySEC has introduced in its long-term strategy various activities for the encouragement and support of various CSR events.

Since 2012 CSR actions are part of a comprehensive programme aiming to combine awareness, active support, and the commitment of CySEC employees towards their social responsibility, and in some cases other stakeholders.

CySEC welcomes the active involvement of its personnel in the formulation of specific proposals and the submission of ideas and suggestions, while efforts are being made for CSR actions to be characterised by a team spirit and collective effort with the involvement with as many CySEC employees as possible.

CySEC welcomes the active involvement of its personnel in the formulation of specific proposals and the submission of ideas and suggestions, while efforts are being made for CSR actions to be characterised by a team spirit and collective effort with the involvement with as many CySEC employees as possible.

5.5.1 Actions

CySEC personnel, in an effort to respond to their social responsibilities, have implemented various actions within the year.

«CySEC Gastronomic Charity Bazaar»

During 2017 the «CySEC Gastronomic Charity Bazaar» continued, with the sale of homemade sweets and savouries prepared by the CySEC staff, and all proceeds donated to charity.

Blood donation

On 13 January 2017, with the participation of 11 CySEC staff, and on 24 November 2017, with the participation of 13 staff, CySEC made voluntary blood donations to help meet the needs of the Engomi Blood Donation Center.



Support of Karaiskakeio Foundation

In order to support the Karaiskakeio Foundation, more than €300 was collected both from the sale of the «Eye 2017» and the «#GoOrange» bracelets.

Also, participation of personnel in the «PLAY THE ARSENAL WAY...FOR A WORLD WITHOUT LEUKEMIA» event, organised by the Foundation, was encouraged.



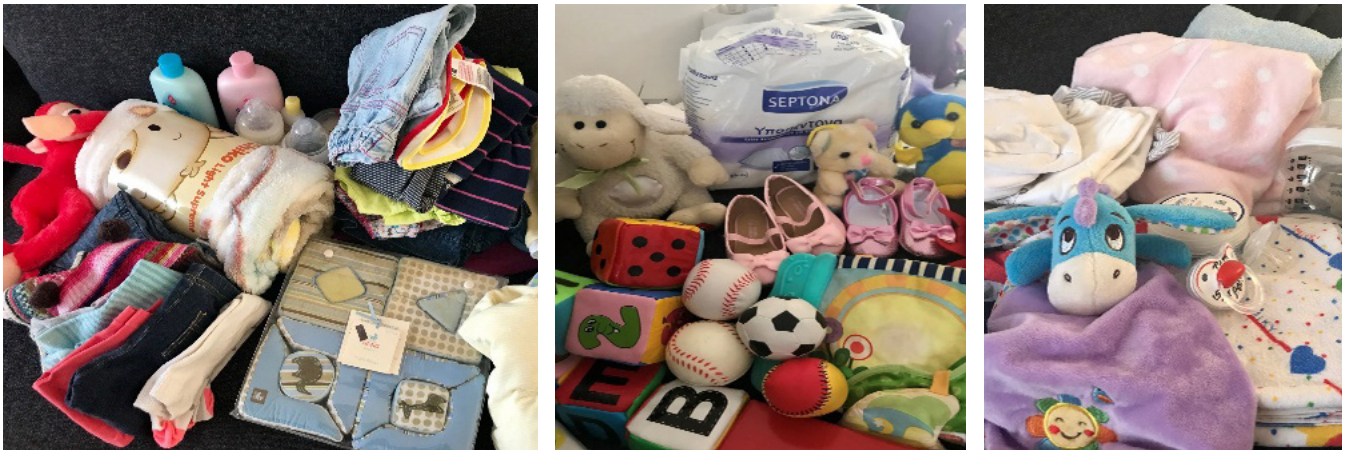
Supporting the campaign of the Pancyprian Volunteer Council “All Children with necessities for school”

Within the framework of the activities of the Pancyprian Volunteer Council, CySEC personnel contributed to the campaign “All Children with necessities for school,” collecting the necessary school equipment that was given for the support of less fortunate children.

Also, members of CySEC staff communicated directly with the Council and arranged the delivery of items requested by families facing hardship.

Collection of clothes, first need products, toys, and school items for the Red Cross

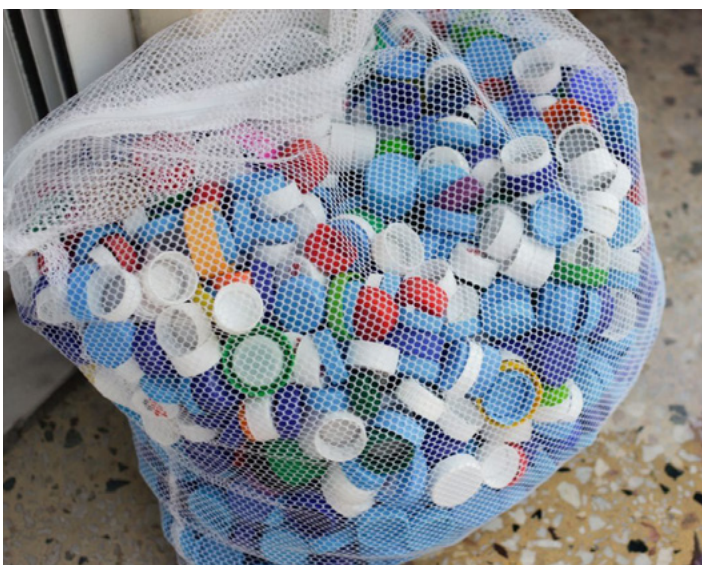
Furthermore, during the year CySEC personnel collected various toys, clothing, first need products, and school items for the children of families in need, which were collected by the Red Cross.



Personnel initiative for donations to families in need

CySEC personnel collected various items for children of a specific family facing serious problems, which were sent to the house of the family with a courier service. A deposit of financial assistance for the family was also made.

A similar initiative was undertaken by CySEC personnel for the provision of school items to children of a family from Greece that was facing problems.



Recycling

CySEC recycles various materials such as paper, plastic and batteries to help save both energy and raw materials and reduce the volume of waste and its impact on the environment. To this end, it keeps special recycling bins at various points within the CySEC building and recycles all paper it consumes. CySEC participates in the Green Dot Cyprus Packaging Recycling Program and recycles batteries, ink cartridges, printers and various other materials containing harmful substances for human health and the environment. With the collection and recycling of these materials the diffusion of these substances into the environment is avoided and energy and valuable natural resources are conserved.

Informing of CySEC staff on various other charity events

Members of CySEC staff, on their own initiative, inform their colleagues of various other charity events, campaigns, and other extraordinary needs that arise for the support of those in need. A few of those initiatives during 2017 included the march with pink figures, the event «Walking – Claiming with the Blind» in April 2017, information for the support of the Ayia Skepi Therapeutic Community, information on a charity movie screening and the promotion of tickets and raffles of the association «Children with Liver Disease» and the Cyprus Life Education Centre. Also, the charity dinner «Annual BBQ Charity Night! by the Foundation of Established Residential Units» was promoted. Within the framework of these promotional initiatives the sale of the Pancyprian Association for the Protection of Spastic and Disabled Children and the Cyprus Cancer Association bracelets/good luck charms were promoted.

Environmental protection and energy saving

CySEC adopts all the proposed measures/guidelines issued by the Energy Service of the Ministry of Energy, Trade, Industry and Tourism, as well as by the Cyprus Energy Foundation. Some of the measures adopted are (a) lighting timers, which automatically switch on the lights only when motion is detected in the room; and (b) adjustment of the lighting level to the desired amount of light for the various uses of a space (for example, there are special switches that enable switching only half of the lights in the building corridors). Also, the provisions contained in the tenders conducted by CySEC for the purchase of products provide for the purchase of environmentally friendly products. Older model light bulbs have also been replaced with LED lamps in common office spaces.

Raising awareness on social responsibility issues among CySEC personnel

During 2017 CySEC personnel received friendly reminders in relation to their responsibility on matters related to social responsibility, proposing ways in which money collected through collective efforts can be disseminated.

ANNEX A 95

ANNEX B 101



Annex A – Sanctions imposed by the CySEC Board during 2017

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Renos Hadjioannou Farm Public Company Ltd	(ex) Issuer of securities on the CSE	11.12.2017	6,250	For violation of L.190(I)/2007 on the Annual Economic Report for 2015
Modestou Sound & Vision Public Company Ltd	(ex) Issuer of securities on the CSE	11.12.2017	6,250	For violation of L.190(I)/2007 on the Annual Economic Report for 2015
Karyes Investments Public Company Ltd	Issuer of securities on the CSE	11.12.2017	3,500	For violation of L.190(I)/2007 on the Annual Economic Report for 2015
KDM Shipping Public Limited	Issuer of Securities on the Warsaw Stock Exchange	11.12.2017	2,000	For violation of L.190(I)/2007 on the Annual Economic Report for 2015
Iron FX Global Ltd (current Notesco Financial Services Ltd)	CIF	4.12.2017	2,000	For violation of L.144(I)/2007 on failure to submit economic reports for 2016 timely
Chesterfield Corporate Services Ltd	ASP	20.11.2017	20,000	For violation of L.188(I)/2007 and D144-2007-08 on the processes, duties of the compliance officer, and the responsibilities of the Board for the prevention money laundering offenses
Hoch Capital Ltd	CIF	20.11.2017	30,000	For violation of L.144(I)/2007 on professional ethics
Spot Capital Markets Ltd	CIF	20.11.2017	50,000	For violation of L.144(I)/2007 on professional ethics
Ioannis Vardinotiannis	Investor	13.11.2017	6,388,300	For violation of L.116(I)/2005 regarding his act as a holder of confidential information (case of acquisition of shares of Megabet Public Company Ltd)
Emilia Vardinoyianni	Investor	13.11.2017	50,000	For violation of L.73(I)/2009 concerning misleading/false statements to CySEC (case of acquisition of shares of Megabet Public Company Ltd)
Christodoulso Ellinas	Stockbroker	13.11.2017	20,000	For violation of L.73(I)/2009 concerning misleading/false statements to CySEC (case of acquisition of shares of Megabet Public Company Ltd)
Philippos Larkos	Stockbroker	13.11.2017	20,000	For violation of L.73(I)/2009 concerning misleading/false statements to CySEC (case of acquisition of shares of Megabet Public Company Ltd)
ICFD Ltd	CIF	13.11.2017	138,000	For violation of L.144(I)/2007, D144-2007-01, and D144-2007-02 concerning its operation
Pavel Krymov (Skopalino Finance Ltd -currently Concorde Investmenets (Cyprus) Ltd)	Shareholder	13.11.2017	10,000	For violation of L.144(I)/2007 concerning misleading/false information and/or concealing essential information from CySEC
Centraspot Trading Ltd	CIF	13.11.2017	50,000	For violation of L.144(I)/2007, D144-2007-01, and D144-2007-02 concerning its operation
Reliantco Investments Ltd	CIF	23.10.2017	95,000	For violation of L.144(I)/2007 on professional ethics

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Louis Plc	Issuer of securities on the CSE	25.9.2017	2,800	For violation of L.190(I)/2007 on the economic report for the first half of 2016
KDM Shipping Public Limited	Issuer of securities on the Warsaw Stock Exchange	25.9.2017	1,000	For violation of L.190(I)/2007 on the economic report for the first half of 2016
Agroton Public Ltd	Issuer of securities on the Warsaw Stock Exchange	25.9.2017	1,500	For violation of L.190(I)/2007 on the economic report for the first half of 2016
Asoted Services Ltd	ASP	25.9.2017	16,000	For violation of L.188(I)/2007 and D144-2007-08 on the processes, duties of the compliance officer, and the responsibilities of the Board for the prevention money laundering offenses
Bank of Cyprus Public Company Ltd (BOC)	(ex) Issuer of securities on the CSE	18.9.2017	15,000	For violation of L.190(I)/2007 and L.116(I)/2005 concerning the Annual Economic Report for 31.12.2011 (preparation/misleading information/market manipulation – sufficient provision for loan impairment)
Theodoros Aristodemou (Bank of Cyprus Public Company Ltd)	Board Chairman	18.9.2017	100,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Andreas Eliades (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	100,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Yiannis Kypri (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	70,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Yiannis Pehlivanides (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	70,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Stavros Constantinides (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	50,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Costas Severis (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	30,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
George Georgiades (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	30,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Irene Karamanou (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	30,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Manthos Mavrommatis (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	30,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Christis Hadjimitsis (Bank of Cyprus Public Company Ltd)	Deputy General Director	18.9.2017	70,000	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Andreas Artemi (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Vasilis G Rologis (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Costas Hadjipapas (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Christos Mouskis (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Elias Neokleous (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Evdokimos Xenophontos (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Anna Diogenous (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Nikolaos Tsakos (Bank of Cyprus Public Company Ltd)	Board Member	18.9.2017	0	For violation of L.190(I)/2007 on the Statement of Persons in the BOC Annual Economic Report for 31.12.2011 (sufficient provision for loan impairment)
Charalambos Kyritsis (UBFS Invest powered by Moneychoice Brokers Ltd-(ex) CIF)	Board Member	26.6.2017	10,000	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Lionsman Capital Markets (Cyprus) Ltd	(ex) CIF	19.6.2017	90,000	Settlement in suspicion of possible violations of L.144(I)/2007 and related Directives on the operation of the CIF
Cyprus Popular Bank Public Co Ltd (CPB)	(ex) Issuer of Securities on the CSE	8.5.2017	0	For violation of L.116(I)/2005, L.190(I)/2007, and L.114(I)/2005 on releasing economic results for 31.12.2010, 31.3.2011, 30.6.2011, 30.9.2011, the Annual Economic Report for 2010, the quarterly economic report for 31.3.2011, the six-month economic report for 30.6.2011, and the quarterly economic report for 30.9.2011 (preparation/misleading information/market manipulation – sufficient provision for loan impairment)

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Efthymios Bouloutas (Cyprus Popular Bank Public Co Ltd)	Chief Executive Officer	8.5.2017	200,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Christos Stylianides (Cyprus Popular Bank Public Co Ltd)	Deputy Chief Executive Officer	8.5.2017	200,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Neoklis Lysandrou (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	160,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Panayiotis Kounnis (Cyprus Popular Bank Public Co Ltd)	Deputy Chief Executive Officer	8.5.2017	140,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Eleftherios Hiliadakis (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	140,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Markos Foros (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	120,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Constantinos Mylonas (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	100,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Andreas Vgenopoulos (Cyprus Popular Bank Public Co Ltd)	Board Chairman	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Vasilios Theocharakis (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Platonas Lanitis (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Stelios Stylianou (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Hesham Al Quassin (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Fadel Al Ali (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Abdulrazaq Al Jassim (Cyprus Popular Bank Public Co Ltd)	Board Member	8.5.2017	0	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Annita Philippidou (Cyprus Popular Bank Public Co Ltd)	CFO	8.5.2017	80,000	For violation of L.190(I)/2007 on the Statement of Persons on the CPB Annual Economic Report for 2010 and the six-month Economic Report for 30.6.2011 (sufficient provision for loan impairment).
Mohammed Yahya Amin Al Ansari (Falcon Brokers Ltd-(ex) CIF)	Board Member/ Shareholder	27.3.2017	150,000 (prohibition of professional activity until 7/2022)	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Marwan El Daouk (Falcon Brokers Ltd-(ex) CIF)	Board Member	27.3.2017	25,000	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Khalid Ahmad Emran Abdo (Falcon Brokers Ltd-(ex) CIF)	Board Member	27.3.2017	10,000 (prohibition of professional activity until 7/2019)	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Wael Ata Elayyan Jaber (Falcon Brokers Ltd-(ex) CIF)	Board Member	27.3.2017	10,000 (prohibition of professional activity until 7/2019)	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
UR Trade Fix Ltd	CIF	13.3.2017	20,000	For violation of L. 144(I)/2007 on the provision of investment services not mentioned on the CIF license
Abdel Rahman Alimari (CommexFX Ltd-(ex) CIF)	Executive Director/ Shareholder	13.2.2017	200,000 (prohibition of professional activity until 6/2027)	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF – For fault, deliberate omission, and negligence on the non-compliance of CommexFX Ltd with L.144(I)/2007
Mohab Mohamed Taghian Radwn (CommexFX Ltd- (ex) CIF)	Responsible person	13.2.2017	50,000 (prohibition of professional activity until 6/2022)	For fault, deliberate omission, and negligence on the non-compliance of CommexFX Ltd with L.144(I)/2007

Legal Entity/Person	Capacity	Decision Date	Fine (€)	Reason
Stavros Hadjikyriakos (CommexFX Ltd-(ex) CIF)	Board Member	13.2.2017	45,000	For violation of L.144(I)/2007 and D-144-2007-01 on the proper/complete/accurate notification of information to CySEC, and in relation to the evaluation of policies, regulations, and processes implemented by the CIF
Anastasios Yiapanis (CommexFX Ltd-(ex) CIF)	Board Member	13.2.2017	15,000	For violation of D -144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Savvas Regas (CommexFX Ltd-(ex) CIF)	Internal Auditor	13.2.2017	20,000	For violation of L.144(I)/2007 on the proper/complete/accurate notification of information to CySEC – For fault and negligence on the non-compliance of CommexFX Ltd with L.144(I)/2007.
Vladimiro Germanos (CommexFX Ltd-(ex) CIF)	CFO	13.2.2017	20,000	For violation of L.144(I)/2007 on the proper/complete/accurate notification of information to CySEC – For fault and negligence on the non-compliance of CommexFX Ltd with L.144(I)/2007.
Emmanuel Ayoun	Proposed Board Member to CIF	6.2.2017	10,000 (prohibition of professional activity until 3/2022)	For violation of L.144(I)/2007 on the provision of false/misleading information to CySEC
Michel Pierre Salomon Teman (Pegase Capital Ltd-(ex) CIF)	Board Member/ Shareholder	6.2.2017	150,000 (prohibition of professional activity until 6/2022)	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Pantelis Ioakim (Pegase Capital Ltd-(ex) CIF)	Board Member	6.2.2017	25,000	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
George Miltiadous (Pegase Capital Ltd-(ex) CIF)	Board Member	6.2.2017	25,000	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Alexandra Aspri (Pegase Capital Ltd-(ex) CIF)	Board Member	6.2.2017	0	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Stavros Petrakides (Pegase Capital Ltd-(ex) CIF)	Board Member	6.2.2017	0	For violation of D-144-2007-01 on the evaluation of policies, regulations, and processes implemented by the CIF
Novox Capital Ltd	CIF	30.1.2017	5,000	For violation of L.144(I)/2007 on notifying essential changes to CySEC
PriorFx Ltd	CIF	23.1.2017	63,000	For violation of L.144(I)/2007, D144-2007-01, and D144-2007-02 on its operation

*The sum of administrative sanctions imposed by CySEC in 2017 is €9,430,600.

Appendix B – Supervisory Authorities outside the EU with which CySEC has signed Memoranda of Understanding and Cooperation in relation with the European Directive on AIFMs (AIFMD)

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

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