



The role of the Cyprus Stock Exchange (CSE) in relaunching the economy and helping Cypriot businesses grow

by Nicos Trypatsas, Acting General Manager of the CSE

The entire mankind is going through unprecedented times due to the recent spread of the new Coronavirus Covid 19 outbreak, which has resulted in tragic and disastrous effects and, most importantly, in the loss of thousands of lives. The global economic environment is also suffering huge losses.

Virtually all markets and businesses across the world have experienced a hugely adverse impact. Stock markets in developed countries serve as a barometre for economies in general. All the more, they are particularly sensitive to new developments, both at corporate and macroeconomic level, therefore dictating the direction in which businesses and economies are headed. In order to illustrate the particular significance of the Markets, it suffices to note, amongst others, that especially in periods of adverse circumstances, all eyes are invariably turned to the course of the Markets, the most recent example being the outbreak of Covid 19. Moreover, Markets are making every effort to ensure their continuous and smooth operation, also in periods of crisis, highlighting in this way their importance for economic stability and growth. Likewise, the Cyprus Stock Exchange (CSE), drawing on its technological capabilities and developed infrastructure, has continued to operate without any interruption from the very first day of the outbreak of the disease and the imposition of the restrictive measures. A substantial proportion of our Organisation's staff is fully operational from home, just like the majority of Market participants (Members, brokerage firms, Custodians), therefore ensuring the smooth operation and continuity of the Market in these unprecedented conditions.

A number of companies listed on the CSE, operating in different sectors of the economy, have recently announced that they have been adversely affected by this huge crisis. Further to the measures taken by the Government and the State in general to mitigate consequences and

support affected citizens and businesses, it is noted that the stock market could also have a positive contribution in this direction. Globally, Markets are fundamental levers of business growth, providing amongst other advantages and traits in a transparent context, the ability to raise the necessary funds for growth, as well as pricing mechanisms for listed securities in conditions of increased liquidity.

The CSE, which operates under the European framework and is fully supervised by the Cypriot Authorities, has a number of Markets, products and services, that enable it to accommodate respective corporate strategic choices. In addition to its traditional Market, i.e. the Regulated Market and its categories (Main and Parallel Market), the CSE also operates the Emerging Companies Market, as a multilateral trading facility, in accordance with the established European frameworks. These Markets can satisfy a broad range of business strategic choices at a competitive cost, based on the principles of flexibility and adaptability. Established large Cypriot businesses, small but dynamic companies, start-ups, enterprises involved in large projects, infrastructure projects and projects of public interest, as well as semi-governmental organisations, could find their way to growth via the CSE. It is noted that before the crisis, having acknowledged the added value of the Markets, the European Union elaborated strategic plans to encourage businesses and investors to turn more firmly towards the Markets (with special reference to the initiatives on the capital market union, crowdfunding, etc.) aiming to achieve results comparable to those of the US, where participation in the Markets is clearly much greater than in the European Union.

I would like to note that the Cyprus Stock Exchange offers businesses the possibility to issue several products. In addition to the “traditional” option of listing of shares, there is also the option of corporate bonds. Fairly recently, on the initiative of the CSE, the percentage of the special defence contribution on interest paid on corporate bonds has been reduced (from 30% to 3% for natural persons and provident funds), whilst an amending bill of law to cover legal entities and pension funds investing in them is currently being promoted. The corporate bonds tool - as a product - has seen substantial growth internationally and should be considered by Cypriot businessmen in order to promote its gradual development here as well.

The CSE has made suggestions for the provision of tax incentives to businesses and investors, aiming to encourage the listing of new companies on the CSE. The admission on the CSE of respectable new companies which are currently not listed can result in a number of substantial benefits, provided they seize the relevant prospects. At the

same time, the CSE can offer investors remarkable additional options, which will undoubtedly assist in the further modernisation and improvement of corporate governance in businesses.

During this period, in an attempt to mitigate the effects of Covid 19, applications for the naturalisation of international investors are examined at greater speed. The CSE market is already offered as an admissible option under this scheme, for a maximum amount of up to 200,000 Euros per investor, which should further increase. The CSE Market operates in accordance with criteria of full transparency and investments thereon are subject to all required prior checks by professionals who are, in turn, strictly regulated by the Securities and Exchange Commission. Moreover, the CSE Markets mentioned above, and in particular the CSE Emerging Companies Market (whose registration as an SME Growth Market under the relevant European legislation is currently under way) may, under a specific provision, be included in the Naturalisation Regulations as proposed admissible options. Such a development would definitely entail substantial benefits.

I would also like to mention that the CSE has conducted studies and undertaken specific efforts to develop the Market of Shipping Bonds and generally further strengthen this important sector of the economy. With regard to Collective Investment Schemes (Funds), the CSE already allows their listing on the Stock Exchange. Moreover, it would be an omission not to mention the pioneering work of the CSE in offering interested parties the possibility to use electronic signature in their operations, as well as its activity in the Energy sector, both in terms of services and investments.

To summarise, it is evident that the CSE, through the strategic planning of its Council amongst others, taking full account of the new conditions, is continuously adapting its Markets, products and services to address the ever-changing needs of Market participants. Furthermore, it is always open to suggestions from the Market for continuous improvements to its services. In this context, businessmen are called to support this effort and consider in more depth the prospects available through the CSE. Moreover, upon obtaining all necessary advice from approved investment advisors, institutional and private investors as well as fund managers should seek to actively include CSE products in their investment plans. Supporting all market stakeholders and our businesses will undoubtedly contribute to the success of the overall efforts to return to economic normality, stability and economic growth.