

ANNUAL REPORT 2015



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

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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

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CHAIRWOMAN STATEMENT



In 2015, the Cyprus economy returned to growth after three years of decline, with positive forecasts for 2016, and is expected to record a 2% to 2.5% GDP growth. Despite the positive signs for the economy, the challenges remain. We need to continue unabated the intensive and coordinated efforts to restore investor confidence in our country's financial system. It is particularly important to improve the assessments of the International Credit Rating Agencies, in order for Cyprus to return to investment grade, because only then institutional investors will further invest in the financial sector and other sectors of the economy that offer investment opportunities, with all the positive implication for the whole economy.

During 2015, the Cyprus Securities and Exchange Commission (CySEC) has continued its work to ensure the fair operation and healthy development of the Securities market. At the same time, CySEC worked intensively to complete investigations into the banking sector, emphasising on further improving the compliance of supervised entities, as well as the substantial improvement of the legal and supervisory framework governing their operations. In particular, emphasis was placed on investigating a large number of complex cases related to the banking system in order to achieve full transparency and to enable banks to regain their credibility. The investigation focused mainly on issues of incorrect or misleading disclosure or inclusion in the financial statements of the information banks, thereby jeopardizing the proper information available to investors. Already, the findings of the five CySEC investigations related to banks under investigation are before the Legal Service. For cases involving the banking sector, CySEC has already imposed a total of €9 mil. In administrative sanctions, however only €268,000 have been collected, because in many cases there is a suspension of the Court decision in favour of CySEC pending the Supreme Court decision on relevant appeals registered with it. The investigation of three more cases associated with the banking sector will continue as a priority in 2016. These cases relate to possible misleading statements, the evaluation of data that were included in the financial statements of previous years, as well as practices that may constitute manipulation of the market.

During 2015, we suspended the authorisation for 3 CIF for some time until their compliance, while in one case the CIF authorisation was revoked, imposing for the first time fines of €300,000 on executive directors and banning their activity in the financial sector for 5 years. Overall, fines of €2.66 million were imposed, and in two cases a settlement was reached for a total amount of €685,000.

A significant development in the upgrading and strengthening of the supervision of CIFs, is the full implementation of the Supervision Framework based on risk management (Risk Based Supervision Framework - RBSF). Through this framework, implemented in late 2015 and utilized in the preparation of the 2016 surveillance programme, focus is placed on those sectors and supervised entities with the greatest risks. In particular, supervised entities were categorized into high, medium and low risk, and according to their ranking the frequency and depth of monitoring controls for each organism will be determined. Recognizing the great

importance of the study and analysis of the data of organizations active in the securities market, CySEC decided to establish the Department of Statistics, Studies and Risk Management. The Department was also assigned the management, maintenance and upgrade of the RBSF.

Another important change in the organizational structure of CySEC, during the year, was the establishment and operation of a specialized Department that deals with checking the compliance of supervised entities in relation to their obligations to prevent money laundering and terrorist financing. The actions of CySEC, in addition to meeting the requirements of the Action Plan agreed with the Troika, contributed to our country's positive assessment by international bodies in relation to the prevention of money laundering.

With regard to Issuers listed on the CSE, given the ongoing difficult economic climate in 2015, several weaknesses in compliance with their obligations for the periodic information of investors were observed. Therefore, CySEC has stepped up checks and the monitoring of the compliance of Issuers with regard to the law on transparency requirements, and proceeded to investigate several cases of possible infringements. During the year, CySEC has examined and approved decisions by the CSE Council to suspend or continue the suspension of trading of Issuers' securities, as well as the delisting of 16 companies from the CSE.

As I already mentioned, in 2016 attention will be placed on the new approach to supervision of supervised entities on the basis of risk. On-site inspections will be conducted at riskier CIFs in all areas that concern them. In relation to medium risk CIFs, investigations will also be performed in all areas over a period of three years, while for lower risk CIFs thematic supervision will be exercised where there are reasons for concern, such as the reception of negative information or complaint. Also, the supervisory programme drawn up for 2016 includes conducting more on-site investigations covering topics for the promoting of financial products and services, as well as assessing the compatibility of CIFs. Additionally, it is expected that 19 on-site investigations of CIFs and ASPs will take place, specifically on AML issues. Moreover, during 2016, new circulars will be issued giving better information and guidance to supervised entities, while at the same time checks will begin on whether certified individuals meet their obligation for Continuous Professional Training. In the future, CySEC will proceed to de-certify individuals from the Register in cases where deficiencies are found. Our aim is for CySEC to act proactively, ensuring the proper functioning of the market, and the gravity of its decision to reflect the importance it attaches to the protection of investors and the credibility of the sector.

To make this possible, it is crucial to strengthen the CySEC with personnel, through the recruitment of additional permanent personnel. During 2015, CySEC proceeded with the recruitment of new personnel, with the recruitment process expected to be completed by June 2016. It also proceeded to the strengthening of its functions through the purchase of services and participation in the Human Resource Development Authority programme for the temporary employment of new graduates.

CySEC is also making continuous efforts to improve, upgrade and modernize the regulatory framework governing the securities market. During 2015, CySEC promoted and published a number of legislative amendments, and new laws have been prepared and promoted. Indicatively, two legislative amendments were published: the Alternative Investment Fund Managers (Amendment) Law of 2015, which harmonized the national legislation with the relevant European Directives and imposed stricter rules to control the managers, and the Open-Ended Collective Investment (Amendment) Law of 2015, which harmonized the national legislation with the relevant EU Directive and, in particular, allowing entities to act as custodians in Cyprus under certain conditions of capital adequacy and prudential supervision, allowing under certain conditions, the listing of Variable Capital Company shares in stock markets operating in a third country. Also, another important development is the adoption of the harmonization Act on Public Offerings, through which it establishes the framework for the recovery and resolution of credit institutions and investment firms. On the issue of UCITS, CySEC has prepared and submitted to the Legal Service a draft law concerning depositary functions, remuneration policies and sanctions as derived from the relevant European Directive.

Furthermore, during the year, amendments to the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007, of the Public Offer and Prospectus (Amendment) Act 2015 and the Investment Services and Activities and Regulated markets Law of 2007 on the harmonization of the very important European Directive on Markets in Financial Instruments (known as «MiFID II») was prepared and submitted.

Apart from the aforementioned Laws, CySEC prepared and published its own guidance for purposes of supplementing the legislative framework, and for the better functioning of the market, but also the timely and full compliance with Community acquis.

Despite the problems and difficulties that the economy continued to face in 2015, interest in the financial sector remained unabated. Indicative is the fact that, before CySEC are under examination 145 applications for authorization of new supervised entities, while supervised entities have already exceeded 550. This interest undeniably shows that Cyprus maintains substantial advantages and remains an attractive investment destination. However, for Cyprus to fully regain its credibility takes hard work and collective effort by all market participants.

With the aim of further development of the securities sector, leading among other things to the creation of new jobs – a key for the economic development of our country – CySEC in 2016 will proceed with the review and substantially improve the regulatory framework for collective investments with the integration of new regulated entities.

I would like to thank the CySEC personnel for the hard work and significant contribution to the achievement of CySEC's objectives. I would also like to warmly thank, for their continuous support and good cooperation, the Vice Chairman of CySEC, and the rest of the Board members. I would also like to thank Finance Minister Harris Georgiades, Officers of the Ministry of Finance, as well as all stakeholders in the securities sector for their overall cooperation. Finally, I would like to thank my colleagues at IOSCO and the other countries' national supervisory authorities, and particularly the supervisory authorities in the rest of the EU Member States and ESMA for the excellent cooperation between us and our mutual support, within the framework of the supervision of the single financial market.

Demetra Kalogerou
Chairwoman of the Cyprus Securities and Exchange Commission

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THE COMMISSION

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 or from the Republic of Cyprus. 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:

1. 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 harmonisation of the legal framework of the Cypriot securities market with the European aquis.

2. 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.

3. 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.

4. 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.

5. 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 precautionary 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 2005-2014;
- 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. A representative of the Governor of the Central Bank of Cyprus no longer participates on the CySEC Board as an observer, following an amendment of the CySEC Law on 21/6/2015.

The CySEC Board is comprised of the following persons:

CYSEC BOARD AS OF 31/12/2015		
Name	Position	Date of Appointment
Demetra Kalogerou	Chairwoman	15 Sep. 2011
Andreas Andreou	Vice-Chairman	28 Sep. 2011
Christos Vakis	Member	28 Sep. 2011
George Theocharides	Member	29 Nov. 2013
Kypros Ioannides	Member	22 Sep. 2014



Chairwoman

Demetra Kalogerou

Mrs. Kalogerou was appointed Chairwoman of the Securities and Exchange Commission in September 2011. Mrs. Kalogerou is also a member of the Committee of Public Supervision, which has been established to supervise 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 the second largest financial institution in Cyprus.

Mrs. Kalogerou was previously employed at the Cyprus Stock Exchange (CSE) as a Senior Officer and her duties 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.

Because of the above duties, during her fifteen years of employment with the CSE 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. Mrs. Kalogerou holds a BSc in Economics and Business Administration, an MSc in Economics of Public Policy and an MPhil in Finance from the United Kingdom.



Vice-Chairman
Andreas Andreou

Mr. Andreas Andreou was appointed in the office of Vice-Chairman of the Securities and Exchange Commission in September 2011, whereas in July 2015 his office was renewed for another five years. He has extensive work experience, both, in the legal and the broader financial sector. Prior to his appointment in CySEC, he exercised the legal profession for years until his appointment as the head of the legal department and Secretary of the Board of a large investment firm. Furthermore, he served as Director in a Management Company, as well as in other companies of the same group. Every year, Mr. Andreou participates, inter-alia, in IOSCO and ESRB meetings as a representative of CySEC. Mr. Andreou holds a Law degree and an MSc in European and International Commercial Law from the University of Leicester in England. He has been a founding member of the Cyprus Association of Directors and is a member from the Cyprus Bar Association since 1996, whereas in 1995, he became a Barrister, member of Lincoln's Inn in London. He participated in numerous local and international conventions about the economy, and he was a speaker in many of them.



Member
Christos Vakis

Mr. Christos Vakis was appointed Member of the Board of the Cyprus Securities and Exchange Commission in September 2011. Since 1999, he is the director of his own company Cymiva Management Consultants Ltd, a Company Consultants firm. He has served as Director in a number of public companies as well as in other Cypriot and foreign companies. He worked for Touche Ross & Co. in London and later became a Chartered Accountant. He then worked in Cyprus for the audit firm KPMG – Metaxas, Loizides, Syrimis & Co, from where he left as a Partner. From 1995 until 1998 he was the Managing Director of a private group of companies with international operations. Mr. Christos Vakis studied Economics at the University of Manchester.



Member
George Theocharides

Dr. Theocharides was appointed Member of the Board of the Cyprus Securities and Exchange Commission in November 2013. Dr. Theocharides is an Associate Professor of Finance at Cyprus International Institute of Management (CIIM). He is also the Programme Director of the MSc in Financial Services. Before joining CIIM he was an Assistant professor of Finance at the Sungkyunkwan University of Korea. Prior to that, he served as an International Faculty Fellow at the Massachusetts Institute of Technology's Sloan School of Management. Dr. Theocharides holds a B.Eng (Hons) degree in Electrical Engineering and electronics from the University of Manchester (U.M.I.S.T.), an MBA from the University of San Diego in California, as well as a Ph.D in Finance from the University of Arizona. Dr. Theocharides' research and teaching interests are in the field of analysis and risk management in the bond markets, derivatives, investments and international finance.



Member
Kypros Ioannides

Mr. Ioannides is a lawyer, member of the Cyprus Bar Association. He is a law graduate of the University of Cambridge with BA and MA degrees. He is also a barrister, member of the Middle Temple. He is a lecturer and examiner of corporate law of the Legal Council and a member of the corporate and tax planning committees of the Cyprus Bar Association. He has been a member of the Steering Committee of Corporate Law of the Ministry of Energy, Commerce, Industry and Tourism and chairman of the Corporate Law Working Group of the European Council during the Cyprus Presidency of the EU Council in 2012. He exercises the legal profession as a partner in the law firm Hadjianastasiou, Ioannides LLC.

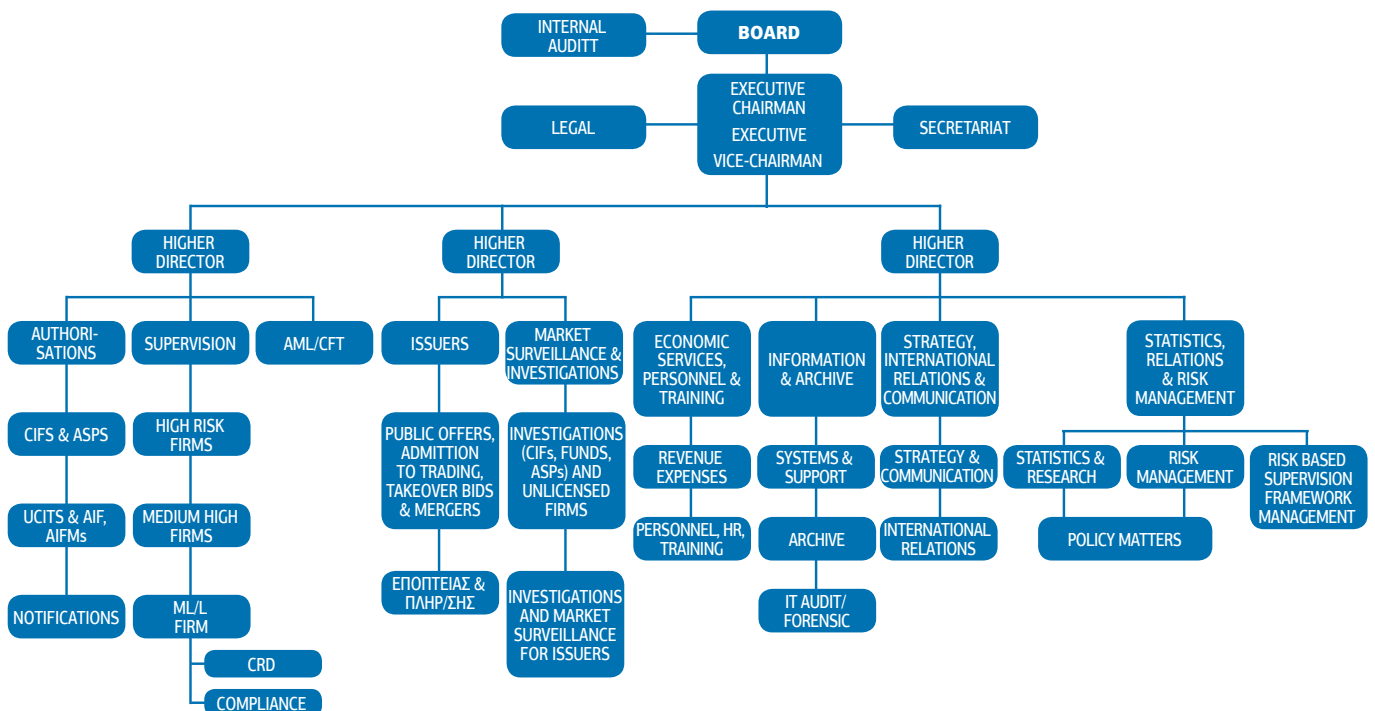
2.3.2 Organisational Chart

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

The new internal structure includes the establishment of new Departments according to the demands of CySEC operations and responsibilities, as those have been modified and according to the forecast for their future development. Due to the increase in CySEC work volume, its new structure includes a significant increase in personnel, especially in the Supervision and Licensing Departments. At the same time, efforts are being made for the introduction of intermediary promotion positions due to the increase in the number of personnel, but also because of the need to modernise the Supervisory Authority in response to new market conditions. The new structure was adopted in 2015, and it is expected that it will be implemented fully once additional personnel positions are granted.

In 2015 the ten Departments (eight in 2014) that comprised CySEC included the Strategy and International Relations Department, the Issuers Department, the Authorisations Department, the Supervision Department, the Market Surveillance and Investigations Department, the Legal Department, the Administration and Personnel Department, the Information Technology and Operations Department, the Statistics, Research and Risk Management Department, and the Anti-Money Laundering Department. CySEC also has an Internal Audit Unit.

The aim of CySEC is to differentiate its internal structure within the next five years, on the basis of additional personnel recruitments and according with the new changes and adjustments that will be deemed necessary along the way. The chart that follows outlines the structure of CySEC Departments for the next five years.



2.3.3 Departments

Strategy and International Relations 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.

Issuers Department

The Issuers Department is mainly responsible for the monitoring of the compliance of companies whose shares are listed in a regulated market with their continuous obligations, as these are defined in applicable law, 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, monitoring of the implementation of the Public Offer and Prospectus Law, 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 of 2007.

Authorisations Department

The Authorisations Department is responsible for examining applications for granting authorisation to entities that fall within the organizations regulated by the CySEC and specifically CIFs, UCITS Management Companies, Alternative Investment Fund Managers (AIFMs), Companies Providing Administration Services and UCITS. Also, the Department examines several applications such as to extend the authorisation of the above organizations, for changes in the ownership structure and changes in the persons who direct their activities, notifications for providing services across borders through the freedom to provide services or through establishing branches, notifications of UCITS Management Companies or an AIFM to dispose UCITS or AIFs (Alternative Investment Funds) to other Member States, etc.

Supervision Department

Supervision Department duties include supervising organizations authorised by CySEC in relation with their continuing legal obligations, and the supervision of compliance by branches held in Cyprus by entities authorised in other EU Member States with their obligations with regard to the provision of investment services. Also, the Department is responsible for monitoring the compliance on obligations for the provision of shares of foreign harmonized and non-harmonized UCITS in Cyprus, the monitoring of cross-border services in Cyprus by UCITS Management Companies that are based in another EU Member State, and the monitoring of the compliance of foreign harmonized and non-harmonized UCITS and their distributors with their continuous obligations in relation with cross-border service provision. In addition, it is responsible for supervising the obligations of AIFMs and AIFs, supervising the obligations of regulated markets, and training supervised entities and individuals in the above matters.

Market Surveillance and Investigations Department

The Department of Market Surveillance and Investigations is primarily responsible for receiving complaints and their investigation, 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 Department for the Prevention of Money Laundering was created in 2015 for the purpose of efficient and effective supervision and implementation of the provisions of the Law and the Directive Dir.144-2007-08 for

the Prevention and Suppression of Money Laundering and Terrorist Financing. The tasks of the Department include the issuing of circulars and notices to entities supervised by CySEC and checking their compliance with their ongoing obligations under the Law and the Directive, through on-site and desk-based inspections, and assessing the adequacy and suitability of the measures and procedures applied. Regarding the general supervision applied by CySEC, the Department works closely with the Supervision, Market Surveillance and Investigations, Legal, and Statistics, Research and Risk Management Departments, to exchange information for the effective supervision of the supervised entities and individuals.

Statistics, Research and Risk Management Department

The newly established Department of Statistics, Research and Risk Management is responsible for the consolidation of risk management in all CySEC activities, the management of the supervisory framework (Risk Based Supervision Framework - 'RBSF') and performing statistical analyses in order to assist the oversight role and strategic goals of CySEC. The Department's tasks include mainly risk management to effectively cover all of its forms for CySEC, ensuring their unified monitoring, the specialized treatment and strengthening of risk management as a key element in making all the key decisions in all CySEC levels of operation (Operational Risk Management). It also includes the completion, implementation, monitoring, update and upgrade of the RBSF supervisory framework. In addition, the Department conducts the statistical analysis and studies for the reliable and complete information of CySEC on 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 the CySEC and revision of documents), prepares advice/ answers questions submitted to CySEC, and handles the harmonization of Cypriot legislation with the EU legislation.

Administration and Personnel Department

The duties of the Administration and Personnel Department include issues relating to the preparation of the budget, monitoring and control of the expenses of the organisation, the preparation of invitations for tenders and the delegation of public contracts, the monitoring of Personnel Rules, issues related to personnel training, the conduct of studies regarding personnel needs and the filling in of vacancies and other responsibilities such as the maintenance of the accounting records of the Provident and Welfare Funds of CySEC's personnel. Furthermore, the Department deals with other current issues such as the administration of the equipment and the maintenance of the building. In addition to the above, it also provides secretarial support to the CIF Investors' Compensation Fund and updates the Public Register of Certified Persons together with the organisation of the examinations for the certification of persons employed in CIFs, Credit Institutions, Management Companies and Investment Companies of Variable Capital.

IT and Operations Department

The IT and Operations 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 2015 CySEC employed on a permanent basis 6 Senior Officers (2014 – 6), 31 Officers (2014 – 33) and 12 Assistant Clerical Officers (2014 – 12). During the year two Officers left CySEC. The analysis of CySEC personnel by Department is presented in the following table.

Department / Unit	Senior Officers	Officers	Assistant Clerical Officers	Office Assistants	Total
Strategy and International Relations	1	2	0	0	3
Issuers	1	4	1	0	6
Authorisations	1	1	1	0	3
Supervision	1	6	3	0	10
Anti-Money Laundering	0	3	0	0	3
Statistics, Research and Risk Management	0	2	0	0	2
Investigations and Market Surveillance	1	4	1	0	6
Legal	1	4	0	0	5
Administration and Personnel	0	2	2	0	4
Information Technology and Operations	0	1	2	0	3
Internal Audit	0	2	0	0	2
Chair Support/ Reception/ Archive	0	0	2	0	2
Total	6	31	12	0	49

As at the end of 2015, one Officer of the Legal Department was seconded to the Permanent Representation of Cyprus in EU, in Brussels, while another Officer of the Legal Department was seconded to the Ministry of Finance.

In the context of the requirement to strengthen the capabilities of CySEC personnel, as at the end of 2015, 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 distributed in the various Departments as follows:

Department / Unit	Officers	Assistant Clerical Officers	Total
Authorisations	3	2	5
Investigations and Market Surveillance	1	2	3
Administration and Personnel	1	-	1
Information Technology and Operations	2	1	3
Strategy and International Relations	0	1	1
Total	7	6	13

Additionally, CySEC continued to participate in the scheme launched by the Human Resource Development Authority for the employment of unemployed graduates in businesses and organisations, to obtain work experience. In total, 8 graduates (2014 – 3) have been employed in various CySEC departments under this scheme and acquired significant experiences, while assisting in the completion of CySEC's work.

Also, during 2015 CySEC for the first time offered an internship position in the Authorisations Department to one university student.

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 Commissioner, 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 has, now, 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 new 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 ASSESSMENT

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 operation and which are listed in the table below (Table 1). Since July 2014, with the enactment of the Alternative Investment Funds Law, AIFs have come under the supervision of CySEC. The relevant Law replaced the International Collective Investment Schemes Laws, which regulated the establishment and supervision of the International Collective Investment Schemes that were under the supervision of the Central Bank of Cyprus. As such, CySEC's field of supervision includes Alternative Investment Funds.

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
Central Counterparties for the Clearing and Settlement of OTC Derivatives
Repositories of OTC derivatives transactions

At the end of 2015 CySEC regulated:

- 205 CIFs
- 1 Regulated Market (CSE) and 1 Multilateral Trading Facility
- 13 AIFMs
- 2 UCITS Management Companies
- 148 Administrative Service Providers

- 4 UCITS organisations (two of which do not have any investment departments, and one that has 16 investment departments)
- 25 Alternative Investment Funds with a Limited Number of Persons
- 6 Alternative Investment Funds
- 1 EuVECA (European Venture Capital Fund)
- 87 Issuers of listed securities on CSE and 11 Issuers of securities listed in other regulated markets abroad.

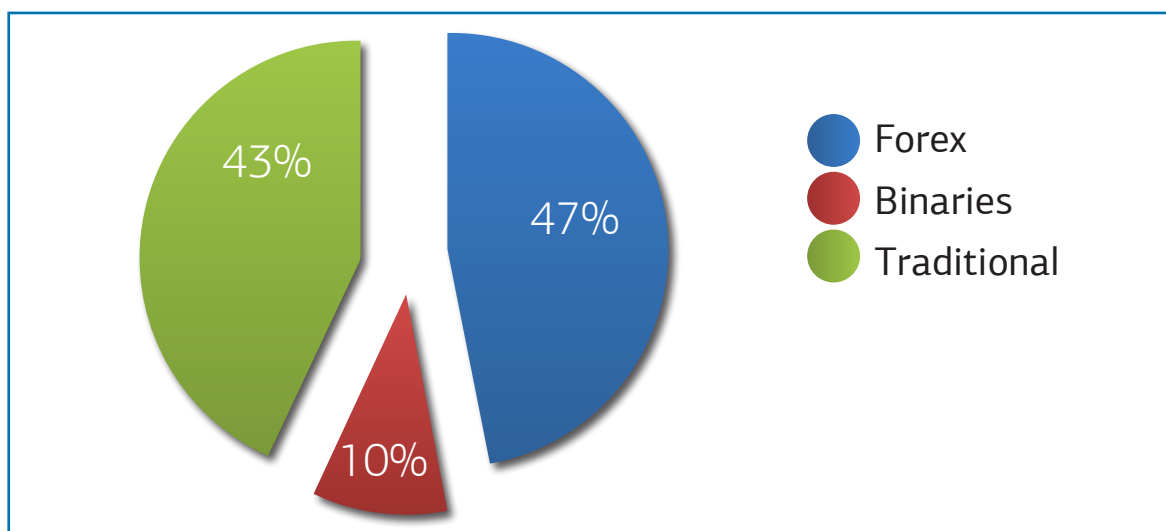
At the same time, by the end of 2015 CySEC had to examine about 128 new applications for authorisation, which included:

- 36 applications for authorisation of Administrative Service Providers
- 33 applications for new CIFs
- 4 applications for the authorisation of new UCITS
- 4 applications for AIFMs
- 36 applications of existing International Collective Investment Schemes to transform into AIFs with Limited Number of Persons (LNPAIFs)
- 9 applications for LNPAIFs licenses
- 6 applications for the establishment and operation of AIFs (2 of which concerned existing Private Collective Investment Schemes)

According to data in the possession of CySEC, interest in the investment services sector in Cyprus remains high. Specifically, an increase in the number of applications for CIF licenses was recorded in recent years, while in 2015 interest was recorded in the establishment and operation of UCITS Management Companies, UCITS, AIFMs, AIFs that can be addressed to professional investors, and LNPAIFs addressed to a limited number (maximum 75) of professional investors.

Chart 1 below records the number of CIFs per category during 2014. Other charts record data from all other supervised entities collected following the publication of their Annual Report for each year.

Chart 1: Number of CIFs per category



During 2015 CySEC examined 3 applications for a UCITS Management Company, which were granted in January 2016, while it granted a license to 7 AIFMs. At the same time, it examined 11 applications for the conversion of existing Private Collective Investment Funds to AIFs or LNPAIFs and granted an operating license to 6 AIFs and 11 LNPAIFs.

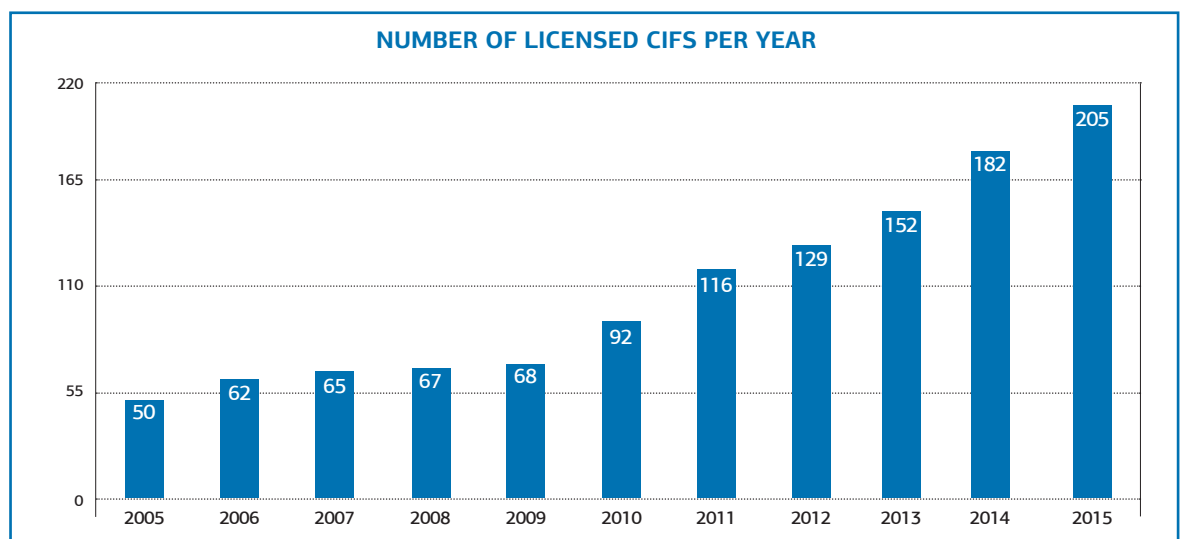
The number of licenses issued by CySEC during 2015 is presented in detail in table 2 below.

Table 2: Number of licenses issued by CySEC

Entity	Number of licenses issued
ASP	34
CIF	25
AIFM	7
UCITS	1
AIF	6
LNPAIF	22 (11 new applications and 11 Private Collective Investment Schemes converted to LNPAIFs)

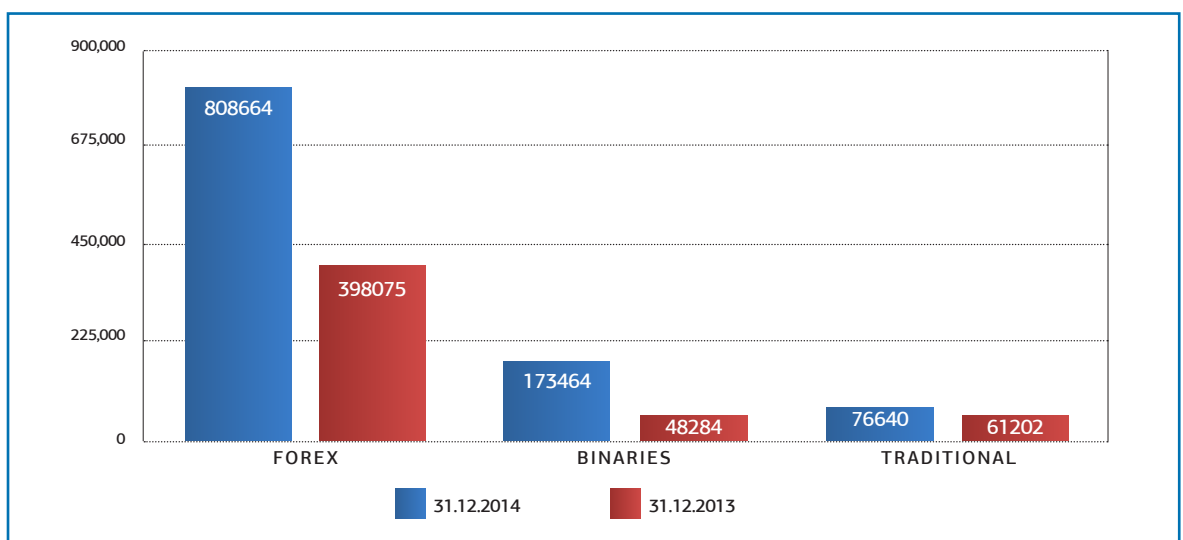
As a result of the interest in the activation of new investment services firms in Cyprus, there is a continuous increase in the number of licensed CIFs over the past years, as presented in Chart 2 below.

Chart 2: Number of licensed CIFs per year



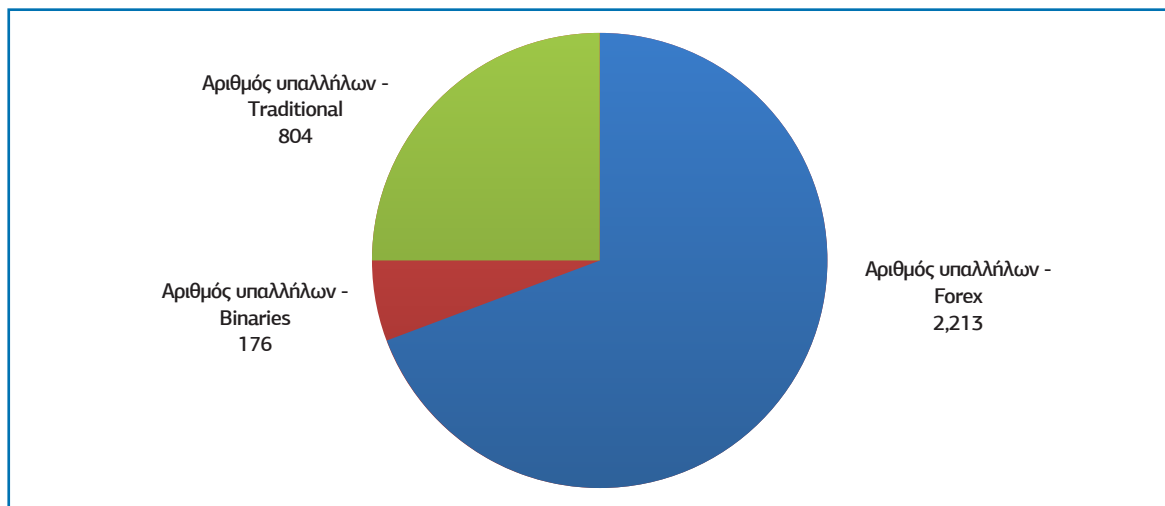
According to the data available to CySEC, an increase in the number of CIF clients is also recorded. Chart 3 below records the number of CIF clients per category during 2014 and compared to 2013, as well as data from all supervised entities collected after the issue of the respective Annual Reports.

Chart 3: CIF clients per category



The continuous increase in the number of licensed CIFs and their activity over recent years has contributed to the employment of highly educated personnel. Indicatively, Chart 4 shows the number of CIF employees at the end of 2014.

Chart 4: Employees at CIFs per category



With the entry into force of the Alternative Investment Fund Managers and Alternative Investment Fund Laws, in 2013 and 2014 respectively, and the institutionalization of the collective asset management sector in the Republic of Cyprus, the scope of activity of supervised entities has been widened.

Specifically, a number of CIFs under CySEC supervision, in addition to the investment services they provide under the Law on CIFs, can under the new institutional framework also manage alternative investment funds, provided that the total assets under management does not exceed the limits set by the AIFM Law.

According to data submitted to CySEC, in 2015 23 CIFs managed AIFs and/or LNPAIFs, whose total amount of assets under management came to €200,558,091.

The total number of Foreign UCITS with shares in the Republic of Cyprus for 2015 remained the same as in 2014. During 2015, 1 Foreign UCITS (umbrella scheme) was registered with CySEC for marketing of its shares in the Republic of Cyprus, while the availability of 1 Foreign UCITS (single scheme) was (Table 3).

Table 3: Foreign UCITS

Number of Foreign UCITS:	2015	2014
Single scheme UCITS	6	7
Umbrella scheme UCITS	33	32
Total	39	39

The home countries for Foreign UCITS are primarily Greece, Luxembourg, and Ireland (Table 4).

Table 4: Foreign UCITS Home Country

Foreign UCITS Home Country	2015	2014
Number of harmonised UCITS		
Greece	6	6
Luxembourg	26	25
Ireland	7	7
France	0	1
Total	39	39

The total number of sub-funds under UCITS umbrella schemes in 2014 was 474 (2013 – 513) (Table 5).

Table 5: UCITS sub-funds

Total number of sub-funds under umbrella schemes	2015	2014
Harmonised UCITS	494	474
Non-harmonized UCITS	0	0
Total	494	474

The number of Representatives registered with CySEC in 2015 was 12, unchanged from 2014.

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 compared to 2014, as can be seen in Table 6 below.

Table 6: UCITS Management Company Home Member-States

UCITS Management Company Home Member-States	2015	2014
France	5	5
Luxembourg	3	3
Liechtenstein	1	1
Greece	4	4
Total	13	13

In 2015 CySEC supervised one UCITS Management Company, which was licensed according to Article 121(1) (a) of the Open Type Collective Investment Organisations Law of 2012.

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 provided in other EU Member States. The investment objective of the specific fund is to invest in Cypriot small and medium sized enterprises.

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 87 at the end of 2015. The Issuers in question at the end of 2015 had issued 92 transferable securities.

148 Administrative Service Provider firms (ASPs) were also supervised by CySEC in 2015, compared to 113 ASPs in 2014. This is a sector that continues to record growth. The charts below record the growth of the sector through the increase in the number of firms and their employees.

Chart 5: Administrative Service Provider Firms

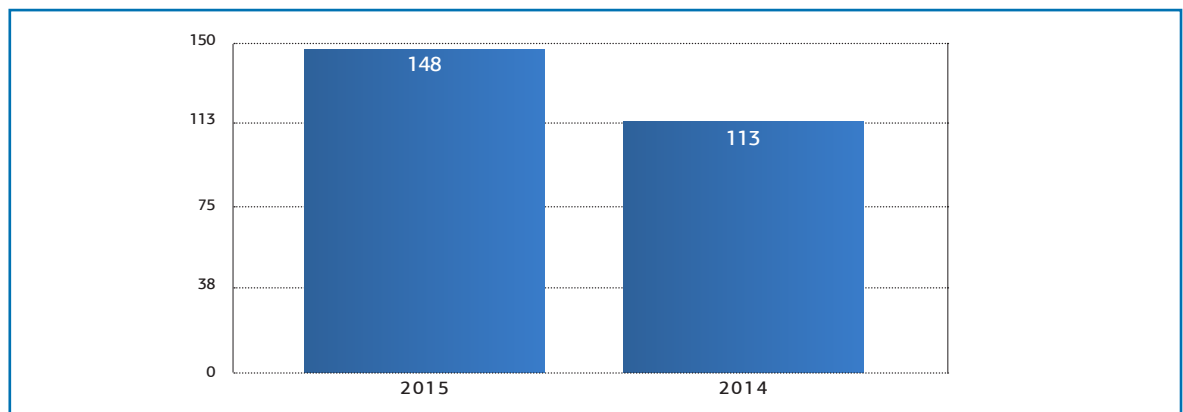
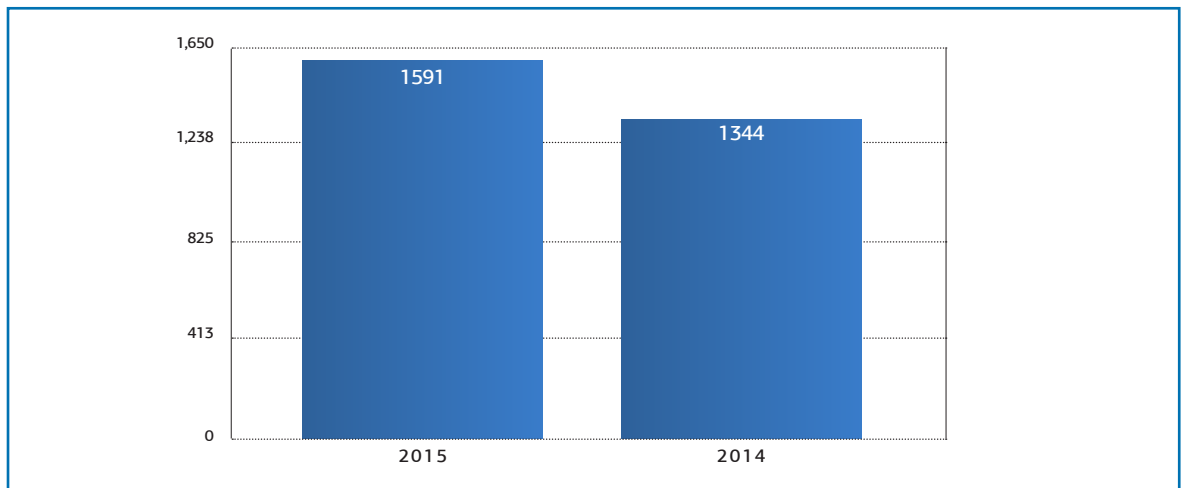
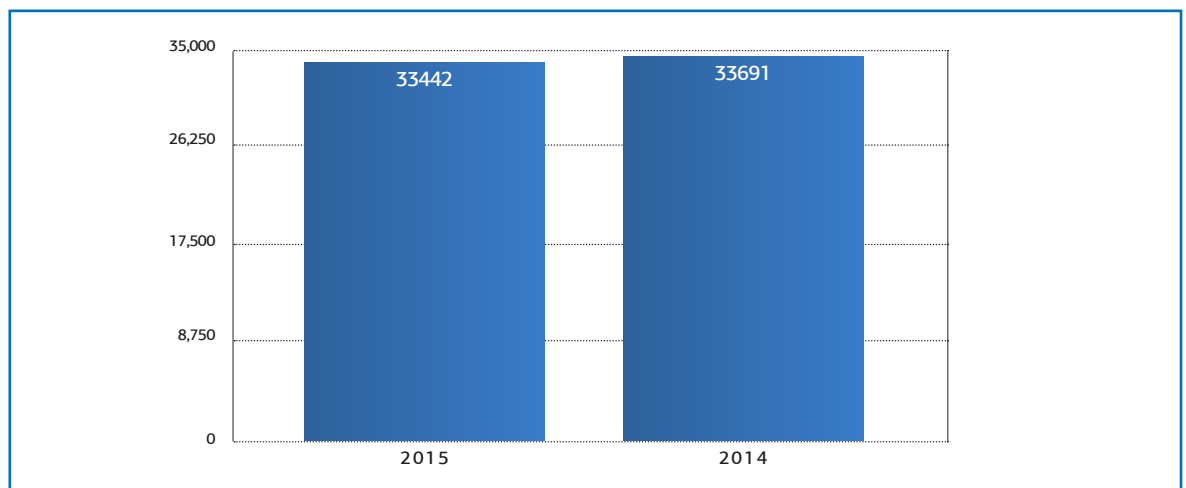


Chart 6: Number of ASP employees



According to data available to CySEC, the number of ASP clients during 2015 was 33,442, compared to 33,691 in 2014.

Chart 7: ASP client number



3.2 MARKET TRENDS

According to preliminary data for 2015, the Cyprus GDP grew by 1.6%. In 2014 GDP contracted by 2.5%. The data indicates that developments in the real economy were better than forecast, something that is also recorded in last July's seventh evaluation of the Cyprus economic adjustment programme by the country's international creditors. Specifically, Cyprus' international creditors revised upwards their forecast for the 2015 GDP growth rate to 0.5%, compared to their forecast from last spring for a contraction of 0.5%.

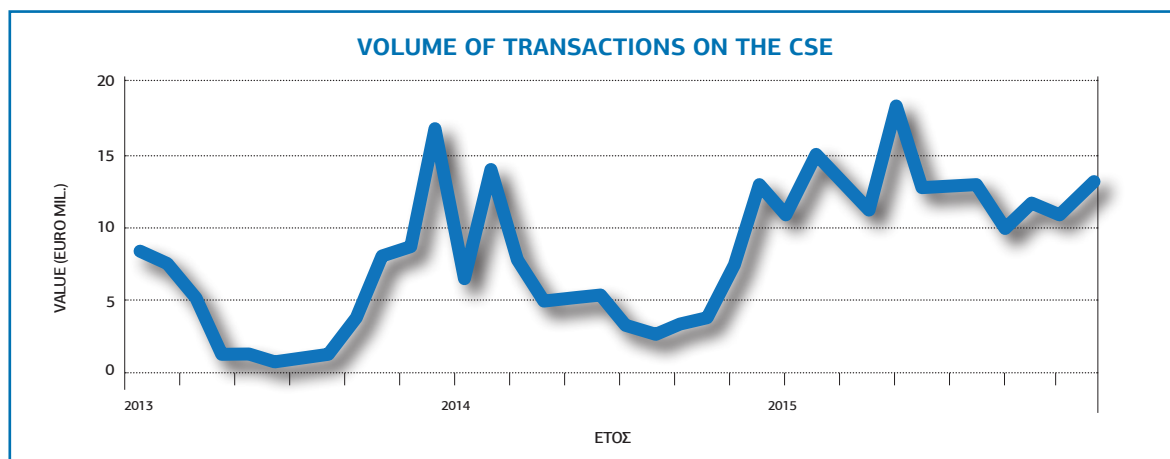
The improvement of economic indices resulted in the return of the economy to growth after a number of years of recession, and led to the improvement of the evaluation of the country's economy by international credit rating agencies, while it also contributed decisively to the successful return of Cyprus to international markets at the end of October with the issue of 10-year bonds made available at an interest rate of 4.25%. By extension, the Republic successfully exited its Loan Agreement with international creditors in March 2016.

During 2015 Cyprus continued to receive assistance from the European Financial Stability Mechanism/ European Stability Mechanism, on the basis of the Loan Agreement signed on 26 March 2013 between the international creditors, comprised of the European Commission, European Central Bank, and the International Monetary Funds, and the Cyprus government. The €10 bln in economic support is part of a programme that

includes the recapitalisation of the banking sector, fiscal consolidation for the state budget, and a series of important structural reforms that are being steadily implemented.

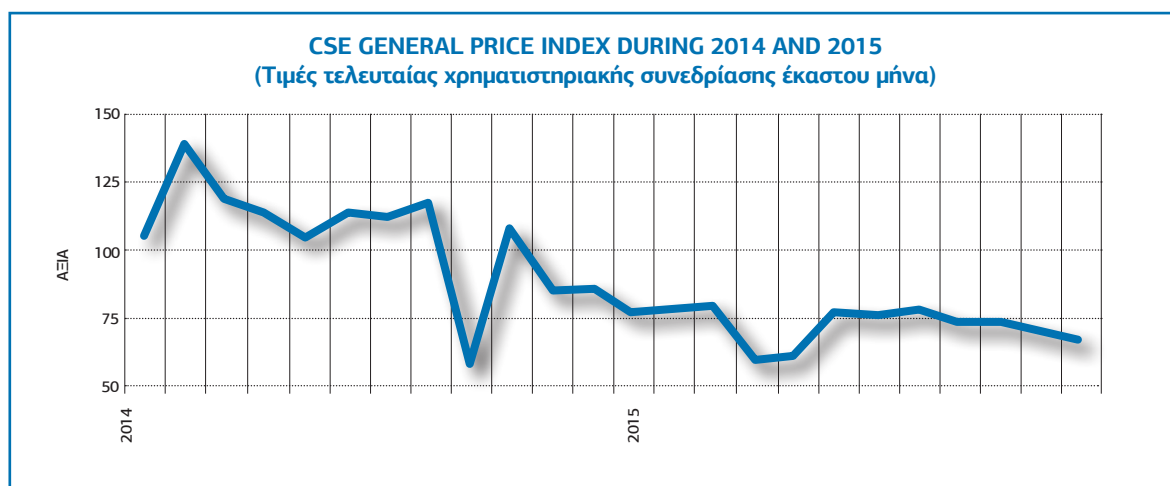
The stock exchange market in Cyprus, as expected, has been greatly affected by the negative impact of the economic crisis of recent years, as made evident by the large drop in the volume of transactions at the CSE. Despite the volume of transactions almost doubling in 2015, it continues to be much lower compared to its level prior to 2012. Specifically, the total volume of CSE transactions in 2015 was €150.66 mln, which despite still being significantly lower compared to earlier years, ranging between €261 mln and €388 mln in 2012 and 2011 respectively, represents an annual increase of 99,76% compared to the €75.42 mln recorded in 2014. The below chart depicts the annual trade transaction volume at the CSE over the past three years (Chart 8).

Chart 8: Volume of Transactions on the CSE



Furthermore, in 2015 the CSE Price Index recorded a downward trend and closed at 67.75 units, recording an annual drop of 26.5% compared to the 85.7 units recorded in December 2014, having recorded a drop throughout the year (Chart 9).

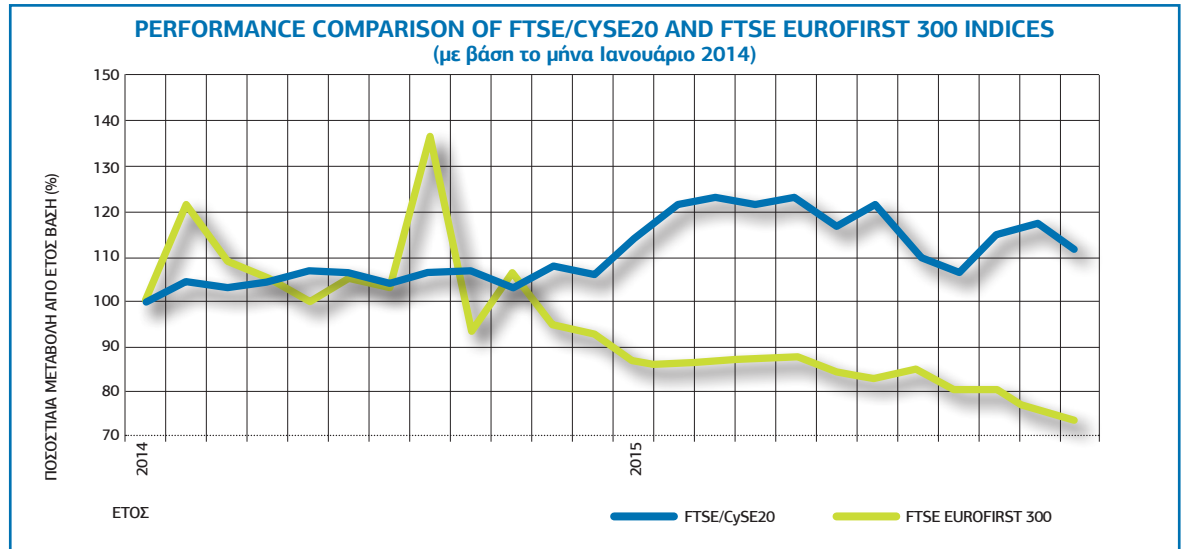
Chart 9: CSE General Price Index during 2014 and 2015



At the end of the year the Stock Market total value was at €2.46 bln, recording a drop of 26% compared to 2014 when the market value was at €3.33 bln (excluding the Investment Companies' Market). On 20 April 2015, the CSE abolished the Parallel Market, the Investment Companies Market, the Special Category Market and its subcategory, the Special Characteristics Market, and activated the Supervision Market. Issuers from the Main and Alternative Market were moved to the Supervision Market, in case they did not fulfil specific obligations. The total capitalisation of all CSE markets in 2015 dropped to €5.76 bln, compared to €8.42 bln at the end of 2014, a drop of 31.66%.

The FTSE/CySE20 index, which consists of a representative sample of 20 shares from the Cyprus stock market, recorded a drop of 15% between December 2014 and December 2015. The fluctuation in the FTSE/CySE20 index throughout the year was larger than that of the European index FTSE EuroFirst 300, reflecting the performance of the 300 companies in Europe with the largest capitalisation. The FTSE EuroFirst 300 index recorded a drop of 1.88% between December 2014 and December 2015. In the following chart (Chart 10) the percentage change of the two indices over the past two years, with January 2014 as the base, are represented.

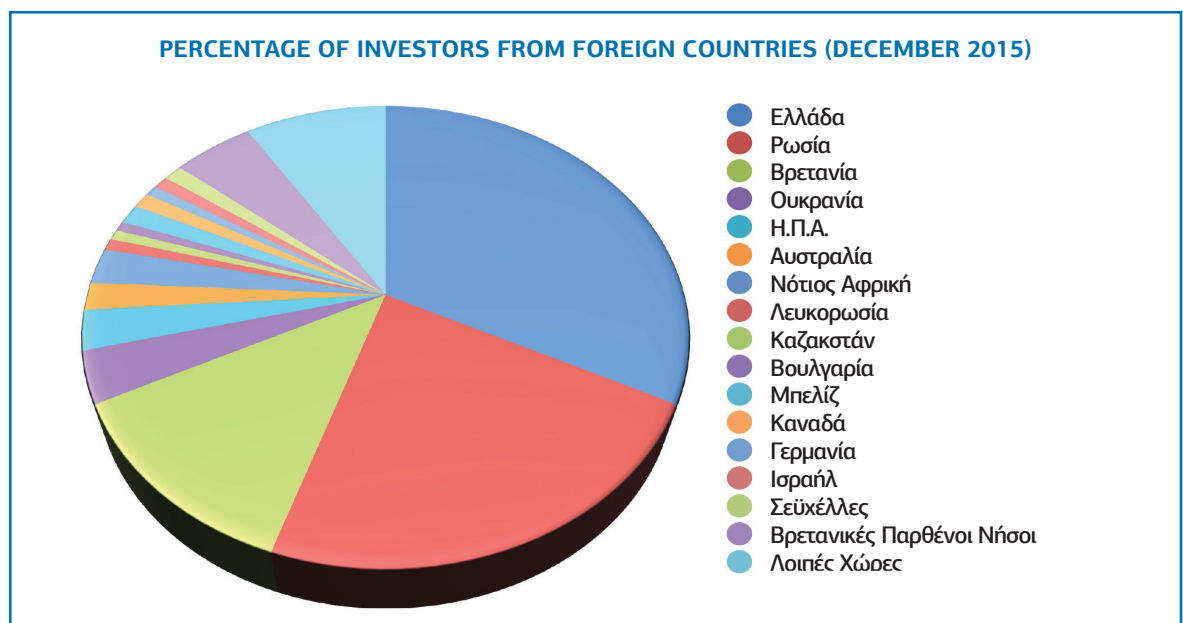
Chart 10: Performance Comparison of FTSE/CYSE20 and FTSE EuroFirst 300 Indices



The number of transactions during 2015 in the CSE came to 44,084, compared to 39,545 transactions in 2014, an increase of 11.48%.

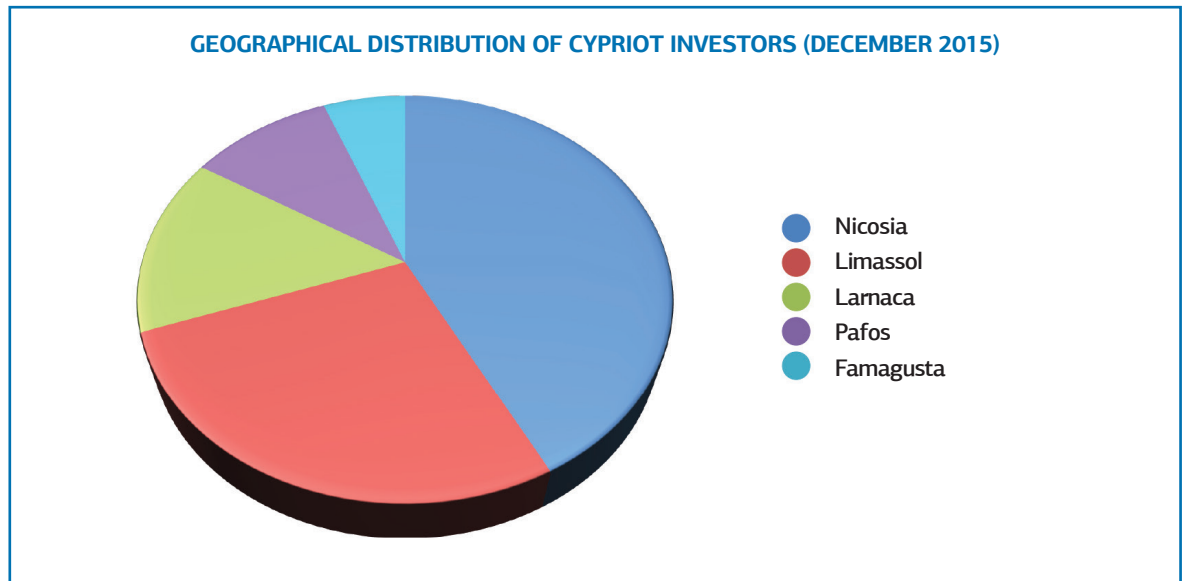
The participation of investors from foreign countries in market capitalisation at the end of December 2015 was at 33.1% of the total share value. This percentage records a drop of 3.19% compared to the value recorded at the end of December 2014, which was 36.29% of the total value. Foreign investors came from various countries, such as Greece, the United Kingdom, Germany, Ukraine, Russia, Australia, the USA, and South Africa (Chart 11).

Chart 11: Percentage of investors from foreign countries (December 2015)



In relation to investors from Cyprus, their vast majority (42.36%) resided in Nicosia (Chart 12).

Chart 12: Geographical distribution of Cypriot investors (December 2015)



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 uninterrupted operation and development of the market.

For this purpose, within the year, several draft law amendments and new draft laws have been prepared and promoted.

For example, 2 legislation amendments published are:

- (a) the Law on Alternative Investment Managers (Amending) of 2015 (L.8(I)/2015) that harmonized national legislation with the relevant European Directives and implemented stricter rules on the supervision of these managers by CySEC. The aim is to avert their excessive support in the evaluation of their credit ability, when the risks of their investments are evaluated by these organisations.
- (b) The Law on Open-Ended Undertakings for Collective Investment (Amending) of 2015 (L.88(I)/2015) with which national legislation was harmonized with the relevant European Directive, and among others,
 - allows entities to act as custodians in Cyprus under specific capital adequacy and prudential supervision conditions,
 - allows the conditional introduction of shares of a Variable Capital Company in a stock market operating in a third country,
 - improves the Law as to the process for the distribution of shares, the buy-out of shares, and the suspension of the buy-out of shares,
 - extends the possibility for the introduction and transaction in a stock market of shares for negotiable UCITS, and
 - simplifies various processes related to the operation of UCITS.
- (c) The Takeover Bids (Amending) Law of 2015 (L.7 (I)/2015) for the purposes of harmonisation with the European Directive concerning the introduction of a framework for the recovery and resolution of credit institutions and investment firms.

For the same European Directive a relevant draft Law was prepared and promoted within the year, that has been voted into a Law at the beginning of 2016. With this new law the prevention of insolvency of CIFs and other entities supervised by CySEC is ensured, with CySEC the Competent Authority for the planning of recovery measures and timely intervention for unhealthy CIFs. The new regulatory framework is expected to offer sufficient tools for the effective response to unhealthy institutions, both in Cyprus and cross-border, so as to minimise the negative effects in case of insolvency.

On the issue of UCITS, a draft Law was prepared and submitted to the Legal Service concerning custodian functions, remuneration policies, and sanctions as those derive from a European Directive. The European Directive in question (2014/91/EU) attempts to control the risky behaviour of individuals in a position to take increased risks during the management of UCITS (through their remuneration policy) and complete the insufficient provisions that existed in the UCITS IV Directive regarding custodians. Furthermore, it strengthens the provisions concerning sanctions, with the aim of achieving consistent implementation in all Member States and strengthening prevention.

Within the year amendments to the Transparency (Mobile Securities for Negotiation in a Regulated Market) Law of 2007, the Takeover Bids and Prospectus (Amending) Law of 2015 (L.86(I)/2015), and the Investment Services and Activities and Regulated Markets Law of 2007 were prepared and promoted, for their harmonisation with the important European Directive on Financial Instruments (known as MiFID II).

After June 2014, when the European Regulation on Market Abuse was published in the European Union Gazette, CySEC studied and prepared a legislation for the amendment of the Law on Activities of Individuals in Possession of Confidential Information and Market Manipulation Actions of 2005. This Regulation establishes a common regulatory framework in relation to the abuse of preferential information, market manipulation, and measures for their prevention, with the aim of ensuring the integrity of European financial markets and the strengthening of investor protection. Responsible for the implementation of the provisions of the Regulation is, with a notification by the Ministry of Finance, CySEC.

CySEC has also been appointed as the competent Authority, with a Notification by the Ministry of Finance and on the basis of the following legislative packages:

- (a) the Regulation concerning the improvement of securities settlement in the European Union and the licensing and supervision of central title repositories,
- (b) the European Regulation concerning basic information documents for packaged investment products for private investors, and investment products based on insurance products (known as PRIIP) in order to provide investors the capacity to understand and compare basic characteristics and risks of these products. The Regulation will come into force as of 31 December 2016, and
- (c) the European Regulation for prudential supervision requirements for credit institutions and investment firms, implemented as of 1 January 2016, and the European Directive concerning access to activities of credit institutions and the prudential supervision of credit institutions and investment firms, as well as the Regulation for European long-term investment capital.

Beyond the abovementioned Legislation, CySEC has prepared and published its own Directives for completing the legislative framework and the better operation of the market, as well as timely and complete harmonisation with the EU Acquis.

On 25 September 2015 a CySEC Directive on the Supplementary Supervision of Investment Firms, UCITS Management Companies or Alternative Investment Fund Managers in a Financial Conglomerate, was prepared and published.

Additionally, in 2015 four Directives were prepared and published by CySEC concerning, among others, the operation of the Investor Compensation Fund, the terms and process for the provision of shares by Alternative Investment Funds and Alternative Investment Funds with a Limited Number of Individuals in Cyprus, the organisation of a network for their provision and the terms for the provision of a Cypriot AIF shares in another EU Member State or third country.

During 2015, in order to improve cooperation between CySEC and market participants in terms of the advancement and improvement of the institutional framework, CySEC prepared and circulated eleven consultation papers,

published updated documents with Q&As concerning legislation related to CySEC competences, and the CySEC Legal Department answered 865 inquiries from market participants on legislative issues.

Compliance of Supervised Entities

At the same time, and as always aiming for safeguarding of investor protection, CySEC intensified and strengthened the supervision of the market and its participants in various ways.

In relation to CIFs, beyond on-site checks and the examination of documents submitted, CySEC collected information for evaluating the possible impact on CIFs by the intense fluctuation of the value of the Swiss Franc in January 2015, so as to ensure that CIFs possibly affected were not facing big problems with their capital adequacy or their operations. It appeared that, with very few exceptions, CIFs did not face significant problems due to the fact that they were adequately capitalised. This indicates the importance of CIF capital adequacy and maintaining strong risk management processes, because the investment services market is one with intense fluctuations and as such significant risks are lurking.

A key development in the upgrading and strengthening of the supervision by CySEC, is the full implementation of the supervision framework according to risk (Risk Based Supervision Framework - RBSF). This framework, which has been designed and prepared over the past two years, was completed and implemented in late 2015 and has been used in the preparation of the 2016 supervision program. The framework is a new approach to the supervision of CIFs and is expected to increase the effectiveness of CySEC supervision, by focusing on those areas, and supervised institutions that pose the most significant risks.

On the basis of this framework and the analysis of a multitude of data, CIFs were categorised as high, medium, or low risk. This categorisation will determine the frequency and extent of supervisory checks for each company, and will contribute to the preparation of each year's supervisory program.

In July 2015, CySEC amended the process for the activation of CIFs, adding the need for the company to have the consent of CySEC for its activation following an on-site check at its offices. These checks are conducted in order to ensure the compliance of the firm with the legislation, and focus on satisfying CySEC that the supervised entity has taken all measures and proper actions for commencing operations and particularly the provision of cross-border investment services in the EU and third countries.

In relation to Issuers with securities listed in regulated markets, due to the continuing difficult economic climates, several weaknesses were also recorded during 2015 in the compliance of Issuers with their obligations for the publication of reports and informing the investor public. As such, CySEC intensified its audits and monitoring of the compliance of Issuers with their obligations related to the Transparency Law, and imposed administrative sanctions.

CySEC also issued a number of Circulars and Announcements aimed towards Issuers, drawing their attention to various issues detected or that they should consider during the formulation of the financial information, while it also proceeded with the investigation of several cases for possible violations on these issues.

During the year, CySEC examined and approved in many cases the decision of the CSE Council for the suspension or the continued suspension of titles, or asked on its own such a suspension where it considered that the proper market operation is not ensured. Also, CySEC approved the delisting by the CSE Council of 16 companies and their securities (in many cases this delisting concerned non-compliance with their obligations).

Relevant to this issue is the CySEC Directive published on 13 November 2015 with which the requirements and process for the delisting of securities from the CSE following an application to the CSE Council by the Issuer are determined. The Directive was prepared to cover a gap in the regulation of the issue, and calls for the obligation of the Issuer to provide an exit clause to shareholders opposed to the delisting of the securities from the CSE Council.

In 2015, CySEC also examined three Public Offering Documents for the take-over of 100% of issued securities, one Prospectus for the issue of new shares, as well as a Supplementary Prospectus for the increase of capital through the issue of Preferential Rights and their introduction, as well as that of new shares, to the CSE.

Finally, for the supervision of entities with international activity, CySEC cooperated closely with National Supervisory Authorities in other EU Member States and in third countries, and has handled throughout the year 350 requests for the provision of assistance and exchange of information.

Implementation of the Action Plan for the Prevention of Money Laundering and the Terrorist Financing

An important change in the organisational structure of CySEC was the establishment of a specialised Department dealing with the audit of compliance by supervised entities in relation to their obligation for the Prevention and Suppression of Money Laundering and the Terrorist Financing.

The need for the establishment of this Department arose from the competency of CySEC for the implementation of the Law for the Prevention and Suppression of Money Laundering, in relation to the services and activities of entities supervised by CySEC.

At the same time, it is one of the actions included in the Action Plan for the prevention of Money Laundering within the framework of the Memorandum of Understanding signed between the Cyprus Republic and the Troika of its international lenders (European Commission, ECB, IMF).

Other actions on the part of CySEC included in the Action Plan and completed within the year include the new supervision framework RBSF, the issuing of Circulars for informing and guiding supervised entities, and conducting on-site inspections for the examination of compliance with their continuous obligations in relation to the prevention of money laundering.

The CySEC actions mentioned have contributed, in addition to fulfilling the Action Plan agreed with the Troika, to the positive evaluation of Cyprus by International Bodies in relation to the prevention of money laundering, and specifically:

- (a) in the Progress Report of the Fourth Evaluation Report for Cyprus by the MONEYVAL Commission of the Council of Europe, issued in December 2015, and
- (b) the Supplementary Report of the OECD Global Forum on Cyprus, which was adopted in October 2015 and upgraded Cyprus to mostly compliant with the Global Forum standards.

During the year, CySEC also cooperated with various bodies and authorities in Cyprus for the preparation and submission of data for the National Risk Assessment within the framework of the Financial Action Task Force, according to which each country is obliged to evaluate the risks it faces in relation to money laundering and the financing of terrorism and to take measures for their prevention. CySEC proceeded with the necessary collection of data from its supervised entities, completed the evaluation documents, and prepared a report concerning CIFs and ASPs.

Within the framework of the Action Plan for the Prevention of Money Laundering and Terrorist Financing, according to the Memorandum of Understanding signed between the Cyprus Republic and its international lenders, CySEC, during 2014, among others, had:

- (a) revised its organisational structure and planned the increase of the personnel that will deal exclusively with matters related to the prevention of money laundering and the financing of terrorism. Additionally, CySEC decided to conduct through external appointment a number of on-site investigations, on the basis of its investigations program and guidance,
- (b) planned and developed, following the appointment of external consultants, a comprehensive supervisory framework based on the evaluation of risks for supervised entities (Risk Based Supervision Framework – RBSF), which includes the development of supervision tools for desk and on-site supervision,
- (c) conducted on-site investigations at ASPs for the examination of their compliance with their obligations for the prevention of money laundering and the financing of terrorism,
- (d) issued a number of circulars for informing and guiding supervised entities, concerning among others serious tax crime, CySEC findings from on-site investigations, and the content of the annual compliance report by compliance Officers on issues related to the prevention of money laundering and terrorist financing, and

- (e) proceeded with the training of personnel in relation to the new supervision framework based on the evaluation of risks to supervised entities (RBSF) and in relation to matters of prevention of money laundering and terrorist financing.

Risk Based Supervision Framework

CySEC proceeded with, following the appointment of an external consultant, the conclusion and implementation of a comprehensive supervision framework based on the evaluation of risks for supervised entities (Risk Based Supervision Framework – RBSF), which includes the development of supervision tools for distant and on-site supervision. Around the end of 2015 this framework started being implemented by the Authorisations, Supervision and AML Departments. Also in 2015 the study for the implementation of the framework by the Issuers and Market Surveillance and Investigations Departments also started, and it is expected that this will be concluded within 2016.

Overall, during 2015 the following have taken place:

- The framework has been concluded (risk factors, calculation model),
- information has been collected from supervised entities,
- the databases and programmes necessary for the operation of the framework have been created,
- the training of personnel in relation to the new supervision framework and the software used for this purpose has been concluded,
- the evaluation of risks for supervised entities has taken place, and the checks programs have been concluded, and
- the findings of the risk evaluation have been presented to the CySEC Board and personnel.

The framework will significantly improve the way in which supervision is exercised as through its use the risks for each supervised entity will be detected and evaluated, and supervision will focus on those organisations with the greatest risk.

National Risk Assessment in relation to money laundering and the terrorist financing (AML)

According to international standards on combatting the legitimisation of revenue from illegal activity and the financing of terrorism issued by the Financial Action Task Force (FATF), each country needs to evaluate the relevant risks it faces in relation to the above, and adopt the necessary measures in response. This exercise, on the basis of an internationally accepted and recognised methodology by the World Bank, will allow for the detection of possible shortcomings in the regulatory framework implemented in relation to fighting money laundering, and the effectiveness of processes followed by all affected bodies, government, supervisory and private, with the aim of taking corrective measures.

The aim of the National Risk Assessment is to evaluate the risks in relation to money laundering and the financing of terrorism (AML) at a national level (for Cyprus). All relevant bodies in Cyprus are participating in the Assessment, eg Central Bank of Cyprus (CBC), Insurance Commissioner, MOKAS, etc, as well as market representatives. 7 working groups have been established, and representatives of the Statistics, Research and Risk Management, and the AML Departments represent CySEC through their participation at two of these working groups:

- Group 4 – Securities Sector Vulnerability.
- Group 7 – DNFBPs (Designated Non-Financial Businesses and Professions) Vulnerability, as Supervisory Authority for ASPs.

During 2015, several meeting of the abovementioned teams took place. The following also took place:

- Collection of data and information by supervised entities, MOKAS, and others.
- Completion of evaluation forms, prepared by the WB following a study and discussion among the members of each working team, taking into account statistics and qualitative data from the sector under evaluation.

Strengthening and upgrading of operations

In order to deal with the increasing volume of its operations, CySEC in 2015 participated in the Cyprus Human Resource Development Programme for unemployed graduates, through which 8 individuals were seconded to CySEC. Also on the basis of the agreement for cooperation between CySEC and the CSE, a number of CSE Officers continue to offer specialised services to CySEC. Another important step for the modernisation of CySEC is the establishment of a new organisational structure, aiming to improve the effectiveness and efficiency of CySEC's work. CySEC, within the framework of submitting comments on the Legislation on State Organisations and State Companies of 2014, submitted to the Minister of Finance its positions on the need for operational and financial independence of CySEC, according to European Directives, European Regulations, and International Standards governing the establishment and operation of Supervisory Authorities.

Other developments

During 2015, 850 individuals took the certification examination. At the same time, as part of their continuous professional training, CySEC organised 35 seminars attended by 875 individuals. More details on the new framework are presented in section 4.2.8 of this Report, under the title "Certified Individuals Register, Continuous Professional Education and Examinations." At the end of the year, 1,716 individuals were registered in the CySEC public registry.

According to the framework for the certification of individuals employed or that would like to be employed in a position related with the provision of investment services, individuals that have successfully passed the CySEC certification examinations and are included in the certified persons registry, must complete each year a specific number of training hours. This framework, established by CySEC in 2013, ensures that the individuals providing investment services, such as the provision of investment advice and portfolio management are subject to continuous training.

Within this framework, in November 2015 CySEC raised the pass grade in the certification examinations from 60% to 70%, through an amendment of the relevant CySEC Directive, so as to maintain the level of those that pass high. Also, CySEC proceeded with checks on whether certified individuals fulfill their obligations for Continuous Professional Training, and found shortcomings in some cases, for which it asked for additional training. CySEC considers the training of certified individuals important, and in the future will proceed with the deletion from the registry in cases of inadequate training.

The first examinations for the certification of individuals that may be employed at CIFs, Management Companies, Variable Capital Investment Companies, and Credit Institutions in relation to the provision of investment services, took place in 2014, within the framework of CySEC assuming the responsibility in 2012. The publication of the examination material and Workbook, for the better preparation of candidates, preceded the examination.

3.4 MOST IMPORTANT GOALS FOR 2016

The most important goals set by CySEC for fulfilment during 2016 concern primarily the strengthening of market supervision, the conclusion of investigations related to the banking sector, and the promotion of legislative amendments that will encourage growth and progress in the market, according to legislative developments at a European level.

Particularly, the investigation of an additional three cases related to the banking sector will continue as a matter of priority during 2016. These cases concern possible misleading statements, the evaluation of data included in previous years' economic reports, as well as practices that may constitute market manipulation. At the same time, during the year, CySEC continues to investigate cases related to other supervised entities, including CIFs, ASPs, and Issuers.

In relation to the supervision of CIFs, the new approach on the basis of the new risk management supervisory framework will be implemented. CIFs that according to the analysed data have been placed as high risk firms and medium to high risk firms, an on-site investigation in relation to all aspects of their operations. At CIFs

that are categorised as medium to high risk firms the on-site investigation will only concern a period of 3 years. Medium to low risk CIFs will undergo thematic supervision in sectors for which there are reasons e.g. negative information/complaints.

As a result, the equivalent supervisory program prepared for 2016 includes, among others, more on-site investigations (about 20) that will cover issues related to the promotion of financial products and services, as well as matters related to the evaluation of their compatibility by CIFs. Additionally, it is expected that 19 on-site inspections will take place at CIFs and ASPs in relation to AML issues. Additionally, within 2016 data are being collected for the introduction of Issuers at the Risk Based Supervision Framework, so as the relevant program for their checks on the basis of their risks is prepared for 2017.

Within 2016 CySEC will prepare and issue new circulars, that will better inform and guide supervised entities as to the implementation and their compliance with their legal obligations. The circulars will include issues such as standards for binary options platforms, CIFs holding clients' money, the promotion of financial products and services, the compatibility evaluation, linked representatives, introducing brokers, call centers and liquidity providers.

CySEC priorities on the issue of upgrading the institutional framework will revolve around the most important legislative changes expected to move forward or implemented in the immediate future, such as the European Directive MiFID II and Directive AMLD IV, for which amendments of the Law and the relevant CySEC Directive are already being promoted with the aim of assisting market participants prepare in time for upcoming changes. Also, the legislative package on market abuse (MAD/MAR), the EMIR Regulation, the Regulation concerning essential information in relation to packaged investment products for private investors and investment products based on insurance products (PRIIP) and the Regulation on EU Benchmarks. At the same time, important changes will take place in relation to the regulatory framework such as in the Law and Directive in relation to the Investor Compensation Fund, in order to better correspond to market needs as those have changed in recent years.

Within the framework of improving the regulatory framework for collective investments, during 2016 CySEC, in cooperation with the Ministry of Finance, will proceed with amendment of the Law of AIFMs and AIFs, following a study of the suggestions submitted by market participants. The aim of the amendments is:

- (a) To provide the ability to introduce and operate in the Republic AIFMs (Mini Managers), that will manage AIFs whose capital will not exceed €100,000,000. These Managers will not fall under the European Directive, but will be regulated by National Legislation and supervised by CySEC.
- (b) To provide the ability to introduce and operate AIFs with the legal form of a limited corporation, that will not be subject to licensing by CySEC, but will be managed by an authorised AIFM.

Furthermore, an institutional framework will be established governing AIF administrators.

For the continuous professional training of individuals in the CySEC public registry, the thematology of the relevant seminars is expected to be expanded. Specifically, the inclusion in the seminars of the new Transparency and Market Manipulation legislation, the MiFID II Directive, matter of capital adequacy, the Law on the recovery and resolution of CIFs, as well as matters related to the European Commission action plan for the Capital Markets Union, is being examined.

At the same time, the process for the preparation of new exams for Compliance Officers that will deal with AML issues is progressing, and it is anticipated that those will begin at the beginning of 2017. CySEC is also examining ways for the further modernisation of the process for participation in exams, with interested individuals registering online.

OPERATIONS OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION

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4 OPERATIONS OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION

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 studies in relation to issues that concern CySEC and the securities market in general;
- The update and education of the investors on securities market issues;
- 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 2015 for examination are summarised in the following table (Table 7):

Table 7: Applications submitted to the Securities and Exchange Commission during 2015

Submitted applications	2015	2014
CIF Authorisation	41	41
CIF Authorisation Extension	33	22
Free provision of cross-border services by CIF	62	71
Establishment of CIF branch	5	5
Tied agent registration	10	6
Termination of CIF Authorisation	4	7
CRA Registration	0	0
ASP	8	17
Authorisation of Cypriot UCITS Management Company	3	-
Cypriot UCITS License	6	2
AIFM	4	13
AIF and LNPAIF License	75 total (15 AIF, 60 LNPAIF)	27 total (2 AIF, 25 LNPAIF)

4.1.1.1 Applications for CIF Authorisation

During 2015 CySEC received 41 new applications for a CIF Authorisation (2014 – 41 new applications). CySEC granted 25 CIF licenses (2014 – 42 licenses). Also, it ended the license of 4 CIFs and in 6 other cases, concerning applications, either rejected the application or the application was withdrawn.

4.1.1.2 Applications for CIF Authorisation extension

During 2015 CySEC examined 33 applications for the extension of CIF operating licenses for the provision of additional investment and/or related services and/or financial instruments (2014 – 22 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 2015 CySEC examined 62 applications by CIFs for the free provision of services in other EU Member States and/or third countries (2014 – 71 applications) and 5 applications by CIFs for the establishment of a branch in another EU Member State (2014 – 5 applications). Furthermore, CySEC received a significant number of notifications from IFs in other EU Member States for the free provision of services in the Republic. Finally, CySEC examined one notification for the establishment of a branch in the Republic by an EU Member State IF (2014 – 2).

4.1.1.4 Applications for CIF tied agent registration

During 2015 CySEC examined 5 applications for the registration of a tied agent in the public registry, that was established in the republic and was acting on the behalf of CIFs (2014 – 2). Also, CySEC cooperated with the relevant supervisory authorities in other EU Member States for the evaluation of 5 applications for tied agents established in those Member States and acting on the behalf of CIFs (2014 – 4).

4.1.1.5 Applications for other CIF data changes

Within 2015 CySEC examined a significant number of applications for the approval of information changes concerning primarily changes 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.

4.1.1.6 Applications for the withdrawal of CIF authorisation

During 2015 the license of 4 CIFs was withdrawn (2014 – 7) due to voluntary renouncement (1 CIF) and due to non-compliance with their continuing applications (3 CIFs).

4.1.1.7 Applications for the registration of CRAs

During 2015 no application was received for the registration of CRAs, just as in 2014, due to the fact that this competency has been transferred to ESMA, according to European Regulation 513/2011 of 11 May 2011.

4.1.1.8 Applications for the registration of ASPs

During 2015 CySEC received 8 new applications for the registration of ASPs. CySEC granted an operating license to 35 Administrative Service Provider Companies.

4.1.1.9 Applications for Cypriot UCITS Management Companies

During 2015 3 new applications for the licensing of Cypriot UCITS Management Companies were submitted to CySEC.

4.1.1.10 Applications for Cypriot UCITS

During 2015 CySEC received 4 new applications for UCITS. 2 UCITS operating licenses were granted.

4.1.1.11 Applications for AIFMs

During 2015 CySEC received 4 new applications for Alternative Investment Fund Managers. CySEC granted 7 licenses.

4.1.1.12 Applications for AIFs and LNPAIFs

During 2015 CySEC received a total of 73 applications for AIFs and LNPAIFs. CySEC licensed 6 new applicants for AIFs and 11 new applicants for LNPAIFs. Also, CySEC examined the compliance of 11 existing LNPAIFs, that were under the supervision of the Central Bank of Cyprus and came under the supervision of CySEC with the implementation of the AIF law.

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 2015 one application for the approval of a Prospectus for public offer and/or listing of securities on a regulated market (2014 – 3) was submitted to CySEC within the context of the Public Offer and Prospectus Law. CySEC examined the application and approved the relevant prospectus (2014 – 2 approvals).

During the year, CySEC also received one application for the approval of a Supplementary Prospectus, within the context of the Law (2014 – 1 application). CySEC examined the application and approved the relevant Supplementary Prospectus (2014 – 1 approval). The Supplementary Prospectus approved, was also notified – following a request by the Issuer – to the competent authorities of two EU host Member States where the public offering of the securities in question would take place.

4.1.2.2 Transfer of competency for Prospectus approval

During 2014 and 2015 no requests were made to CySEC for the transfer of competency for Prospectus approval on the basis of Article 26(8) of the Public Offer and Prospectus Law.

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 (the Takeover Bid Law of 2007), 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 of 2007, 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 2015 CySEC received three Public Offer Documents (2014 – 1) following announcements by the acquirers, for the voluntary or mandatory public takeover bid for the acquisition of 100% of the securities of the Issuer with securities listed on the CSE.

CySEC examined the said documents and decided to allow their publication (2014 – 1 approval).

During 2015 and 2014 no Revised Public Takeover Bid Documents were submitted to CySEC.

In 2015 CySEC also assisted the Competent Authority of another Member State in one public takeover bid concerning a Cypriot company whose securities were listed and traded on a regulated market of the relevant Member State in relation to issues concerning the legislation of Cyprus and fall within the competencies of CySEC (2014 – assistance was offered to 1 Competent Authority of another Member State in relation to 1 Takeover Bid).

CySEC also examined the request by one acquirer for the withdrawal of their announcement for public takeover bid for the purchase of 100% of securities by an Issuer with securities listed on the CSE, and decided to approve the request.

4.1.2.4 Prospectus equivalent Documents

During 2014 and 2013 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 2015, 8 (2014 – 8) 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 relevant decision (of approval or rejection) for seven of them, while the examination of one application was concluded in 2016.

CySEC also examined two applications from an acquirer (2014 – 3 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 of an Issuer. CySEC approved the applications (2014 – 2 approvals and 1 rejection).

4.1.2.6 Applications to exercise squeeze-out right

In 2015 CySEC received two applications (2014 – 0) to exercise the squeeze-out right in purchasing the securities of companies which were not acquired in the Public Takeover Bid phase. CySEC examined and approved the applications.

4.1.3 Decisions related to the smooth operation of the Stock Market

4.1.3.1 Delisting/suspension of trading

In 2015, CySEC examined and approved 16 requests by the CSE Council (2014 – 2 approvals) for the approval of its decision for the delisting from CSE regulated markets of the securities by the equivalent number of Issuers. Thirteen cases concerned delisting because the prerequisites for the smooth operation of the stock market for the securities expired, while three cases concerned the absence of adequate share capital distribution by the Issuers following a public Takeover Bid.

CySEC also examined two requests (2014 – 1) by the CSE Council for the approval of its decision for the delisting from trading on the CSE non-regulated market ('E.C.M. market') of securities by the equivalent number of Issuers. CySEC approved the CSE Council decisions due to the expiry of the prerequisites for the smooth operation of the stock market for the specific Issuer securities.

Within the year, CySEC also approved in the case of two Issuers (2014 – 7 Issuers) the decision by the CSE Council for the continued suspension of trading for the securities of those Issuers in CSE regulated markets. Furthermore, for the two abovementioned Issuers, as well as in the case of an additional five Issuers (2014 – 8 Issuers), 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 of 2007 to 2014 to request from the CSE Council to suspend the trading of the securities of the relevant companies until their compliance with their continuous obligations or a specific date determined by CySEC.

In 2015 CySEC also approved, in the case of two Issuers with securities traded on the E.C.M. (non-regulated) market, the decision by the CSE Council to continue the suspension of trading of the securities of the Issuers in question on the abovementioned market.

4.2 SUPERVISION AND MARKET SURVEILLANCE

4.2.1 Monitoring of CIF Compliance

CySEC monitored the compliance of CIFs with their regulatory obligations, either by conducting on-site inspections at their offices, or by examining the documents submitted to CySEC in accordance with the Law.

4.2.1.1 Conduct of on-site inspections

In 2015, the CySEC Supervision Department conducted 22 on-site inspections at CIFs in order to check their compliance with their legal obligations (2014 – 13).

In 2015, the AML Department conducted a total of 21 on-site inspections, exclusively to check for the compliance of supervised entities with their ongoing obligations derived from the Law and Directive against money laundering:

- 2 on-site inspections at CIFs
- 19 on-site investigations at ASPs (16 on-site inspections were conducted in cooperation with external service providers / audit firms)

As a result of these inspections, administrative fines were imposed and reprimands were made to CIFs for weaknesses detected, and the operating license of one CIF has been suspended, while at some CIFs and ASPs CySEC had ordered the implementation of corrective measures within a specific deadline.

4.2.1.2 Desk based Audits

The Supervision Department also conducted:

- Audits in relation to documents concerning the information that CIFs disclosed to investors (advertisements);
- Review of CIF financial statements;
- Review of the report regarding the appropriateness of the arrangements made by the CIFs in relation to the clients' assets;
- Review of the report regarding the fair presentation of the CIF publications in relation to their capital adequacy;
- Review of the form submitted by CIFs in relation to their capital adequacy and the operational risk;
- Desk audits in a large sample of annual reports submitted by CIFs in relation to Internal Audit, Risk Management and Compliance;
- Desk audits in the notifications submitted by CIFs in relation to their shareholders with substantive holding and their tied agents.
- Investigation of complaints submitted by supervisory authorities concerning CIFs

In 2015, the AML Department also conducted:

- Review of a sample of annual reports by compliance Officers in relation to the prevention of money laundering and internal audit, including the relevant practices by the board, submitted by CIFs and ASPs and concern in general, policy, practices, measures and processes, and the mechanisms implemented for the prevention of money laundering and the financing of terrorism;
- Collection of specific information from CIFs concerning matters of compliance with their continued obligations in line with the Law and Directive;
- Audit and the collection of information in CIF and ASP monthly preventive reports on significant transactions in cash;
- Audit and analysis of information submitted by all CIFs and ASPs on the basis of the new system concerning RBSF.

4.2.2 Compliance monitoring of UCITS managers

In 2015 CySEC conducted inspections of documents in relation to advertisements and other reports issued by UCITS managers.

4.2.3 Compliance monitoring of AIFMs

CySEC started licensing alternative investment fund managers during 2015, and as such monitoring of their compliance took the form of assistance and advice as to the understanding of their obligation for compliance with these obligations.

4.2.1.3 Sanctions

In cases where CySEC established the non-compliance of supervised entities with their continuous obligations according to the Law, it decided, weighing the severity of the violations to:

- Set a deadline for compliance to a number of CIFs;
- Impose an administrative fine on 11 CIFs (2014 – 5);
- Revoke the authorisation of 4 CIFs;
- Suspend the authorisation of 2 CIFs;
- Impose an administrative fine on 2 executive directors and ban their activity in the financial sector for five years;
- Reprimand two non-executive directors.

In relation to CIFs, CySEC imposed fines totaling €1.7 mln and, additionally, in two cases came to a settlement for the total amount of €685,000. The aforementioned administrative sanctions, as well as those that the CySEC Board imposed to both legal and physical entities under the supervision of CySEC following investigations, come to a total of €2,656,550.

It is important to note that, in addition to the monetary fines imposed, CySEC has also indicated a number of corrective measures to CIFs for the improvement of the internal processes, regulations, and practices, aiming for their complete compliance with their legal obligations. CIFs have to implement these measures within a deadline set, at the end of which CySEC will check for their compliance anew. It must also be noted that in the case of revoking the authorisation of a CIF due to serious violations, for the first time CySEC imposed administrative fines on executive directors worth €300,000 and reprimanded non-executive directors. The individuals in question were also banned from activities in the financial sector for a period of 5 years.

Of the cases investigated by CySEC and are related to the banking sector, a total of administrative sanctions worth €9 mln have been imposed. Of these fines only €268,000 have been collected, and CySEC filed claims in court for their collection. In a number of cases, the court verdict is in favour of CySEC for the collection of the fine, with a suspension to the execution of the decision until the decision on the appeal submitted by supervised entities. One appeal against a CySEC decision has already been tried, with the decision in favour of CySEC, with 50% of the fine paid and the remaining 50% to be paid after the issue of the verdict to the appeal submitted to the Supreme Court.

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

4.2.2.1 Monitoring the implementation of the Public Offer and Prospectus Law

During 2015, 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 Prospectus or a Supplement 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 other Member States. The relevant notifications are posted on CySEC's website. During 2015, seven Prospectuses (2014 – 5) have been notified to CySEC by the competent Authorities of other Member States, and 16 Supplements to the notified Prospectuses (2014 - 9).

In the cases, where, in the course of the examination of applications for approval of Prospectuses or of the

relevant announcements, matters emerged, which might constitute violations of the Stock Market legislation and of the relevant legislation of the securities market, those have been referred to the Market Surveillance and Investigations Department for further investigation.

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

Officers of the Issuers Department continued monitoring announcements/ publications in order to ensure the compliance of the parties involved with the Public Takeover Bids Law.

During 2015, the Issuers Department conducted the investigation of one case concerning possible violation of Article 13(1) of the Public Offer Law (L.41(I)/2007).

In the specific case, CySEC decided that there was violation by the offerer of Article 13(1) of L.41(I)/2007 as they failed to comply with their obligation for a Public Offer to the shareholders of the company in question so as to gain possession of 100% of its share capital, which arose due to the purchase on their part and of other entities operating in coordination of company shares, and the non-compliance with the terms set by CySEC during the provision of an exemption from the obligation for a Public Offer towards the company shareholders. In relation to the violation in question, CySEC decided to impose an administrative fine on the purchaser, as well as suspend their voting right in the company general meetings, derived from the purchase of the shares in question, for a period of five years.

4.2.2.3 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 of 2007, as applicable, which sets the Transparency Requirements for the disclosure of information of an Issuer whose transferable securities are admitted to 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 relevant Law governs the Issuers whose home Member State is the Republic 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 ongoing information of Issuers whose transferable securities are admitted to trading on a regulated market.

Within the 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 of 2007, CySEC examined their compliance with the provisions of the law and specifically, with their obligation for publication of their Indicative Result for the full financial year, the Annual Financial Report, the Half-yearly Financial Report, the Interim Management Statement and the content of the above mentioned reports/announcements and, specifically, whether the financial information has been prepared in accordance with the relevant provisions of the Law.

■ Indicative results for the full financial year

In reviewing the compliance of Issuers with their obligation to disclose the indicative results for 2014, CySEC proceeded with the investigation of 21 cases concerning an potential violation of section 13(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, because of non-disclosure of the indicative results within the period specified by the Law and/or section 37(2)(a) of that Law because of the failure to submit the indicative results to CySEC. The examination of cases was completed in 2015 and CySEC decided to impose administrative fines as follows:

- An administrative fine on 18 Issuers for violation of article 13(1) and 37(2)(a) of the relevant law;
- An administrative fine on 2 Issuers for violation of article 13(1) of the relevant law;
- An administrative fine on one Issuer for violation of article 37(2)(a) of the relevant law.

As part of that audit, CySEC also sent letters to a number of Issuers who had minor omissions to the disclosure of the indicative results for 2014, or deficiencies in its content, drawing their attention to the provisions of the relevant legislation.

■ Annual Financial Report

Annual Financial Report for the 2013 financial year

In reviewing the compliance of Issuers with their obligation to publish their Annual Financial Report for 2013, CySEC proceeded in the investigation of 6 cases for potential violation of section 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007, due to the non-publication of the Annual Financial Report within the deadline specified in the Law, or/ and of section 37(2)(a) of the same Law regarding the non-submission of the Annual Financial Report to the CySEC. It also proceeded in the investigation of 3 cases of potential violation of section 9(4)(c) of the same Law, due to the fact that the annual accounts of the parent company had not been included in the Annual Financial Report for the year 2015. The examination of the cases was completed in 2015, and CySEC decided to impose administrative fines or/and reprimands as follows:

- Administrative fines on 21 Issuers for violation of articles 9(1) and 37(2)(a) of the relevant law;
- Administrative fines on 4 Issuers for violation of article 9(1) of the relevant law;
- Administrative fines on 3 Issuers for violation of article 9(4)(c) of the relevant law;
- Reprimand 1 Issuer for violation of articles 9(1) and 37(2)(a) of the relevant law.

Annual Financial Report for the 2014 financial year

During 2015 CySEC also started auditing the compliance of Issuers with their obligation to publish their Annual Economic Report for 2014. Within the framework of this check CySEC decided to proceed to the investigation of 13 cases that concerned possible violation of article 9(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law of 2007 due to failure to publish the Annual Economic Report within the deadline set by Law, and/or article 37(2)(a) of the same Law in relation to the failure to submit their Annual Economic Report to CySEC. Furthermore CySEC investigated one case concerning possible violation of article 9(4)(c) of the same Law, as the 2014 Annual Economic Report by the Issuer in question did not include the annual accounts of the parent company, and the investigation of one case concerning the possible violation of articles 9(3)(c), 9(4)(c) and 37(2)(a) of the same Law. The examination of the cases was concluded in 2016, and CySEC decided to impose administrative fines in all 15 cases.

As part of that audit, CySEC also sent letters to a number of Issuers who had minor omissions to the disclosure of the results for 2014, or deficiencies in its content, drawing their attention to the provisions of the relevant legislation.

■ Interim Financial Report

Interim Financial Report for the first semester of the 2014 financial year

In reviewing the compliance of Issuers with their obligation to publicize their Interim Financial Report for the first half of the 2014 financial year, CySEC proceeded in the investigation of 27 cases for possible violations of article 10(1) of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, due to the non-publication of the Interim Financial Statements within the deadline specified by the Law and/or section 37(2)(a) of the same Law in relation to the non-submission of the interim Financial Report to CySEC.

Furthermore, it proceeded in the investigation of one case regarding an potential violation of section 10(3) (b) of the same Law, due to the fact that the Interim Management Report of the Issuer was not disclosed in the Interim Financial Report. It also investigated 1 case involving the potential violation of section 10(4) of the same Law because the interim reports included in the 2014 Interim Financial Report for the first half of 2014

were not prepared according to the International Financial Report Standards applicable to interim economic reports. The examination of the cases was completed in 2015, and CySEC decided to impose administrative sanctions and/or reprimands as follows:

- Administrative fines on 22 Issuers for violation of articles 10(1) and 37(2)(a) of the relevant law;
- Administrative fines on three Issuers for violation of article 10(1) of the relevant law;
- Administrative fine on one Issuer for violation of article 37(2)(a) of the relevant law;
- Administrative fine on one Issuer for violation of article 10(3)(b) of the relevant law;
- Administrative fine on one Issuer for violation of article 10(4) of the relevant law;
- Reprimand of one Issuer for violation of articles 10(1) and 37(2)(a) of the relevant law.

As part of that audit, CySEC also sent letters to a large number of Issuers for insignificant omissions in relation to the publication of the Interim Financial Report for the first half of the 2014 financial year, drawing their attention to the provisions of the legislation concerning the Interim Financial Report and its disclosure.

Interim Financial Report for the first semester of the 2015 financial year

During 2015 CySEC also commenced the audit in relation to the compliance of Issuers with their obligation to publish their Interim Financial Report for the first semester of the 2015 financial year. The audit continued in 2016.

■ Περιεχόμενο χρηματοοικονομικής πληροφόρησης ■ Content of financial information

In relation to the assessment of the content of the financial information in accordance with the requirements of the Transparency Requirements (Transferable Securities Admitted to Trading on a Regulated Market) Law, CySEC proceeded with the assessment of the Financial Statements for the years 2013, 2014 or/and the interim financial report for the period ended on the 30th June 2015, of a number of companies whose securities are listed on CSE. The aim of this assessment was to establish the level of compliance of these financial reports with the International Financial Reporting Standards.

The selection of the sample of financial reports evaluated each year by CySEC is based on a combination of approach on the basis of risk and random sample-taking, according with the ESMA Guidelines on enforcement of financial information put into force in December 2014 and adopted by CySEC. The selection on the basis of risk takes into account the risk of inaccuracy in financial reports, as well as the consequences of an inaccuracy on the stock exchange. The selection criteria also take into account the common European priorities in relation to the supervision of financial reports, as determined annually by European supervisory authorities and ESMA.

The selection of financial reports evaluated during 2015 was on a sample basis, as described above. In some cases, the overall evaluation of financial reports was conducted, while in other cases the review was focused/thematic on the basis of some specific accounting handling or for the purposes of common European priorities in relation to the supervision of financial reports for 2014, as determined by European supervisory authorities in coordination with ESMA. CySEC sent the audit results, where it was deemed necessary, to the companies they concerned, so as to provide the necessary explanations and/or to be taken into account in the preparation of the next financial reports. In some cases, the audit continued in 2016.

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 on transaction orders, transactions and shareholder information 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 Cypriot 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.

During 2015 a total of 35 seminars were conducted for the Continuous Professional Training of Certified Individuals. Of those, 25 were held in Nicosia and 10 in Limassol. The seminars, attended by about 900 individuals, concerned the analysis of AIFM legal obligations, an analysis and comparison of the legal obligations of UCITS management companies and AIFMs, the new legal framework for Collective Investment Funds and analysis of the duties of a custodian within the framework of UCITS and AIFMs, analysis of the existing rules on transparency and the requirements of the new Directive on transparency, and an analysis of the Market Abuse Legislation.

In relation to the training of certified individuals, CySEC intends to enrich the topics covered by its future Continuous Professional Education seminars. Topics that are being examined to be included are the new Transparency and Market Manipulation legislations, the MiFID II Directive, matters of capital adequacy, the Law in relation to CIF recovery, as well as matters related to the European Commission action plan for the Securities Markets Union.

In relation to certification examinations, CySEC is already working so that within 2016 the exam material is updated according to the new legislation now in force. At the same time, it moves ahead with the preparation of new examinations for Compliance Officers that will concern Anti-Money Laundering, and are expected to start at the beginning of 2017. CySEC also examines ways for the further automation of the process for participation in the exams whereby interested individuals can register for the exam online.

4.2.7 Risk based supervision framework

CySEC, following the example of other competent authorities abroad, decided to proceed in the establishment of a supervisory framework with which it shall supervise entities on the basis of their risks. The Risk Based Supervision Framework, 'RBSF', shall enable CySEC to define the way it shall exercise its supervision based on the risks faced by each supervised entity, and on the basis of their importance, in order to focus its supervision on the entities that entail the highest risk.

Risk management is the process by which organisations approach methodically and systematically the risks related with their activities. Effective risk management assumes the existence of a framework which facilitates and supports all the risk management processes. The majority of competent authorities in the most important financial centers of the world, identifying the requirement for coordinated supervision, based on the assessment of the risks they are facing in relation to their strategic objectives, have developed and implemented risk based supervision frameworks.

The benefits from the implementation of the RBSF shall be important for the supervised entities and CySEC itself. RBSF aims to assist CySEC with the following:

- (i) To make better decisions based on risk management;
- (ii) To impose immediate and comparable/uniform supervisory measures, where necessary;
- (iii) For the conduct of supervisory tasks in accordance with their priority;
- (iv) To strengthen the ability of CySEC to take effective supervisory measures;
- (v) To enhance the capacity, efficiency and transparency in supervision, with the focus on the high risk entities;
- (vi) The more efficient allocation of CySEC resources;
- (vii) To adopt a consistent and constant method for the risk evaluation of all regulated entities;
- (viii) To adopt a supervisory framework comparable with the systems applied by other competent Authorities abroad, within EU and the rest of the world;
- (ix) To the better understanding of the operations and risks of regulated entities;
- (x) To the encouragement of regular and open communication between the regulated entities and the CySEC;
- (xi) To the development of the culture of the supervised entities to comply with the new supervisory framework and their encouragement regarding the adaptation of their own internal risk management systems.

The operations for the establishment of this framework begun at the end of 2012 and were expected to finish by the end of 2015. After a public tender announced in 2013, CySEC assigned to a private company the creation of the methodologies and the tools of the framework according to the specifications given to it, in cooperation with CySEC. The implementation of the RBSF is proceeding according to the program that included five phases:

- Phase A - Evaluation of the existing operations and supervision of the CySEC;
- Phase B - Design and development of the framework;
- Phase C - Implementation of the RBSF;
- Phase D - Roll-out;
- Phase E - Continuous support.

Between 2013 and 2015 Phases A, B, C, and D have been concluded for the Supervision, Authorisations, and AML Departments. Also, for the Issuers and Investigations and Market Surveillance Departments workshops have taken place with the aim of evaluating their existing operating procedures, so as to complete the implementation of the RBSF for them too by the end of 2016 and collect data used in the evaluation of risk.

Specifically, to this day the following have been concluded:

- Evaluation of the existing mode of operations of the Departments, of the regulated entities and the way of supervision;
- Design and development of the framework;
- Transfer of this framework to a special software, which was developed for this purpose;
- Design of the governance of the framework (roles and responsibilities);
- Development of the new procedures and of the necessary technological support infrastructure and other programs;
- Training of personnel to the new procedures and software;
- Collection and processing of data, information by the regulated entities;
- Evaluation and assessment of the risks of the regulated entities on the basis of the information gathered;
- Preparation of the audit programs based on the new supervisory approach;
- Preparation of the reports about the findings and actions that have to be taken.

By the end of 2016 it is expected that CySEC will have available to completed RBSF system for all supervised entities, as well as the supervisory tools (such as software, audit programmes, process manual etc) that will be used.

4.2.8 Certified Persons' Register, Continuous Professional Development and Examinations

Within the framework of the assumption by CySEC in November 2012 of the responsibility for the simplification of the certification process for individuals, carrying out the examinations for the certification of individuals who may be employed by CIFs and credit institutions, as regards the provision of investment services to Management Companies and Variable Capital Investment Companies, and maintaining the public registry of certified individuals, in 2014 the first tests were performed.

Under the new framework, individuals in the public register, in order to maintain their enrollment in it, now have the obligation to submit to CySEC information on their Continuous Professional Training. Through this need, the level of knowledge of certified individuals in connection with the latest developments and changes in the institutional framework governing the securities market is improved. At the same time, it reduces the risk of incorrect compliance with the legal obligations of those supervised and upgrades the specialized professional knowledge of certified individuals in specific areas of investment services provision, with the ability to address any weaknesses or gaps identified from time to time by the Supervisory Authority, and aides people that might not be employed for some time in the field to remain updated on developments in the institutional framework.

In this way, the quality of services offered is upgraded, and a culture of compliance at each regulated entity, and by extent the market in general, is being promoted, which will contribute greatly to the further development and growth of the investment services sector in Cyprus. At the end of 2015 1,716 individuals (2014 - 1,329 individuals) were registered in the Public Registry.

4.3 CONDUCT OF INVESTIGATIONS

4.3.1 Investigation of potential violations

During 2015 the Investigations and Market Surveillance Department conducted a large number of investigations in relation to potential violations of the law, and primarily cases related to the banking sector, as always within the framework of its competencies.

Investigations in relation to the banking sector focused primarily on the below topics:

- The potential reduction in goodwill of a bank;
- The potential inadequacy of provisions in bank financial statements;
- The publication of information in relation with the additional capital requirements (Pillar II) following the supervisory evaluation conducted by the EBA;
- The publication of information in relation with ELA drawn by banks.

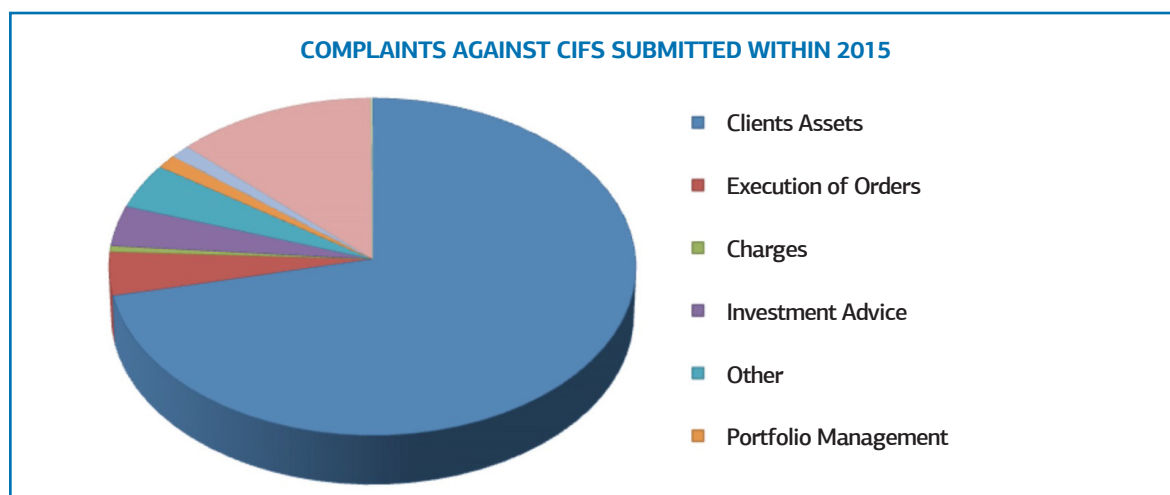
The investigation of certain cases, which was not completed within the year, is continuing in 2016. The relevant cases concern, possible misleading statements, evaluation of the information disclosed in the financial statements of previous years, and practices which may constitute market manipulation.

CySEC is receiving complaints for investigation 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 complaints.

Complaints against CIFs

During 2015, CySEC received 2,675 complaints by investors against CIFs concerning various issues (Chart 13). In 91 cases investigated no violation was detected, either because the case did not require further investigation, or because the complainant did not provide sufficient evidence so as for the investigation to be possible, or because in the end the complainant received adequate explanations or compensation by the CIF and subsequently withdrew the complaint. The remainder of the complaints is being investigated.

Chart 13: Complaints against CIFs submitted within 2015



Complaints against companies for possible unauthorised provision of services

During 2015 CySEC received 224 complaints by investors against companies potentially offering illegal investment services. In relation to these complaints, the investigation for some was completed while for others the investigation continued following the end of the year in question.

For the examination of these cases, the Investigations and Market Surveillance 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 through its website without the necessary CIF license, and collects information through sending letters to individuals that are believed to be in a position to offer CySEC helpful information.

In cases where a company is determined to provide or is presented as providing investment services in the Republic without the necessary CIF authorisation, CySEC issues a warning to investors. During 2015 14 warnings were issued by CySEC in relation to companies that did not have CIF authorisation and were not a bank or cooperative credit institution based in the Republic, or CySEC had received a notification from a competent authority in an EU Member State concerning these companies (Table 8).

Table 8: Warnings issued by CySEC during 2015

Warning	Date of issue
TALANTO CAPITAL MARKETS (CYPRUS) (http://www.talantocm.com)	24/2/2015
Janibank Investment Ltd (http://www.jukebux.com)	25/2/2015
TD Options Limited (www.basicventure.com)	12/3/2015
'Tradersking Ltd'(https:// www.tradersking.com)	2/7/2015
Lau Global Services Corp. (http://www.mxtrade.com)	8/9/2015
Fundsaver Services Ltd (www.ubroker.com)	9/9/2015
'Pilpel Capital LTD' (http://bloombex-options.com)	17/9/2015
'Fundsaver Services Ltd' (www.500option.com)	28/9/2015
'Fundsaver Services Ltd' (www.everyoption.com)	5/10/2015
'Option500' (www.option500.com)	5/10/2015
'FXi (Cyprus) Ltd' (http://tradefxi.com)	12/10/2015
http://www.bulletinvestment.com	9/11/2015
www.noeruscapital.com	12/11/2015
'Airsoft' (www.airsoftltd.com)	10/12/2015

Complaints against Issuers

During 2015 CySEC received 18 complaints by investors against Issuers listed on the CSE. In 10 cases investigated no violation was detected, while for 8 cases the investigation continued following the end of 2015.

4.3.3 Lifting of Bank Confidentiality

During 2015 CySEC proceeded with the lifting of bank confidentiality in 20 cases, as part of its investigations.

4.3.4 Submission of information to the Law Office of the Republic

Pursuant to section 35(1)(a) of the Securities and Exchange Commission Law of 2009, (L.73(I)/2009), in cases where the potential violation may, on face, constitute a criminal offence, CySEC prepares a report or statement of facts and submits it with all the evidence in its possession to the General Attorney of the Republic. In 2015, CySEC sent 5 cases to the General Attorney of the Republic to decide whether any potential criminal offences emerge in relation to companies or natural persons.

4.3.5 Cooperation with other Supervisory Authorities for the conduct of Investigations

During 2015 CySEC received 274 (2014 – 233, 2013 – 180, 2012 – 104) incoming requests, that is requests sent to CySEC by foreign supervisory authorities, and has sent 73 (2014 – 71, 2013 – 98, 2012 – 51) outgoing requests, that is requests with which CySEC asks for information for its own purposes.

4.4 IMPROVEMENTS IN THE LEGAL FRAMEWORK

4.4.1 Laws

The Alternative Investment Funds Law of 2014 (L.131(I)/2014)

On 6 February 2015 the Alternative Investment Funds Law of 2014 (L.131(I)/2014) was published, according to which:

- (a) It is possible for Alternative Investment Funds for a Limited Number of Persons (LNPAIF) that includes in its portfolio financial instruments, to appoint an external manager of any company, which according to its article of association has the provision of services for the management of the portfolio of the specific LNPAIF as its exclusive purpose;
- (b) Extend the deadline for the submission of relevant information and/or applications to CySEC.

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

On 6 February 2015 the Alternative Investment Fund Managers (Amendment) Law of 2015 (L.8(I)/2015) was approved, which is intended, inter alia, to harmonize the Law with Article 3 and 4 of Directive 2013/14/EU, which provides for the amendment of Directive 2011/61/EU on Alternative Investment Fund Managers (AIFMs), regarding the excessive reliance of these on credit ratings.

Furthermore, the Law aims both for the better harmonization with Directive 2011/61/EU on Alternative Investment Fund Managers, and the discretion that it provides by Article 28(1) of Directive 2011/61/EU.

Specifically, Law L.8(I)/2015 brings about the following changes to the Law:

- (a) Article 6(3) of the main law is amended so as to impose the obligation on a licensed external AIFM to conduct the activities mentioned in the article;
- (b) Article 8 of the main law is amended with the aim for the Securities Commission to have the capacity to determine through a directive, among other things, the qualifications and process for the certification of officials and employees at AIFMs;

- (c) Articles 14(1)(d), 27(4)(b), 33(1)(b), 36(1)(a), 2(c) and 37(3)(c) of the main law are amended in such a way so as for their wording to correctly reflect the corresponding provisions of Directive 2011/61/EU;
- (d) Article 16 of the main law is amended, with the aim to impose stricter rules on AIFMs and put them under stricter controls by the Exchange Commission, so as to avoid their excessive support on credit ratings, when they are evaluating the risk that investments conducted by the said organisations entail;
- (e) Articles 23(6)(b) and 88(3) of the main law are amended, so as to correct mistaken references to other provisions in the main law;
- (f) Article 35(1)(d) of the main law is amended, so as to end the relevant exercise of the discretion granted by Article 28(1), second subparagraph, of Directive 2011/61/EU.

Also, as of 3 July 2015, for purposes of harmonisation with article 92 of Directive 2014/65/EU on securities markets, the Alternative Investment Fund Managers (Amendment) (No. 2) Law of 2015 (L.97(I)/2015) was published with which:

- (a) The possibility is granted to AIFMs in the Republic, except for the management of AIFs in the European Union established in another EU Member State than the Republic, to provide the investment services provided for in article 6(6) of the Law, in another EU Member State except for the Republic, through the free provision of services or the establishment of a branch;
- (b) The provision is provided to AIFMs in a EU Member State other than the Republic, in addition to the management of AIFs in the Republic, to also provide the investment services provided for in article 6(6) of the Law, in the Republic.

The Open-Ended Undertakings for Collective Investment Law of 2012 (L.78(I)/2012)

On 16 June 2015 the Open-Ended Undertakings for Collective Investment (Amendment) Law of 2015 (L.88(I)/2015) was published, which primarily:

- (a) achieves the harmonisation with articles 2 and 4 of Directive 2013/14/EU, for the imposing of stricter rules so that Undertakings for Collective Investment in Transferable Securities (UCITS) avoid to be supported exclusively or mechanically on the credit ratings, or to use them as an exclusive parameter when evaluating the risk entailed in investments that UCITS take on;
- (b) allows entities, under conditions for capital adequacy and prudential supervision, to act as custodians in the Republic
- (c) allows, under conditions, the introduction of shares for a Variable Capital Companies on a share market operating in a third country;
- (d) improves the Law as to the process for the distribution of shares, the buy-out of shares, and the suspension of the buy-out of shares;
- (e) extends the capacity to introduce for negotiation at a stock market of UCITS shares that re the object of negotiation (negotiable UCITS);
- (f) simplifies the process for publishing the date for a merger, the process for the dissolution, and the suspension of a UCITS license;
- (g) removes the obligation for the submission of a quarterly financial report to CySEC;
- (h) provides UCITS the opportunity to evaluate their active capital on a periodic basis and at least every fortnight.

Also, as part of harmonising the Cyprus regulatory framework with Directive 2014/91/EU for the amendment of Directive 2009/65/EU for the coordination of legislative, regulatory and administrative provisions in relation to certain collective investment organisations in transferable securities (UCITS) as the operations of custodian are concerned, remuneration policies and sanctions, a draft law was prepared and promoted that is now before the Legal Service of the Republic. Member States have a deadline to harmonise the Directive until 18 March 2016.

Directive 2014/91/EU attempts to prevent the risky behaviour of individuals in a position to take added risks during the management of UCITS (through their remuneration policy) and to complete the provisions

that existed until currently in Directive 2009/65/EU (UCITS IV) with regard to custodians. Furthermore, it strengthens the provisions that concern sanctions with the aim to achieve consistent implementation in all Member States and reinforce their preventive effect.

The Law that regulates the Companies Providing Administrative Services and Other Related Issues of 2012 (L.196(I)/2012)

On 9 October 2015 the Law that regulates Companies Providing Administrative Services and Related Issues (Amendment) of 2015 (L.142(I)/2015) was published, with which the reservation of the Law concerning the services of trust protector is deleted, which by mistake was not deleted with the previous amendment law (L.117(I)/2014).

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

On 21 July 2015 the Securities and Exchange Commission (Amendment) Law of 2015 (L.135(I)/2015) was published, with which:

- (a) The Capacity is provided to CySEC to assign the keeping of minutes for its Board meetings to individuals beyond its personnel, which will be employed at CySEC either through secondment from another organisation or through a services provision contract;
- (b) Eliminates provisions so that the representative of the Central Bank of Cyprus Governor cannot participate as an observer at the CySEC Board meetings.

Furthermore, two draft laws are being promoted that are currently before the House of Representatives for a new amendment of the Cyprus Securities and Exchange Commission Law of 2009 on matters concerning the operation of CySEC.

The Public Takeovers Bid Law of 2007 (L.47(I)/2009)

For the correct harmonisation with article 119 of Directive 2014/59/EU concerning the establishment of a framework for the recovery and resolution of credit institutions and investment companies, and the amendment of Directive 2004/25/EC, the Public Takeovers Bid (Amendment) Law of 2015 (L.7(I)/2015) was published on 6 February 2015. On the basis of the Amendment Law individuals that intent to purchase securities in a company representing 30% or more of the voting rights in said companies, are exempt from the need to submit a public take-over bid when the possession of the said securities is achieved due to the implementation of tools, authorities, and consolidation mechanisms according to Title IV of the Directive 2014/59/EU.

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

For harmonisation with article 1 of Directive 2013/50/EU that, among others, amends Directive 2004/109/EC for the prerequisites for transparency in relation to information regarding Issuers whose transferable securities have been introduced for trading on a regulated market, and Directive 2007/14/EC in relation to the defining of analytical rules for the implementation of certain provisions of Directive 2004/109/EC, an amendment to the Prerequisites for Transparency (Transferable Securities Negotiated on a Regulated Market) Law of 2007 was prepared and promoted, with the aim of primarily:

- (a) Abolishing the obligation of an Issuer to:
 - Publish an Intermediary Management Report during each semester of a financial year;
 - Prepare and publish Indicative Results for the complete financial year;
 - Publish a new loan issue;
 - Notify a proposal to amend its charter or founding document.

- (b) The obligation to publish an Interim Financial Report to be extended during the three months after the end of the first semester;
- (c) The obligation for the Annual and Intermediary Financial Reports to remain available to the public to be extended to 10 years;
- (d) To establish the obligation of an Issuer with a company active in the mining or natural forest timber industries to issue an annual report on its payments to governments;
- (e) To extend the obligation of individuals to notify an Issuer and CySEC of the possession on their part of significant participation in voting rights which derive from the possession of financial means with equivalent economic impact with the possession of shares with the right to purchase shares, regardless on whether they have or not the right of a physical settlement;
- (f) To extend the time for the issue of the notification required by articles 28, 30, 31 and 31A of L.190(I)/2007 to the Issuer and CySEC by the person required to issue the notification for their participation in the Issuer to 3 working trading days;
- (g) To provide power to CySEC to suspend the voting rights attached to shares in the event of non-compliance with the obligations laid down for the acquisition or disposal of voting rights in the Issuer;
- (h) To provide for high administrative sanctions and measures by legal and natural persons for infringements relating to regular information and obligations in case of acquisition or disposal of voting rights in the Issuer;
- (i) Determining the circumstances that CySEC may take into account in determining the type and level of administrative sanctions or administrative measures imposed.

Member States had a deadline to harmonise Directive 2013/50/EU until 26 November 2015. The relevant draft law is expected to be voted into law within 2016.

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

In order to harmonize the Cyprus institutional framework with Directive 2014/51/EU amending Directives 2003/71/EC and 2009/138/EC and Regulations, (EC)No. 1060/2009, (EU)No.1094/2010 and (EU)No.1095/2010, concerning the powers of the European Supervisory Authority (European Insurance and Occupational Pensions) and the European Supervisory Authority (European Securities and Markets Authority), a draft law has been prepared and promoted as the Public Offer and Prospectus (Amendment) Law of 2015 (L.86 (I) / 2015).

With this Law, CySEC is required to notify the final terms of the public offer, when they are not included in the prospectus or supplementary prospectus, to the European Supervisory Authority (European Securities and Markets Authority - ESMA) and, where applicable, to the competent supervisory authority of the host Member State.

Furthermore, for harmonisation with Article 2 of Directive 2013/50/EC which, inter alia, amends Directive 2003/71/EC on the prospectus to be published when securities are offered or admitted to negotiation, an amendment of the Public Offer and Prospectus Law 2005 was prepared and promoted changing the definition of «home Member State.»

Member States had a deadline until 26 November 2015 to harmonise Directive 2013/50/EU. The relevant draft law is expected to be voted into law within 2016.

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

The Law for the Transfer of CSE Personnel to CySEC of 2015 (L.126(I)/2015) was voted on 20 July 2015, providing for the permanent transfer of personnel from the CSE to CySEC. The Law was voted for the immediate and permanent strengthening of CySEC by experienced personnel that the CSE can provide.

European Directive on Markets in Financial Instruments (MiFID II)

On 12 June 2014 Directive 2014/65/EU on markets in financial instruments (MiFID II) and Regulation (EU) No.600/2014 on markets in financial instruments (MiFIR) were published in the EU official journal. Member

States have the obligation to harmonise their legislation with the Directive by 3 July 2016. Within the framework of this harmonisation with the Directive, a draft legislation has been prepared incorporating the provisions of the Directive, which is before the Legal Services of the Republic for examination. It is noted that the European Commission submitted a proposal for the extension of the date of implementation for both the Directive and the Regulation, which is being examined by the EU Council and the European Parliament. It is expected that beyond the date of implementation, the date until which Member States need to harmonise their legislation with the Directive will also be extended.

European Directive for the recovery and resolution of credit institutions and investment firms

In order to harmonize the Cyprus institutional framework with Directive 2014/59/EU, establishing a framework for the recovery and resolution of credit institutions and investment firms, a draft law has been prepared and promoted whose publication into law is expected to take place in 2016.

The new draft law seeks to prevent the insolvency of CIFs and other entities supervised by CySEC as the Competent Authority, through the design of recovery measures and early intervention for unhealthy CIFs. The new institutional framework will provide sufficient tools to effectively address unhealthy institutions, both in Cyprus and across borders in order to minimize the negative effects in the event of insolvency of these institutions.

European Regulation for Market Abuse

Regulation (EU) No. 596/2014 on market abuse and the abolition of Directive 2003/6/EC, 2003/124/EC, 2003/125/EC and 2004/72/EC was published on 12 June 2014 in the EU Official Journal. The Regulation will come into force on 3 July 2016.

The Regulation sets a common regulatory framework in relation to the abuse and illegal announcement of preferential information, market manipulation, as well as measures for the prevention of market abuse that ensure the integrity of financial markets in the EU and strengthening the protection of investors and their trust in the market.

With Notification of the Minister of Finance, published in the Official Gazette of the Republic on 4 September 2015, CySEC has been appointed as the competent authority for the purposes of this Regulation on market abuse.

For the harmonisation with the Regulation, consequence of the discretion provided to Member States, the preparation of a draft law was examined for the amendment of the Actions of Persons who Hold Confidential Information and Market Manipulation (Market Abuse) Law 2005.

European Regulation on improving securities settlement in the European Union and on central securities depositories

On 28 August 2014 Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26 / EC and 2014/65 / EU and Regulation (EU) No. 236/2012 was published in the EU Journal.

Regulation 909/2014 lays down uniform requirements for the settlement of financial instruments in the European Union and rules on the organization and functioning of central securities depositories (CSDs) to promote safe, efficient and smooth settlement.

With Notification of the Minister of Finance, published in the Official Gazette of the Republic on 19 June 2015, CySEC has been appointed as the competent authority for:

- (a) The authorization and supervision of CSDs regarding the basic services under Section A of the Regulation;

- (b) The authorisation and supervision of CSDs regarding non-banking Ancillary services under Section B of the Regulation;
- (c) The cooperation with competent authorities in other Member States, other relevant authorities, the European Supervisory Authority (European Securities and Markets Authority) and the European Banking Authority.

European Regulation on basic information documents concerning packaged retail and insurance-based investment products for private investors (PRIIP)

On 9 December 2014 Regulation (EU) No. 1286/2014 on basic information documents concerning packaged retail and insurance-based investment products for private investors (PRIIP) was published in the EU Journal. The Regulation comes into force on 31 December 2016.

The Regulation sets common rules in relation to the style and content of basic information documents prepared by PRIIP producers and is related to the provision of basic information documents to private investors in order to allow the possibility to said investors to understand and compare the basic characteristics and risks of the PRIIP.

With Notification of the Minister of Finance, published in the Official Gazette of the Republic on 4 September 2015, CySEC has been appointed as the competent authority for the implementation of the provisions of this Regulation on key information documents relating to packaged investment products to private investors and investment products based on insurance (PRIIP), in respect of PRIIP producers and providers of investment advice for PRIIP or PRIIP sellers under the supervision of CySEC.

European Regulation on prudential requirements for credit institutions and investment firms

On 27 June 2013 Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 was published in the EU Journal. All provisions of the Regulation shall be applicable as of 1 January 2016.

The Regulation lays down uniform rules concerning general prudential requirements to which institutions supervised under Directive 2013/36/EU in relation to specific elements must adhere to. The Directive 2013/36 / EU has been harmonized in the Cyprus legislation with CySEC Directive D144-2014-14 for the prudential supervision of Investment Firms.

With Notification of the Minister of Finance, published in the Official Gazette of the Republic on 4 September 2015, CySEC has been appointed as the competent authority for the implementation of this Regulation as regards the provisions applicable to investment service firms. Also, with the same Notification, CySEC has been appointed as the competent authority for the implementation of Directive 2013/36/EC on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms.

European Regulation on European long-term investment funds

On 19 May 2015 Commission Regulation (EU) No. 2015/760 on European long-term investment funds was published in the EU Journal. This Regulation shall apply from 9 December 2015.

Regulation 2015/760 establishes uniform rules for the authorization, investment policies and operating conditions of EU alternative investment funds (EU AIF) or parts of the EU AIF available to the Union as the European long-term investment funds.

With Notification of the Minister of Finance, published in the Official Gazette of the Republic on 4 September 2015, CySEC has been appointed as the competent authority for the purposes of these Rules on European long-term investment funds.

Proposal by the European Commission for Regulation of the European Parliament and Council in relation with prospectuses that must be published during the public offer of transferable securities or during the introduction of transferable securities for negotiation

On 30 November 2015 the European Commission proposal for a European Parliament and Council on the prospectus to be published when securities are offered or the admission of securities to trading (Prospectus Regulation) was published.

CySEC proposes to revise the existing Directive on prospectuses (Prospectus Directive) and its replacement with the proposed Regulation. The objective of the proposal, adopted as part of the legislative proposals for the creation of a Capital Markets Union, is to improve access for companies, especially SMEs, to capital markets. In January 2016 the discussion began of these proposals by the European Commission Council Working Group on Financial Services and the meetings of the Working Group on the matter are continuing intensively.

4.4.2 Directives

In 2015 CySEC prepared and issued relevant directives for harmonisation with the provisions of:

- (a) Directive 2002/87/EC in relation to the supplementary supervision of credit institutions, insurance firms, and financial conglomerates;
- (b) Directive 2010/78/EU in relation to the authorities of the EBA, the European Insurance and Occupational Pensions Authority, and ESMA;
- (c) Directive 2011/89/EU in relation to supplementary supervision of financial entities belonging to financial conglomerates, prepared and promoted with a CySEC Directive, published on 25 September 2015 as Directive D144-2007-16 of 2015 for the Supplementary Supervision of Investment Services Firms, Asset Management Firms or AIFMs belonging to a Financial Conglomerate.

Directive D.144-2007-16 of 2015 lays down rules on the supplementary supervision of an Investment Firm, an asset management company or alternative investment fund managers, who have been authorized by CySEC and belong to a financial conglomerate. This Directive repeals and replaces CySEC Directive D.144-2007-11 of 2012.

Additionally, for purposes of supplementing the legislative framework for Issuers whose securities are listed on the CSE, a Directive has been prepared and was published on 13 November 2015 as CSE Directive 01 of 2015 (392/2015), which sets out the conditions and the applicable procedure for the delisting of transferable securities from the Stock Exchange on application to the Stock Exchange Council of the issuing company. This Directive, fulfilling particular delisting conditions, provides, inter alia, an obligation to the issuing company to provide the right to shareholders who oppose the delisting from the CSE to exit.

Additionally, during 2015, CySEC prepared and issued the following Directives:

- Directive (D144-2007-15) in relation to the continuing operation, and the operation of the Investor Compensation Fund (175/2015).
- Directive (D144-2007-16A) for the amendment of Directive D144-2007-16 (406/2015).
- Directive (D131/56/02) on the terms and process for the distribution of AIF and LNPAID shares in the territory of the Republic, the organisation of the distribution network and the obligations of individuals participating in the network, as well as the terms for the distribution of AIF shares in the Republic, at another EU Member State or third country (472/2015).
- Directive (D131-2014-03) on the categorisation of AIFs in the Republic and other relevant issues (471/2015).

4.4.3 Circulars

During 2015 CySEC prepared and issued 30 circulars to CIFs, concerning primarily:

- Prudential supervision – Adoption of the fourth legislative package on capital adequacy CRD IV;
- CIF initial capital;

- Risk management, particularly those related to currency;
- Compliance with the obligations under the law on compliance operations;
- Audit report on the properness of regulations in relation to capital and client financial means – presentation of additional evidence;
- Risks of investing in complex products;
- Definition of the term ‘Significant CIF’;
- Declaration of online address – referral and informing of clients;
- CIF contribution to the common consolidation fund and national consolidation fund;
- Dealing with client complaints against CIFs;
- Identification of other systemically important institutions.

During the year, a number of announcements and circulars was also issued for Issuers with securities traded on a regulated market, covering among others:

- The publication of the ESMA Archive in relation with decisions concerning the implementation of International Financial Reporting Standards;
- The common positions of supervisory authorities to frequent questions concerning prospectuses (ESMA - Questions and Answers - Prospectuses);
- The ESMA statement on ‘Common European priorities in relation to the supervision of financial statements for 2014’ (ESMA Public Statement – European common enforcement priorities for 2014 financial statements);
- The abolition of the obligation for an Annual Report publication;
- The ESMA Consultation Paper on the Regulatory Technical Standards on the European Single Electronic Format.

4.4.4 Consultation Papers

During 2015 CySEC prepared and published 11 consultation papers for stakeholders, concerning:

- (a) Promoting the Draft law to amend the Law on Transmission of Alternative Investment Funds, for purposes of harmonization with Article 92 of Directive 2014/65/EU;
- (b) Promoting the Draft law amending the Open-ended Undertakings for Collective Investment in Transferable Securities Law;
- (c) Promoting the Draft law for the recovery of investment firms and other entities supervised by CySEC;
- (d) Promoting the Draft law to harmonize legislation with EU Directive 2014/91/EC (UCITS V);
- (e) Promoting the Draft laws for the amendment of the Transparency Requirements (Traded Securities in Regulated Markets) Law and the Public Offer and Prospectus Law, for the purpose of harmonization with Directive 2013/50/EU;
- (f) The adoption of a Directive on the Certification of Individuals and the Public Registry;
- (g) The adoption of a Directive concerning the delisting of securities from the Cyprus Stock Exchange at the request of the Issuer;
- (h) The adoption of a Directive on the application of the Law on Alternative Investment Funds (AIF and LNPAIF depositary obligations);
- (i) The Instructions for issuing benefits to clients by CIFs;
- (j) Issuing a Circular regarding CIF domains and the conclusion of agreements with their clients;
- (k) Issuing a Circular in respect to trading in binary options contracts.

4.4.5 Forms and Other Documents

During 2015 updated Q&A documents concerning legislation related to CySEC duties were prepared and published on the CySEC website.

4.4.6 Communication with supervised entities/investors/interested parties

In 2014, the CySEC Legal Department received by market participants, investors, lawyers, auditors and other persons, a large number of queries on legal issues 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 Services Law	160
UCITS/AIFM/AIF Laws	175
Other Laws	80

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 in Brussels (Financial Services Attaché) and deals with all the issues of the Council of the EU in relation to the financial services which relate with CySEC competencies.

The Financial Services Attaché represents Cyprus in EU Council meetings, and cooperates closely with the rest of the EU institutions so as to promote the interests of Cyprus, in relation to the handling of matters related to CySEC competencies, and those of 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 immediate 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 the 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.

During 2015 CySEC participated in 5 Committee meetings through the participation of a senior Officer. 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.

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 2015, a Senior Officer from the Supervision Department participated in four 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 2015, an Officer of the Supervision Department participated in 6 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 2015, an Officer of the Supervision Department participated in three 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 (eg Directive on market abuse and short selling). In 2015, an Officer from the Market Surveillance and Investigations Department participated in 5 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. CySEC Officers will participate in meetings of the 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 2015, CySEC participated via two Officers from the Issuers Department in three meetings and two teleconferences of the 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 6 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 2015, two Officers from the Issuers Department participated in 3 meetings and a teleconference of the 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 with a Senior Officer from the Licensing Department in 6 meetings of the Committee.

Financial Innovation Standing Committee

The Financial Innovation Standing Committee coordinates the treatment and behavior 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, CySEC 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 an Officer from the Supervision Department at one meeting of the Committee.

Credit Rating Agencies Technical Committee

The Credit Rating Agencies Technical Commission prepares regulatory technical standards as well as guidelines and recommendations on matters referred to in the European Regulation on Credit Rating Agencies (CRAs). Also, it is responsible for coordination with other international organizations and supervisory authorities from third countries in matters relating to credit rating agencies, for example, the evaluation of third-country legal regimes for the existence of requirements as stringent as those laid down in the European Regulation on CRAs. CySEC monitors and remains up to date about the Committee's work, without participating in its regular meetings.

Committee for Economic & Markets Analysis

The Committee for Economic & Markets Analysis has the responsibility to address the following two issues: monitoring and analysis of financial markets, in terms of micro-prudential level analysis of the potential risks and weaknesses of capital markets, including financial innovation and incentives on market practices and the impact assessment of existing and proposed regulatory and supervisory practices. CySEC monitors remotely and is briefed on the work of this committee.

Commodities Derivatives Task Force

The Commodities Derivatives Task Force contributes on issues concerning monitoring and analysis of developments in the regulatory framework and the financial commodity market sector, participates in European institutional processes on commodity derivatives and promoting supervisory convergence and cooperation between supervisory authorities and ESMA other and with other regulatory and supervisory authorities, such as the Agency for the Cooperation of energy regulators – ACER – and national regulatory authorities on energy issues. CySEC Officers monitor and participate in this Group.

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 2015 an Issuers Department Officer participated in a contact group conference call.

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.

Finally, CySEC monitors and is kept abreast of the progress of work in the following contact groups on issues of Communication (Communications Network), International Relations (International Relations Network) and other Legal Matters (Legal Network), either by participating in meetings, or remotely.

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.

ESRB aims to contribute to the prevention or mitigation of the systemic risks that threaten financial stability in the EU that arise from developments within the financial system and taking into account macroeconomic developments so as to avoid serious negative consequences in the financial system and the economy, in general. CySEC participates in the meetings of the ESRB, as an observer, with its Vice-Chairman or a Senior Officer.

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 2015 took place in London (14 -18 June 2015), and CySEC participated with its Vice-Chairman. As part of the Annual Meeting, IOSCO focused its attention on matter related to building a New Financial World, which will focus on issues of good behavior standards, innovation and many other challenges faced by supervisory authorities and the securities market in general.

During the Annual Conference, IOSCO approved its Strategic Plan for the period 2015-2020, which aims to strengthen its position as a global point of reference for regulating transferable securities. This Strategic Plan will cover the following six priority areas as follows:

- Research and Risk Identification: Identifying risks arising from the securities market including market operations, technology and product development and unforeseen consequences arising from changes or proposed changes in laws and regulations.
- Establishing standards and Mapping Guidelines: Improving the international institutional framework for securities markets by establishing standards and guidance, which are directly and internationally recognized and responsive to market developments.
- Monitoring of Standards implementation: Promoting IOSCO Standards implementation through monitoring and evaluation.

- Capacity Development: Addressing members' needs building and capacity building, mainly in developing and emerging markets.
- Cooperation and Information Exchange: Strengthening information exchange and cooperation on sanctions enforcement for violations, and supervision of markets and market participants.
- Cooperation and participation in other international organizations: Ensuring effective representation of IOSCO positions in other international organizations, and effective collaboration with other standards-setters in the international financial regulatory community.

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 19 bilateral Memoranda of Understanding and Cooperation, 47 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 2015, cooperation between IOSCO members was broadened and strengthened. There are currently 109 signatories to the IOSCO Multilateral Memorandum of Understanding (MMoU) and an additional 17 candidates under evaluation, which once they fulfill their commitments to legislative changes will be able to sign the IOSCO MMoU.

Signing of Memorandum of Understanding and Cooperation with the Central Bank of the Russian Federation

On 25 February 2015, CySEC signed an updated Memorandum of Understanding and Cooperation with the Central Bank of the Russian Federation («Bank of Russia»), following the transfer of the powers of the Russian Federal Securities Markets Service to the Bank of Russia, which now supervises and regulates both the banking sector and the securities sector.

The Memorandum was signed at a ceremony in Moscow, in the presence of the Cypriot and Russian Presidents, CySEC Chairwoman Dimitra Kalogerou, and the Governor of the Bank of Russia Elvira Nabiullina, during an official delegation visit to Russia.

The signing of the updated Memorandum aims to further strengthen relations and develop cooperation between the two supervisory authorities, namely to permit information exchange for better market surveillance and effective investigations into possible violations of the law governing the securities market.

Moreover, the Memorandum reflects the spirit of mutual cooperation between the two supervisory authorities, contributing to the increase of business relations between the two countries for the benefit of their national 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 47 supervisory authorities outside the EU. The list of the 47 supervisors with which CySEC has already signed a Memorandum are presented in Appendix A.

During 2015, on the occasion of the visit of the CySEC Chairwoman in Russia, the possibility of signing a second Memorandum of Understanding and Cooperation with the Bank of Russia, which stems from the aforementioned European Directive on Alternative Investment Fund Managers (AIFMD) was examined.

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 properness» 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 2015, 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 properness» of shareholders and directors.

Specifically, during 2015 CySEC received 274 (2014-233, 2013-180, 2012-104) incoming requests for assistance, that is requests sent to CySEC by foreign supervisory authorities, and has sent 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 2015, the following evaluations were conducted:

ESMA assessment of best execution

During 2015, ESMA examined, by conducting an evaluation of the supervisory practices implemented by the 31 European Economic Area (EEA) countries, the implementation of guidelines on certain aspects of the eligibility requirements set out in Directive 2004/39/EC on Markets in Financial Instruments (MiFID) when providing the investment service of investment advice.

ESMA evaluation of the provisions of the Directive on Prospectuses

During 2015, the evaluation of the implementation of the provisions of the Prospectus Directive also started, which is still to be completed. The results of this evaluation will not be published, but will be sent by ESMA to the European Commission as part of the revision of the Directive on Prospectuses.

Updating of results from earlier evaluations

Finally, the Evaluation Committee proceeded to carry out an update (follow-up) of the results from evaluations conducted regarding supervisory practices within the framework of the implementation of the Market Abuse Directive, and towards the end of the year began to update the results (follow-up) of an earlier evaluation regarding the implementation of the Guidelines for Mutual Funds.

Also, during 2015 CySEC contributed to the positive rating of Cyprus by the following international bodies, which included or related exclusively to the prevention of money laundering:

- Council of Europe Moneyval Committee. In December 2015, the Progress Report of the Fourth Review of Cyprus by the Council of Europe Moneyval Committee was adopted with positive feedback.
- OECD - Global Forum on Transparency and Exchange of Information for Tax Purposes. In October 2015 the Supplementary Report of the Global Forum for Cyprus «Supplementary Peer Review Report - Phase 2 - Implementation of the Standard in Practice» upgrading Cyprus into «broadly compliant» with the Global Forum standard was adopted. The supplementary report on Cyprus is available on the Organisation for Economic Co-operation and Development (OECD) website.¹
- Cyprus Republic International Lenders. Under the Action Plan for the Prevention of Money Laundering and Terrorism Financing, pursuant to the Memorandum of Understanding with the International Creditors of the Republic of Cyprus, CySEC has, during 2015, among others:
 - (a) revised its organizational structure and has established a specialized Department for the Prevention of Money Laundering, has increased and planned further increases in the personnel employed at this Department.
 - (b) implement a comprehensive supervisory framework based on risk assessment of regulated entities (RBSF), which includes the application of supervisory tools for desk and on-site supervision,
 - (c) on-site investigations at ASPs for the examination of their compliance with their ongoing obligations to prevent money laundering and terrorist financing. Most on-site investigations were carried out in cooperation with external service providers – auditing firms, on the basis of the CySEC program and guidance,
 - (d) issued a number of circulars informing and guiding supervised entities,
 - (e) the training of personnel on the new risk based supervisory framework for regulated entities (RBSF) and on issues related to the prevention of money laundering and terrorist financing.

¹ <http://www.oecd.org/tax/transparency/cyprus-supplementary.pdf>

4.5.2. National Cooperation

4.5.2.1 Cooperation with Committee 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 cooperates with the Central Bank of Cyprus and the Unit for Combating Money Laundering (MOKAS). Furthermore, 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.

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. Furthermore, a Senior CySEC Officer holds the position of the Vice-Chairman of the Council of the Financial Services Ombudsman as a representative of the CySEC Chair.

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; in the Consulting Authority 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 define in article

59 of the Law. The main competencies of the Technical Committee is the identification, discussion, and examination of issues concerning the supervisory authorities, so as to set common interpretation, response, and handling.

Participation in the Special Working Group for the study and adoption of the 4th European Directive in relation with the prevention of money laundering and terrorist financing

Directive 2015/849, replaces the existing 3rd European Directive 2005/60/EC and aims to prevent the use of the financial system in the EU for the purpose of money laundering and terrorist financing. The Directive was published in June 2015 in the Official Journal of the European Union and should be transposed into national law by Member States and become fully operational no later than 26 June 2017.

Within the framework of its cooperation with other Supervisory Authorities in Cyprus, CySEC participates in the Ad-Hoc Transposition Group, specifically established for the examination and adoption of the 4th European Directive into Cypriot Law.

Furthermore, according to the Financial Action Task Force (FATF) international standards provisions and the relevant European Directives, particularly the 4th European Directive of the European Parliament and European Council in relation to the prevention of the use of the financial system for money laundering and terrorist financing, CySEC, in cooperation and coordination with other Supervisory Authorities and with the contribution of the private sector, has decided to conduct an evaluation of the relevant risks at a national level, with the assistance of the World Bank.

This task, on the basis of the internationally accepted and recognised World Bank methodology, will allow the detection of possible shortcoming in the regulatory framework implemented in relation to combatting money laundering and terrorist financing, as well as in the effectiveness of processes being implemented by all involved participants, state, supervisory and private, with the aim to assume corrective measures.

The National Risk Evaluation is expected to be concluded in 2016, with the preparation of the relevant report that will contain recommendations for improvements that will be submitted to the Government, supervisory authorities, and the private sector, for implementation.

Cooperation between the CBC Statistics Department and CySEC

In the context of collecting various data from CIFs, regarding client funds, analysis of financial instruments, and geographical analysis of clients, a relevant form has been prepared by the two supervisory authorities. Because the CBC also wished to gather some information from CIFs, a series of meetings with responsible Officers of the Statistics Department of the CBC took place, and CBC needs were incorporated in the said form. The form was sent to about 10 CIFs for comments, on the basis of which it has been adjusted. Since 2016, CIFs will send the data requested on a quarterly basis.

4.6 INVESTOR PROTECTION

CySEC ensures investor protection in various ways, and it attempts, through the continuous upgrade of the methods and tools it employs, to enhance the protection of investors conducting transactions in transferable securities in the Republic and abroad through CIFs.

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, MiFID, CRD, the UCITS Directive and the Directive that regulates the operation of the Alternative Investment Fund Managers, the AIFMD.

4.6.2 Regulatory framework in accordance with MiFID

The investment services provision sector in Cyprus and the activities of CIFs are regulated by the Investment Services and Activities and Regulated Markets Law, which harmonises MiFID.

The relevant Directive is one of the most important European Directives, whose immediate transposition and implementation were necessary so as to establish strong investor protection rules through the implementation of best execution principles, disclosure requirements and specific rules which focus on clients and proper arrangements regarding the appropriateness and suitability of the financial instruments in relation to the clients and the remuneration policies adopted by financial institutions.

Directive 2014/65/EU, known as MiFID II, as well as Regulation 600/2014 (MiFIR), shall bring substantial changes to the EU securities markets. The relevant Directive was adopted by the European Parliament and the European Council in 2014, and Member States must harmonise their national legislation by 3 July 2016. It is noted that the European Commission submitted a proposal for the extension of the implementation date for Directive 2014/65/EU and Regulation 600/2014, which is being examined by the European Council and the European Parliament. It is expected that in addition to the implementation date, the deadline for Member States to transpose the Directive will also be extended.

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 Financial Services Ombudsman

CySEC has played an important and decisive role during the previous years in promoting the establishment of the Financial Services Ombudsman, who was introduced with the aim of dealing with complaints by consumers against financial firms, and achieving out of court settlements in those cases. A CySEC Chairwoman Representative participates on the Financial Services Ombudsman Board as one of the two vice-presidents.

With the launch of the operation of the Financial Services Ombudsman during the year, which is responsible for examining complaints against financial entities on an individual basis, CySEC forwarded the complaints it had received to the Ombudsman and informed investors, through an announcement, that they should consider submitting any disputes with CIFs or other CySEC supervised entities, for which they intend to claim damages, to the Financial Services Ombudsman. Any complaints submitted to CySEC will continue to be taken into account collectively within the framework of CySEC's supervisory duties.

4.6.6 Investor Education

Investor education in securities market issues is especially important, because it strengthens investor protection by complementing the supervisory and regulatory framework. The value of the education of investors in relation to securities issues was recognised at both the European and international level and the European Commission gives great importance to the education of investors and encourages Member States to develop relevant programs.

Apart from the benefits to investors, education in securities issues has significant benefits to society and the economy. An educated investor is expected to make proper decisions, reducing the excessive risk assumption in relation to their money, and thus reducing the possibility of large monetary losses and/or the creation of debt which in some cases can lead to bankruptcy.

Financial education is very important because of the increased complexity and availability of many kinds of financial products and services. Securities markets are developing rapidly and high volatility, globalisation and ease of access to the markets, multiplied investment opportunities and risks. Furthermore, the financial needs of individuals became more complex and lead to the necessity of the proper management of their wealth.

CySEC promotes investor education in securities market issues in various ways. For that purpose, CySEC maintains a special section on its website dedicated to investor education, enriched regularly with educational material, advice and warnings issued by CySEC or competent Authorities in other countries. Furthermore, CySEC publishes informative articles in newspapers, financial magazines and websites. The publication of the Investor Guide which defines the main principles of MiFID regarding the rights of persons that have invested or plan to invest in financial products, aims to educate and protect investors. Finally, CySEC organises informative lectures and presentations which are open to the public. The dates of these lectures are announced on the CySEC website.

The way in which CySEC acts and its activities in relation to investor education have been determined in accordance with the findings of a national market survey conducted by CySEC in 2010, which was repeated in 2014 to determine the level of knowledge of the public on issues that relate to the securities market and investments in transferable securities.

Publication of informative articles

Within 2015 informative articles were prepared and published in various media. The topics of those articles concerned the strengthening and upgrade of the CySEC supervisory role, corporate governance, the interest in and strengthening of the authorisations process and activation for CIFs, fines imposed by CySEC, the number of supervised entities and the number of new applications, as well as benefits to the economy, and other issues.

4.6.7 Warnings to investors

During 2015 CySEC issued 14 warnings concerning firms that do not hold a CIF operating license issued by CySEC and are not a bank or cooperative credit institution based in the Republic, nor has CySEC received a

relevant notification by a competent Authority in another EU Member State for the firms in question. The aim of these warnings was to inform investors so as not to cooperate with these firms, and in general to be particularly careful when selecting which company to receive investment services from. More details on these warnings are included in section 5.3.2 entitled Investor Complaint Investigation.

Furthermore, CySEC issued public warnings to investors on the risks of investment in complex products, based on warning issued by ESMA. Supervisory Authorities are especially concerned as to the fact that during the current period when investment performance was weaker, Investment Firms answer to the search for investment performance by offering complex financial products, which are often promoted aggressively, resulting in inexperienced individual investors across the EU tempted to invest. The main message of this warning was the advice to investors that if they do not comprehend the basic characteristics of the product being offered or the basic risks that it entails, not to invest in it.

4.7 MARKET SUPPORT AND DEVELOPMENT

4.7.1 Promotion of Cyprus securities market in Cyprus and abroad

It would be useful to note that despite the troubles and hardships that the Cyprus economy faces, CySEC still receives license applications from Cyprus and abroad for new firms whose activities relate to financial, fiduciary and administration services provision. Furthermore, there is increased interest from foreign-interest companies, primarily from Russia, Luxembourg and Greece, for operating in the field of corporate investment. Specifically, during 2015 licenses have been granted to 25 CIFs, 35 ASPs, 2 UCITS, 7 AIFMs, 6 AIFs and 11 LNPAIFs, and examined the compliance of 11 existing LNPAIFs, who were under the supervision of the Central Bank of Cyprus and who came under CySEC supervision, with the AIF Law. This indicates that Cyprus is still considered an attractive investing destination with substantial advantages. However, the challenges are plenty and it takes hard work and team effort by all the bodies to fully restore Cyprus' credibility.

For this purpose CySEC cooperates closely with the Cyprus Investment Promotion Agency, known as CIPA, and supports its work for the coordinated promotion of Cyprus abroad as a credible investment destination. CySEC's contribution to this cause includes the presentation of the regulatory and supervisory framework governing the Cyprus securities market, in several conferences organised by CIPA or other bodies both in Cyprus and abroad. Specifically in 2014 the CySEC Chairwoman and Vice-chairman participated in panels, amongst other, in 20 events in Cyprus and abroad, on the subject of the institutional frame of the Cyprus securities market.

At the same time, 17 interviews have been given or statements for financial publications in Cyprus and abroad on the developments of the Cyprus securities market. Moreover, 8 informational articles have been written explaining the regulatory and supervisory environment, published in Cyprus and in international financial magazines and websites.

4.7.2 Contribution to the minimisation of negative consequences from the financial crisis

In 2015 CySEC contributed, within its competency, to the collective attempt to minimise the negative impact to the Cyprus economy from the financial crisis, taking initiatives to restore the soonest possible the smooth operation of the financial service market.

Emphasis was given to the investigation of a large number of cases relating to the banking sector, with the aim of full transparency so that the banking system can restore its credibility.

These investigations, of large volume and complexity were mostly relating to the following matters:

- The possible/potential impairment of the accounting goodwill of the assets of banks;
- The possible lack of provisions in the financial statements of banks;
- The publication of information in regards to the additional capital needs of banks as per the supervisory examination and evaluation carried out by the Single Supervisory Mechanism (SSM)
- The publication of information regarding the funds drawn by the banks under the Emergency Liquidity Assistance

From the cases investigated by CySEC to date relating to the banking sector, a total of €9 million in fines have been imposed. Out of these only €268,000 have been collected and thus CySEC has motioned lawsuits for the settlement of the unpaid penalties. In a number of these lawsuits the court has ruled in favour of CySEC for settlement with suspension on the implementation until the issue of the verdict to the plaintiffs court appeal. One such appeal has already been tried, the ruling in favour of CySEC, resulting to the settlement of 50% of the fine due by the said financial manager with the remaining 50% payable after the issue of the ruling of a further appeal before the Supreme Court.

Within 2015, for 5 new examined cases, CySEC has forwarded to the Law Office of the Republic of Cyprus the findings, the factual reports and other information, for their investigation on whether any criminal offenses arise.

The investigation of the cases which have not been completed continues in 2016. Moreover, CySEC continues the investigation in other sectors of the Cyprus securities market, as they may come to their attention or after complaints received on violations of the legislation. More details are reported under section 4.3 under the title «Investigation Conduct».

Simultaneously, CySEC keep open communication channels with the regulated entities and other market participants, so as to be immediately informed on any difficulties faced and jointly attempt to resolve the issue, whether by offering solutions or assistance where possible. The main aim was to minimise any consequences to these entities and in extension to the Cyprus economy.



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5 HUMAN RESOURCES, ORGANISATION, METHODS AND INFRASTRUCTURE

5.1 PERSONNEL TRAINING

CySEC ensure the constant and continuous training of its personnel via in house seminars or other select seminars and conferences taking place in Cyprus and abroad. CySEC also participates in the eLearning program offered by ESMA.

During 2015, CySEC personnel participated in seminars on the following subjects:

- IFRS Update refreshing seminar
- Management document solutions
- Main principles of the Republic of Cyprus Laws on Accounting and Financial Management and Financial Control of 2014 and 2015
- CySEC eGRC - System Demo/Training – March 2015
- National Risk Assessment Workshop – World Bank – (3 days) – 7-9 July 2016
- Seminar on Supervisory Review and Evaluation Process (SREP)-2/12/2015
- Workshop “Leadership for Results”- 29/9/2015
- Seminar on MIFID II 17/9/2015
- Career adaptability workshop 04/06/2015
- Seminar “ CRD IV: The way forward in capital requirements”-30/01/2015
- Seminal on the recent developments and updates of: IAS’s 18, 32, 37, 39, 40 and IFRS’s 15
- The creation of organizational structure on the future growth of CySEC; increased productivity practices.
- Management for CySEC’s productivity increase
- IFRS 9 for Banks
- Anti-money laundering and terrorist financing
- AML Requirements for Internal Auditors
- AML Seminar - From Theory to Practice
- AML Challenges and Developments
- ICPAC Seminar No 17-2015 - AML & DD
- Strengthening MOKAS capacities and improve efficiency to detect ML&TF
- Understanding your obligations to Build a Solid Risk-Based AML Program
- Applied Governance: Beyond Compliance

At the same time, internal seminars for the CySEC Board and personnel took place in relation with the new risk based supervision framework.

5.2 CHANGES IN ORGANISATIONAL STRUCTURE

Creation of new structure for the future growth of CySEC

The Restructuring of CySEC was necessary by the increased functions and jurisdictions of CySEC, the inclusion within the supervisory framework of CySEC of new organisations, increased numbers, growth, size and complexity of the existing regulated entities and the increased legal obligation of the regulated entities in accordance to the latest European Directives.

In order to respond to the increased work and obligations, CySEC needs additional personnel and a corrective internal restructuring to ensure the most productive use of the currently and future available human resources.

Therefore, with making CySEC more effective and flexible in its operations in mind, the restructuring which began in 2012 was continued with the creation of a new organizational structure. The new organization structure is expected to contribute to the effective assimilation and employment of new personnel required and expected to be recruited in the near future. For the creation of this new organization structure, a study was first conducted on the structures of some supervisory bodies in the EU and other countries. It was further taken into consideration that based on the current data regarding the supervisory front, within the next five years CYSEC will need to gradually increase her personnel so to employ at least 160 people. Currently, CySEC employs 53 permanent personnel and another 21 under contracts for the provision of services.

Within 2016 there were 2 promotions of Officers to Senior Officers, while it is expected that during the summer of 2016 the procedure on the employment of 23 Officers, 6 Assistant Secretarial Officers and an Office Assistant will be completed. These positions have been approved in the 2015 budget. Included to these positions are 6 Officers and 3 Assistant Secretarial Officers transferred from the Cyprus Stock Exchange.

Furthermore, the need to provide for effective cover of all risks, to ensure their unified control, their specialized treatment, and the required coordination at CySEC level as well as the need for reliable updating of the organization on the Cyprus securities market and the broader and complete satisfaction of the users of CySEC's statistical data, led to the creation of the new Department of Statistics, Research and Risk Analysis as well as the Anti Money Laundering Department. The first Department was initially staffed by 1 Officer and by the end of the year was strengthened by an additional Officer. The Anti Money Laundering department has been staffed with 3 Officers.

5.3 INFRASTRUCTURE PROJECTS

5.3.1 Upgrading of Corporate Content System (eOASIS)

During the year work began on the upgrading of the existing Corporate Content System (eOAS) to its more advanced and user-friendly version eOASIS.

eOASIS becomes more and more important and an integral part of CySEC's IT, contributing to the correct and effective coordination of the information necessary for the functioning of CySEC.

Specifically, the eOASIS system installed at CySEC is used for the following functions:

- Creation, input and organization of data
- Processing, distribution and flow check of work
- Channeling of required information to users
- Storing and back-up in frequent intervals

5.3.2 Virtualization

Along with the upcoming upgrade of the Corporate Content System, and taking into consideration the increased needs in IT systems, CySEC, upon suggestion of the respective Department has proceeded to the design and implementation of a virtual portal which allows the use of multiple software on a single hardware and simultaneously minimizing the number of servers necessary for those software to be able to operate.

5.3.3 Design and creation of a portal

The CySEC “Electronic Submission Portal” 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:

1. Regulated entities to submit in electronic version the documentation required by them to do so, by the use of appropriate electronic forms.
2. The submission of electronic forms, digitally signed by the use of Secure Signature Creation Devices (SSCD) and Qualified Certificates.
3. The transfer of such digitally signed forms submitted, to the Archiving System of CySEC in an automated method (with no human intervention).

The portal was designed so to provide secure communication with the use, local saving and storing of documents prior and during their transfer to the CySEC Corporate Content System. Additionally, the Portal includes a mechanism, which records the source, the content and the time of document submission. It also provides for a search function to allow users to trace their previous submissions. Furthermore, CySEC in its effort for the improvement of its procedures and to simplify the submission of the details relating to Cyprus Investment Firms electronic registry, has designed, implemented and promoted user-friendly electronic forms through which CIFs will be submitting their corporate details. The main aim of the use of the electronic forms is the replacement of XML files, as well as the submission of the details through the Portal.

5.3.4 Launch of Governance, Risk and Compliance system (eGRC)

The system was launched in 2015 and it is part of the RBSF risk management framework used for the risk analysis of each regulated entity. The system allows for the processing of data inserted, and issues special reports in relation to the risks of each regulated entity.

5.3.5 Creation of new database for RBSF purposes

Through the collection of data from regulated entities for the RBSF, a database was created for the saving, processing and recalling of the information for reporting purposes.

For the purpose of risk analysis of CSE listed companies, CySEC has received in electronic version and in the form of accounting file the documentation collected by CSE under the collection of data from the Annual Financial Reports of the CSE listed companies for the years 2012, 2013 and 2014.

5.3.6 Digital Signature

CySEC has broadened its policy on the use of digital signature to gradually include all regulated entities and all electronic data transmitted via the TRS system.

The main purpose of the use of advanced electronic signatures is the identification of the person submitting the document (authenticity), the guarantee of the authenticity of digital data (integrity) and to ensure that the person who signs it cannot discharge their legal responsibilities in relation to the documents submitted (non discharge of liability).

CySEC’s Information Technology and Operations Department provides, in cooperation with CySEC and the Recognized Certification Service Provider, support for users of digital signatures on an ongoing basis, to resolve any technical problems arising during the issue and renewal procedures of qualified certificates. The implementation of the system of digital signatures has received very positive feedback from all market participants, as it facilitates substantially the reporting to CySEC and enhances the security in the transmission and storage of this information.

5.4 CORPORATE SOCIAL RESPONSIBILITY

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

During the previous years, various initiatives were taken within the scope of CSR, however not under a complete and systematic program. Since 2012, CSR is a conscious option for CySEC, as its management gives high importance to CSR and has assigned a specific Officer with the responsibility of CSR promotion.

CySEC's successful adoption of CSR actions depends on the commitment of the management, but at the same time and in many circumstances, on the awareness, actual support and commitment of personnel and the various stakeholders. Therefore, CySEC's Board decided to give to personnel the opportunity to be actively involved to the formulation of proposals in relation to CSR, by submitting comments, ideas and suggestions. CSR actions are characterized by the team spirit, the collective effort and the active involvement of the personnel to the development of proposals and ideas set the grounds for the implementation of the relevant actions.

5.4.1 Activities

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

“Let's Do It Cyprus” Cleaning Campaign

For a third consecutive year, on 23 April 2015 a group of volunteers from the CySEC personnel, enthusiastically participated in the Pancyprian cleaning campaign «Let's Do It Cyprus»; part of the global campaign cleaning «Let's do it World!» In Cyprus the campaign aims to clean the garbage from nature areas within a day, with the help of volunteers. CySEC's team of volunteers contributed to the cleaning of the area at Pediaios river, Strovolos, near the post office on Prodromou Avenue, which was the starting point for the CySEC



team. The target is to bring awareness to the importance of the preservation of our environment and that it is every person's responsibility to keep our island clean. This is the message; that it is our collective responsibility to protect our natural environment not only because of personal benefits, enjoyment and health but also for ensuring a healthier and higher quality of living for our children in the future to come.

UNICEF products

A CySEC Officer, under her own initiative, took the responsibility for the sale of UNICEF pencils, both within and out of CySEC, in order to assist the organization's objective, which is to support children and women in relation to health, nutrition, education, water and sanitation in 162 countries worldwide. Within the year CySEC also took the responsibility to promote the sale and distribution of biscuits amongst its personnel; which UNICEF volunteers prepared. With the belief that every little can collectively make a difference, CySEC's personnel supported this initiative to contribute to the work of UNICEF.

Blood Drive

On 7 August 2015, CySEC conducted a volunteer blood drive, in order to respond to the increased needs of the medical centers during the summer period, when there are less available volunteers due to the summer vacations.



Collection of children’s clothing, toys and first need products for poor families

CySEC personnel organized a campaign for the collection of clothing and basic needs products to help those in need. As a result of this campaign, 6 families were provided with children’s clothes and toys as well as basic needs items such as bed sheets, blankets, pillows and other dispensable items for newborns and children.

Support of the Nicosia Volunteer Association campaign «Adopt a family for Christmas»

During the 2015 Christmas holidays CySEC personnel, implementing an innovative and creative idea, managed to collect €600 which was donated to non-privileged families. Under the assistance and direction of the Nicosia Volunteer Association, CySEC managed to donate this money in the form of coupons from various supermarkets so as to enable 6 families to buy food and other basic needs items. Specifically volunteer personnel baked sweet and savory goods, which were thereafter sold to colleagues; this allowing those who wanted and could contribute, but at the same time enjoying homemade culinary delights.

Monetary contribution to Radiomarathonios

CySEC and its personnel donated the symbolic amount of €90 to the Radiomarathonios, whose target for 2015 was the promotion of awareness on the rights of all children and simultaneously the financial support of special needs children and their families.

Recycling

CySEC recycles many of the materials it uses, such as paper, plastic and batteries, in order to contribute to energy and raw materials savings as well as to the reduction in waste and its effect on the environment. For that purpose, there are several recycling bins in different locations within and outside the CySEC building for the recycling of paper. CySEC also participates in the packaging recycling program of Green Dot Cyprus, and recycles batteries, cartridges, printers and other materials containing substances harmful to human health and the environment. By collecting and recycling these materials, the penetration of the substances in the environment is prevented and energy and natural resources are conserved.



Briefing personnel on various other charity events

CySEC personnel members, on their own initiative, update their colleagues on various other charities, campaigns or other needs emerging for the support of our fellow people facing hardship. Some of these initiative within 2015 included the campaign conducted by the Nicosia Volunteer Association “No student without the necessities” with the aim to gather and distribute to students whose families are facing financial difficulties the necessary school supplies, as well as the financial support of a fellow man with a serious health problem who needed immediate treatment abroad.

Environmental protection and energy conservation

Furthermore, CySEC follows all the proposed measures and directives issued by the Energy Service of the Ministry of Energy, Commerce, Industry and Tourism as well as from the Cyprus Institute of Energy. Some of the measures applied are (a) light timers, switching lights on and off automatically and by motion detection in the premises and (b) the adjustment of the level of lighting so as to cover the required light needs for the various activities of the users in different parts of the building (for examples there are special switches installed to allow for only half the hallway lights to be turned on). Provisions are also included in the invitations for tenders on the purchase of goods/products for products being environmentally friendly. Lastly, conventional light bulbs have been replaced by LED light bulbs in common and office areas.

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6 ANNEXES

ANNEX A – SUPERVISORY AUTHORITIES OUTSIDE THE EU WITH WHICH CYSEC HAS SIGNED MEMORANDA OF UNDERSTANDING AND COOPERATION IN RELATION WITH THE EUROPEAN DIRECTIVE OF 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 – Brazil
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