

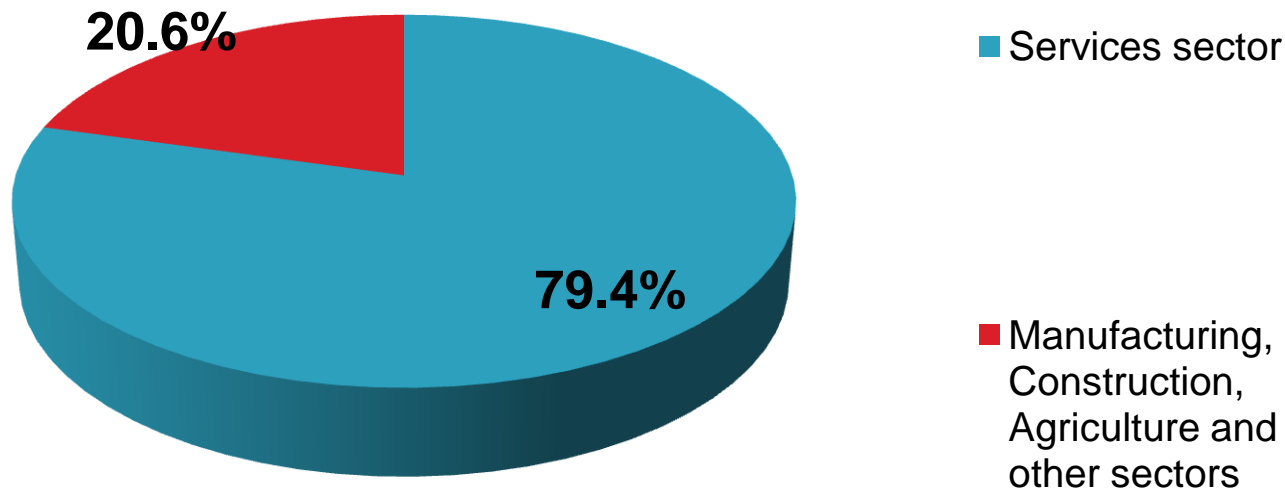
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RECENT DEVELOPMENTS AND OPPORTUNITIES IN THE CYPRUS SECURITIES MARKET

RUSSIAN AND CYPRIOT OPPORTUNITIES IN AN EVER
EVOLVING TAX ENVIRONMENT
MOSCOW, RUSSIA

CYPRUS ECONOMY

o Sector contribution to Cyprus GDP



Source: Statistical Service of the Republic of Cyprus, May 2012

CYPRUS SECURITIES & EXCHANGE COMMISSION (CYSEC)

- **Legal entity of public law**
- **Scope:**
 - Investor protection
 - Market integrity, fairness and transparency
 - Development of the market
- **Supervised entities:**
 - Investment firms
 - Regulated markets and exchanges
 - Listed companies
 - UCITS and UCITS management companies
 - CRAs

CYPRUS SECURITIES MARKET IN NUMBERS

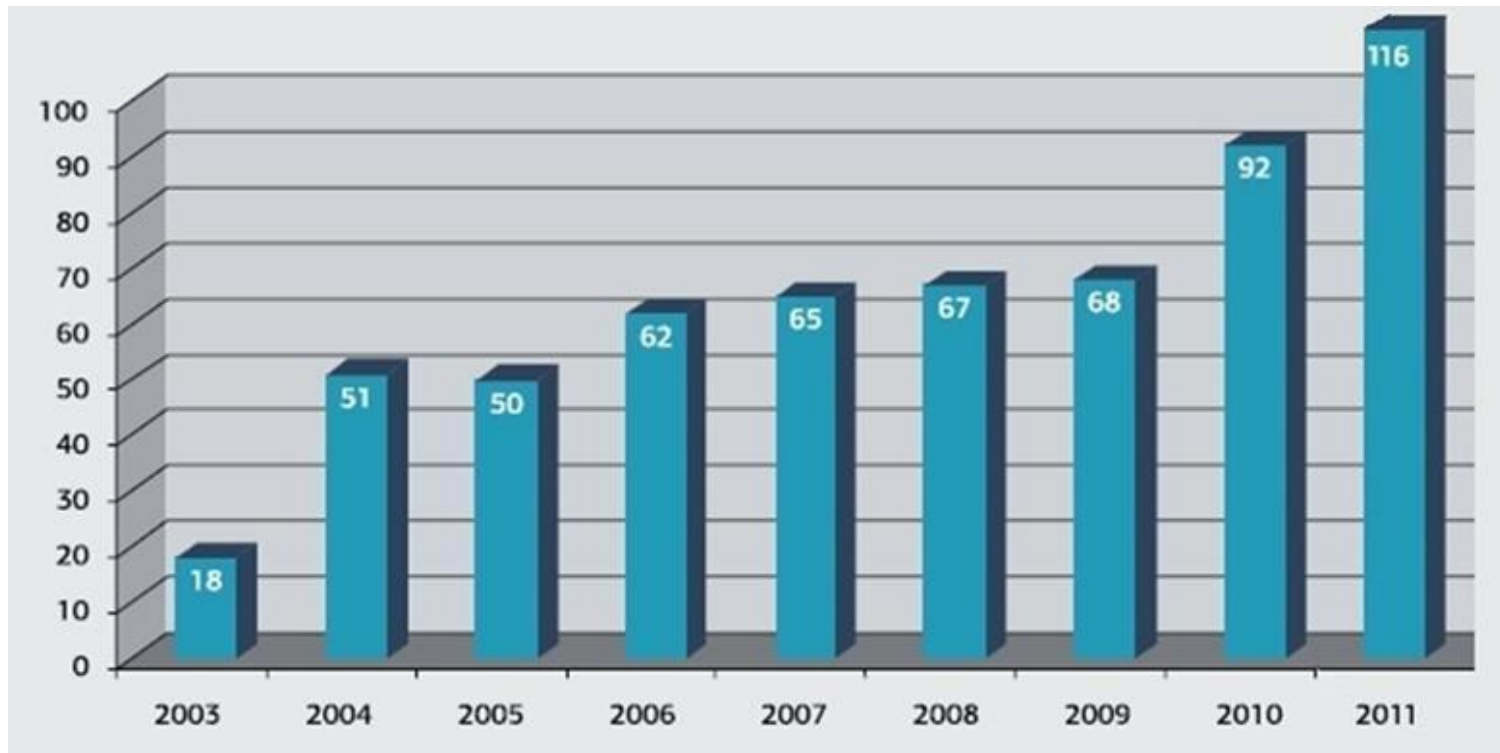
- **Authorised by the CySEC**
 - 119 licensed Cyprus Investment Firms (CIFs)
 - 1 regulated market (the CSE)
 - 119 listed issuers
 - 2 credit rating agencies (CRAs)

- **EU entities that provide investment services to Cyprus:**
7 branches, 1450 cross border and 5 regulated markets - screens

- **Also from the European Economic Area:**
54 UCITS and 11 Management Companies

GROWING INTEREST

- Cyprus Investment Firms over the years



ADVANTAGES OF CYPRUS ECONOMY

- **Modern regional financial centre**
- **Internationally competitive advantages**
 - Favorable tax regime
 - Direct access to the EU market
- **Efficient regulation and supervision**
- **Legal framework in line with rest of EU**
- **Efficient and robust service providers**
 - Unrelenting efforts by CIPA and investment services professionals in attracting foreign investments
- **Strong support services & skilled workforce, low costs, etc.**

LATEST DEVELOPMENTS IN CYPRUS SECURITIES MARKET

1. **New Law on Open-ended Undertaking for Collective Investment in Transferable Securities (UCITS)** - harmonizing UCITS IV Directive
2. **Harmonization with the Alternative Investment Fund Managers Directive**
3. **Revision of Legal Framework regarding Cyprus Alternative Investment Funds (AIFs)** - currently known as International Collective Investment Schemes (ICIS) Law
4. **Fiduciaries Law**

(1) NEW UCITS LAW

- **Advantages of New Law on Open-ended Undertaking for Collective Investment in Transferable Securities (UCITS IV):**
 - Management Company 'Passport' is extended
 - 'Notification Procedure' simplified
 - Cross Border Mergers of UCITS
 - Introduction of Key Investor Information Document (KIID)
 - Supervisory cooperation & more consistent application of regulatory framework

(1) NEW UCITS LAW

○ Possible UCITS forms

- Common Fund (contractual form)
- Variable Capital Investment Company (corporate form)

○ Activities of Management Company

- Management of UCITS or other Collective Investment Undertakings
- Portfolio management
- Investment advice
- Safekeeping and administration in relation to units of Collective Investment Undertakings

(1) NEW UCITS LAW

○ UCITS Characteristics

- Investment diversification restrictions
- Special restrictions for ETFs and FOFs
- Risk management
 - ✓ Total exposure limits (incl. derivatives) and VAR
 - ✓ Counterparty risk
 - ✓ Liquidity risk
- Custodian
- Purchase and redemption of units

(2) ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

- **Alternative Investment Fund Managers (AIFM) Directive**
 - Adopted by European Council and Parliament
 - Deadline for transposition July 2013
 - Work by the CySEC for its prompt transposition into national legal framework has began
 - Aim is to create a comprehensive EU-wide regulatory & supervisory framework

(3) CYPRUS ALTERNATIVE INVESTMENT FUNDS (NON-UCITS)

- **Revision of Legal Framework regarding Cyprus Alternative Investment Funds (AIFs)**
 - Currently regulated by the International Collective Investment Schemes (ICIS) Law and supervised by the Central Bank of Cyprus
 - Revision will produce a more modern legislation which will enable the healthy growth of this sub-sector
 - Soon under the supervision of the CySEC

(4) FIDUCIARY COMPANIES

- **Draft Law governing the operation & supervision of Fiduciary Companies**
 - Pursuant to this new Law, the CySEC will be responsible for the licensing and supervision of the companies providing fiduciary services which fall within the scope of the Law
 - Lawyers, auditors and accountants are excluded

CYSEC VISION

The CySEC vision:

“A fair, competitive and dynamic securities market, which is characterised by transparency, steady growth and high level of investor protection.”

CYSEC STRATEGIC OBJECTIVES

- (a) On-going reform of the regulatory & supervisory framework
- (b) Effective supervision & full compliance of the supervised institutions
- (c) Reform & upgrading of the investor education system
- (d) Promotion & attraction of new healthy & dynamic financial institutions to the Cyprus securities market
- (e) Continuous improvement in the operation of CySEC

CYPRUS EU COUNCIL PRESIDENCY



- Important and active role by CySEC
- Shaping legislation
- Aim is to strengthen the integrity of the financial sector
- Chair, support and co-ordinate 12 EU Council working groups
- Close cooperation with Ministry of Finance

THANK YOU

- Thank you for your attention
- Any questions are welcomed

