

**TO** : Members and Custodians of the Cyprus Stock Exchange  
**FROM** : Acting General Manager of the Cyprus Stock Exchange  
**SUBJECT:** Annual Regulatory Compliance Control (ARCC) of CSE Members/Custodians for 2019  
**DATE** : 3 August 2020  
**CIRC. NO.:** 14-2020/ 12-2020

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Sirs,

The Cyprus Stock Exchange (CSE) will proceed with the Annual Regulatory Compliance Control (ARCC) of CSE Members and Custodians for 2019.

This compliance control (ARCC) will focus on Members' compliance with the organisational requirements arising from the implementation of MiFID II. Supplementary assessments may be requested in order for Members to continuously meet the requirements for obtaining and maintaining their status as Members of the Markets / Central Depository – Registry of the CSE.

In the context of implementation of ARCC, the officers responsible for Members' Regulatory Compliance (Compliance Officers) must submit the following forms attached hereto duly completed:

**a) Annual Member Regulatory Compliance Form (E1) and**

**b) Member Financial Data Form (E2).**

– **Form [E.1]** for 2019 (attached hereto) includes the following sections, which will be assessed:

- Member Details
- Financial Data
- Organisational Adequacy/Questionnaire
- Updated supporting documents, which include: a) the Audited Financial Statements for 2019 as well as b) the Member's Rules of Procedure only if amended. It is noted that the Financial Statements should be accompanied by the Approved Auditor's Report of the Member, who has audited the accounts – financial statements pursuant to Internationally Accepted Auditing Standards.

– **Form [E.2]** for 2019 (attached hereto) refers to Financial Data of Members proceeding to the Clearing of Financial Transactions (Directly, Indirectly).

Financial data in Forms E.1 and E.2 should be completed based on the latest Annual Audited Financial Statements.

### **Submission procedure and timetable of actions**

<b>Dates</b>	<b>Action</b>	<b>Email Address</b>
From Monday, 3 August 2020 until Friday, 11 September 2020	Submission of completed Questionnaire Form ([E.1])	<a href="mailto:membership.assessment@cse.com.cy">membership.assessment@cse.com.cy</a>
	Submission of completed Form [E.2] on Members' Financial Data	
	Submission of supporting documents such as Audited Financial Statements for 2019 as well as Members' Rules of Procedure if amended.	

CSE Custodians are also requested to complete the parts of the questionnaire, which are relevant to them.

For any further information or clarifications, please contact the following Officers, Ms Maria Solomou or Mr. Michalis Michael 22712333 as well as Officer A, Mr. Fytos Galaxis on 22712300.

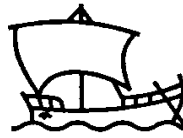
Thanking you in advance for your response.

Yours

Nicos Trypatsas  
Acting General Manager

Encl:

cc: Cyprus Securities and Exchange Commission



## Member Financial Data

### General Member Information

Name of Member in English	: .....
Clearing Member in the Cash Market	: Direct / General / No
LEI Code	: .....
Category of Member:	: IF / Bank

### Financial Information from annual & semi-annual audited financial statements

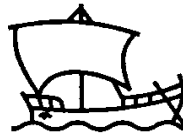
Date of Financial Statements	: .....
Trade Receivables	: .....
Cash – as cash equivalents(+deposits)	: .....
Short-term marketable securities (bonds, stocks, ETFs)	: .....
Net change (YtD) in cash & cash equivalents (free cash-flow)	: .....
Total Current assets	: .....
Total assets	: .....
Share capital	: .....
Total equity	: .....
Total non-current Liabilities	: .....
Total current Liabilities	: .....
Short-term financial liabilities (<1Y)	: .....
Long-term financial liabilities (>1Y)	: .....
Turnover	: .....
Gross profit	: .....
Net profit (after tax)	: .....

### Data on Capital Adequacy

Capital adequacy ratio (or solvency ratio)	: .....
Minimum limit of the capital adequacy ratio	: .....
CET1 (if not available, then explain non-availability)	: .....
Tier1 if CET1 is not available (if not available, please state the reason why it is not available)	: .....

### Total Exposure to other CCPs (in EUR equivalent - ECB fixing)i

Amount of pre-funded resources (i.e. default fund contributions) to other CCPs.	: .....
Maximum amount of non-pre-funded resources (i.e. assessment powers committed), i.e. obligation to pay additional funds further to the paid share in clearing capital, following a request by CCPs.(e.g. to cover the loss from bankruptcy of another clearing member to various CCPs in which it participates).	: .....



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**Liquidity Coverage Ratio** (*this question applies exclusively to **bank institutions***)

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LCR (%)	:	.....
LCR Limit (%)	:	.....
NPE Ratio (non-performing exposure) for all loan liabilities	:	.....

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<sup>i</sup> Exposure means the amount of losses that the clearing member could be exposed to, due to its participation in all other CCPs that the clearing member may be using world wide.



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## Members' Annual Compliance Review 2019

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### Member Details

LEI (Legal Entity Identifier) Code : .....

Full name of Member : .....

- Compliance Officer's name : .....

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### Financial Information

Share Capital : .....

Own Equity (Own Capital) : .....

Own Regulatory Capital : .....

Currency : .....

Fiscal Year : .....

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### Questions to all Member of the Cyprus Stock Exchange(CSE)

- 1 Describe briefly how your company attains the organisational and operational adequacy required under its membership status with the Cyprus Stock Exchange, subject also to the provisions of Regulation (EU) 2017/584. Are there any main activities of your company that are outsourced? If yes, please describe.
  - 2 Describe thoroughly your mechanisms/procedures regarding the prevention of conflict of interest, regarding market abuse and transactions' audit.
  - 3 Do the departments shown in your company's current organisational chart and which are directly related to the above status employ exclusively Certified executives? If not, please explain why.
  - 4 Explain how you make sure that all persons employed in the departments engaged in activities related to the aforesaid status comply with the obligations arising from your Internal Regulation.
  - 5 Describe briefly the control and security mechanisms in the electronic data processing area that your company applies.
  - 6 Describe thoroughly the way via which you ensure the distinction between positions for OWN account (if you have) and the clients' positions, from the moment of the trade until its final settlement.
  - 7 Describe the established business continuity policy and plan of immediate recovery (Business Continuity Plan-BCP), by which the continuous fulfillment of the obligations deriving from your activity to CSE is ensured.
  - 8 Has your company been audited by your competent Supervisory Authority during 2019?  
If yes, describe briefly the results.
  - 9 Have you been sanctioned by the competent Supervisory Authority during 2019?  
If yes, describe briefly the reasons, the sanctions and your relevant actions.
  - 10 When was the last internal audit on the procedures related to the above membership status conducted?
  - 11 Have any findings occurred from those audits, or are there any other incidents or facts that may affect the operation of your company regarding your Membership in CSE?  
If yes, describe these findings and your relevant actions.
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- 12 Describe briefly your conformance testing in your API and your procedures, in order to confirm the user's access to those systems.
  - 13 Describe briefly the pre-trade controls regarding price, volume and value of orders that you apply at the API order flows.
  - 14 Describe briefly your procedure that you apply for the obligation to inform CSE for Order Record Keeping (MiFID II short-long mapping).
  - 15 Do you provide Direct Electronic Access (DEA) to your clients?  
If yes, describe briefly the client approval policies and procedures.
  - 16 Do you have clients that provide Direct Electronic Access (DEA) to their clients?  
If yes, describe briefly the relevant controls.
  - 17 Do you perform Algorithmic Trading (Algo Trading) to CSE?  
If yes, describe your organization requirements, the conformance testing procedures and the annual self-assessment procedures that you follow.
  - 18 How many clients' default cases have you faced during the last year and which procedures have you followed to resolve them?  
In how many of these cases did you perform closeout (buy-in) transactions?
  - 19 Describe in brief the management model of the securities provided by your clients to cover positions in the Clearing Service of the CSE. Alternatively, you may attach the relevant text / procedure.
  - 20 Describe briefly your risk management model that you apply at your company.
  - 21 Describe in brief the criteria / arrangements / procedures of access of clients to the services directly related to the aforesaid membership status.
  - 22 Describe briefly, in which way you cooperate and collaborate with the Trading Members in order for them to perform transactions, to handle defaults and to limit the risk of those transactions (to be answered by Custodians and Clearing Members).
  - 23 Do you apply controls to reconcile the data between your own systems and the Dematerialized Securities System (DSS) regarding your clients' account details and balances?  
If yes, how often?
  - 24 Do you update your client investor's account details on annually basis?  
If yes, describe the relevant procedure.
  - 25 Describe the main mechanism / procedure used to verify, on a daily basis, the smooth operation of clearing and settlement of your transactions.
  - 26 What mechanisms does your company have in place to address, in due time, problems with the clearing and settlement of transactions?
  - 27 Are there any other events or elements that may affect your company's operation as a Member and which have not been mentioned above?
  - 28 Is there any change in any of the information based on which your application for membership to the CSE was accepted? If yes, state the changes.
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## Updated Supporting Documents

The Supporting Documents must be submitted to the Cyprus Stock Exchange on the e-mail address [membership.assessment@cse.com.cy](mailto:membership.assessment@cse.com.cy) are the following: a) Audited Financial Statements for 2019

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If any of the below documents, has been updated in relation with the versions that have been submitted to the CSE in the previous years, it should be submitted again to the following e-mail address: [membership.assessment@cse.com.cy](mailto:membership.assessment@cse.com.cy)

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Copy of the a valid operation license granted to the Member by the competent supervisory body

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Company's Memorandum of Association / Articles of Association

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Certificate of Incorporation

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Certificate of Shareholders

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Certificate of Managing Directors

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Statement of Personnel / Organisational Chart

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Internal Regulation of the Member