



Cyprus Stock Exchange

Yesterday, today and tomorrow

Series of articles and analysis
of the Director General of the CSE
Mr. Nondas Cl. Metaxas

PUBLICATION 2011

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***The Director General
– CEO of the
Cyprus Stock Exchange
(CSE) Mr. Nondas Cl. Metaxas***

Curriculum Vitae

Nondas Cl. Metaxas
Director General - CEO,
Cyprus Stock Exchange

- Mr Nondas Cl. Metaxas is the Director General - CEO of the Cyprus Stock Exchange since its establishment in 1996.
- He is a member of the Board of the Federation of the European Securities Exchanges (FESE).
- He is the Chairman of the Budget and Audit Committee of FESE.

Mr. Metaxas was in charge of the unofficial Over The Counter market of the Cyprus Chamber of Commerce and Industry (CCCI) from 1979 to 1995 and participated actively in all decisions of the development, both of the unofficial Over The Counter market and of the official Stock Exchange. Before his appointment as Director General - CEO of the Stock Exchange, Mr. Metaxas was a member of the Board of the Cyprus Stock Exchange (1993-1995). Mr. Metaxas has also taught finance at the University of Cyprus as a research assistant. He is a member of the Working Group of the World Federation of Exchanges (WFE), a Member of the Board of the Association of National Numbering Agencies (ANNA), a Member of the Board of Link-Up Markets, a Member of the Advisory Group of the Target 2 Securities (T2S) of the European Central Bank and also a Member of the Board of the European Central Securities Depositories Association (ECSDA).

He has also served as a member of various boards, including the Council of the Export Awards and the Advisory Board for Higher Education and the Committee on Risk Management - University of Cyprus. Mr. Metaxas has also published a number of articles on issues related to securities markets, issues related to promotion / marketing and particularly for promoting exports.

Introduction

This publication entitled «Cyprus Stock Exchange (CSE), yesterday, today and tomorrow» includes articles, analysis, and speeches of the Director General – CEO of the CSE Mr. Nondas Cl. Metaxas in recent years.

Through the writings of Mr. Metaxas, readers can learn about the progress of the Cyprus Stock Exchange, the problems and obstacles encountered in recent times, as well as concerns and strategic initiatives taken, for strengthening the Stock Exchange of Cyprus.

The development of the CSE is decisive for the progress of the country. It constitutes a basic source of financing of development projects and its contribution to the overall effort to make Cyprus a regional business centre is particularly important.

Articles and analysis grapple with various issues at different times, so readers can better understand the different phases that the Stock Exchange has gone through.

More importantly, readers can further understand the vision and hard work of all individuals that have had an input so that Cyprus today can have a modern, flexible and fully harmonised Stock Exchange according to European standards.

The CSE has proceeded during the last years, to many necessary legal, regulatory and other reforms, which have resulted in Cyprus having a modern and fully developed stock exchange.

We are therefore working systematically to ensure a better future for our stock market that will serve the objective of further development of businesses and the economy through the Cyprus Stock Exchange.

Finally, it should be noted that the crisis that has affected the international economies and also Cyprus as well, concerns everybody, therefore the role that the CSE can play in order to help the economy to come out from the crisis, is obvious and should be utilised.



The new building of the CSE in the centre of Nicosia

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1. Regulated Markets in the European Union

July 2007

With the impending implementation of the European Directive MiFID (Markets in Financial Instruments Directive) significant changes shall be made to what we know so far as Stock Exchanges and which shall be subsequently, known as Regulated Markets. The Management Committee of the Federation of European Stock Exchanges (FESE) dealt with the whole issue in its recent meeting.

During the meeting, a comparison of the advantages that Regulated Markets provide in comparison with other platforms for the execution of transactions, was made. Listed below are the advantages of Regulated Markets in comparison with any other platform - *renue*, as they are stated in a relevant announcement by FESE titled «The Unique Contribution of regulated markets to the EU Economy».

The most important are the following:

Efficient raising and allocation of capital in the primary market.

Because of the regulations which are in force in regulated markets, the standards for their operation and the high accessibility to investors globally, regulated markets are attractive both to the companies and to investors, for issuing and raising of capital.

Investing long – term savings in the markets

Regulated Markets have attracted global funds with a long term interest for deposit/ investing, of retail investors, provident

funds and other institutional investors.

Efficient secondary markets

Regulated Markets through their price discovery mechanisms, technology and low transaction costs, have attracted significant investments and have increased market liquidity and their efficient operation.

Role of regulated markets for a dynamic economic growth

Regulated Markets play an important role in funnelling of funds towards the most dynamic sectors of the economy in the European Union, helping on the one hand to deal with unemployment and on the other hand organisations to grow.

Ensuring investor protection and market integrity.

Due to the high regulatory standards for investors, regulated markets play a role towards strengthening investors and market participants confidence in stock exchanges, via sufficient market surveillance methods, high standards of disclosure of information and pre - and post – trade transparency. The regulated markets' long standing and close cooperation with supervisors also contributes effectively to this direction.

Significant contribution to the growth of the E.U financial sector

Regulated markets throughout the years have succeeded, through the major investments they have made, in the development of the financial sector. Huge investments have been made in the



Signing of the Memorandum of Understanding (MOU) for the Target 2 Securities Project, Frankfurt – July 2009

technology sector to ensure effectiveness, for the decrease of transaction costs and generally for the smooth functioning of their markets. This positive contribution of the regulated markets is based on the following:

Independence, autonomy and neutrality of the markets

Investors place value in the neutrality of the markets, in that they provide equal treatment to all market participants and they are treated in a fair manner. Also regulated markets do not execute transactions for own account.

Continuing investment in state of the art infrastructure.

A basic principle of regulated markets is to continuously invest in advanced technology, so as to ensure high levels of security, integrity of transactions, disaster recovery and generally the immediate response of the trading systems.

Transparency

Trading and clearing of transactions on

regulated markets takes place in an environment with a high level of transparency. Regulated markets are expected to continue to assist the regulators in keeping an orderly and transparent market for the benefit of all investors in the future as well as after MIFID is implemented.

Competitive environment

Regulated markets operate in an increasingly competitive and globalised market environment. In the modern environment, regulated markets offer a wide range of services and products, to cover the needs of investors. Europe's regulated markets were among the first regulated markets in establishing regional and global alliances and co-operations. They operate a number of sections / markets, which are open to competition.

Focus on the needs of market users

Regulated markets constantly update their products and services to meet the needs of the market. In the post – MiFID period, the regulated markets' priority will be to serve the needs of the market (buy side) better. It is expected

that regulated markets will expand their range of services to the sell side, data vendors and other users to penetrate new markets and to strengthen their global competitiveness. Through the Code of Conduct for Clearing and Settlement, markets are opening up to competition, facilitating investors to trade European securities within a coherent and cost-effective European framework. It is obvious that despite the change which will take place, regulated markets, as the Cyprus Stock Exchange (CSE) will continue to have a decisive role in the capital market of a country. In the new competitive environment with the new European

Directives [MiFID, Transparency Directive, Code of Conduct for Clearing and Settlement] it is obvious that everybody must adapt to it and the CSE has already started taking relevant actions.

Within its new strategic plan, the CSE moves in the direction of familiarising itself to the new environment, strengthening its strategic alliances and preparing itself to face any competition.



Signing ceremony of the Memorandum of Understanding (MOU) between the Cyprus Stock Exchange (CSE) and the Tel-Aviv Stock (TASE) Exchange – March 2011



Signing of the Memorandum of Understanding (MOU) between the MICEX Exchange of the Russian Federation and the Cyprus Stock Exchange (CSE) – June 2010

2. The initial comments regarding the recent crisis in Capital Markets

Reinforcement of the role of the Regulated Markets

5/6/2008

The Federation of European Securities Exchanges (FESE), has repeatedly dealt with the consequences and problems that the recent crisis in the global capital market created, with an emphasis to what is happening in Europe.

Within this framework, FESE published a public position Paper which has been promoted in European Media. I believe that it is useful to transfer these thoughts of the European Exchanges to those persons possibly interested in our wider area – in political, legal and stock market communities.

The main characteristic of the position of FESE is the positive contribution of the Regulated Markets in contrast to other market models. As it is obvious today, what was before generally called an Exchange, today is known as a Regulated Market, has to deal with the operation of non Regulated Markets, a fact that creates a special concern, which is a subject covered in this position paper of FESE.

1 Introduction

Initially, it must be noted that in this Paper, the preliminary observations of the European Exchanges on the ongoing financial crisis from the perspective of Europe's Market Operators are included. The purpose is not to analyse the various factors behind the crisis, because the full extent of the crisis is not yet known and its causes are not yet fully understood.

FESE members believe that the perspective of Europe's Regulated Markets should be considered and the interests of

the Market Operators should be recognised in the formulation of possible policy responses. FESE believes that its Members' market model (Regulated Markets) has not only shielded their products from the crisis but has helped the investors and industry participants to alleviate some of the consequences, by providing an efficient mechanism for asset pricing. FESE members' aim is that the strengths of this market model (Regulated Markets) are protected from any future policy framework.

2 Preliminary Observations on the Crisis

How were European Regulated Markets Affected by the Crisis?

The perspective of the Regulated Markets in Europe must be specifically noted because Regulated Markets have been by and large outside the origin of the crisis and in many cases they have mitigated the crisis by providing opportunities to generate liquidity. However, this does not mean that the Regulated Markets have not been affected by the crisis. Financial markets are increasingly inter-linked and the trading of instruments bilaterally off-exchange has had a direct impact on instruments traded on Regulated Markets. During the crisis, Europe's exchanges had much needed liquidity and helped the economy by providing a reliable channel for trades.

During the period of high volatility and market rumours, Regulated Markets have performed extremely well in different difficult circumstances, with investors able to trade high volumes and with prices readily available at all times. Furthermore,



Signing ceremony of the Memorandum of Understanding (MOU) between the CSE and the Malta Stock Exchange – February 2010

the lack of liquidity in the inter-bank market has been mitigated by the flow of off-exchange deals of the Regulated Markets, as a means of generating liquidity.

Members of FESE are confident that their Regulated Markets model with high levels of pre- and post- trade transparency in standardised instruments –equities, bonds, or financial or commodity derivatives – inspires the confidence of investors in securities markets. Detailed and continuing disclosure obligations reduce the risk of sudden shocks.

3 Preliminary Responses by Regulators

FESE welcomes the attempt by European and other policymakers to assess the causes of the financial crisis and its implications for the functioning of European and global banking systems and securities markets and it considers important for the EU institutions to continue (i.e. the publication of the reports of the European and Financial Affairs Council ECOFIN, the FSF and IMF) the analysis of the risks arising from such products/markets for investor protection and systemic stability.

While the European Exchanges recognise the great merit in each of these separate and important initiatives, it is believed that the crisis has called to question some of the fundamental assumptions on which our current legislation is based, necessitating a more detailed discussion. In particular, the crisis has challenged the basic assumption that all market structures are equally valid and pose the same level of risks for the system. On the contrary, during the crisis, certain products (due to their nature and non-standardisation) traded on certain market structures - venues were revealed to be riskier.

The crisis has also shown that the quality of such products – in which substantive investments are made – is difficult to assess even for professional investors.

4 The Resilience of the Public Market Model

While markets primarily affected by the crisis were unable to determine prices to allow for a proper valuation of assets, Regulated Markets have offered an excellent provision of liquidity to end-investors, despite the high volatility of prices, minimising the negative impact of

the crisis for the financial system as a whole. Although the credit crisis is not over yet, analysts, commentators and supervisors concur that the crisis has demonstrated not only the importance of liquidity, but also the value of transparent and reliable price – formation mechanisms.

Markets disrupted during the crisis which we can call generically non regulated markets, display certain common features such as that they operate under significantly lower transparency standards, the exotic instruments that they trade may be difficult to value, they operate on a bilateral basis, there are no obligations on participants to provide liquidity and the trading technology used by these platforms and systems, if any, is not necessarily advanced.

By contrast, Regulated Markets display a very different market structure with the aim of offering transparent price discovery, the ability to trade at or near to the prices which are formed from buy and sell orders and liquidity for assets admitted to trading on their markets. These attributes result from a number of important principles that exchanges worldwide put into practice such as: public markets are transparent, are

multilateral, are neutral and independent and use the appropriate technology, there is monitoring and surveillance of trading and issuers have to comply, with stringent disclosure requirements and accounting and auditing standards.

5 Risks for the public interest

It is important to stress that the public market model and the non-public market model are not mutually exclusive and that each serves a different function in the economy. In a well-functioning financial system, there is a need for both types of markets and there are benefits unique to each one.

In a well-regulated and well-supervised market, investors should be fully aware of the consequences of having recourse to non-regulated as opposed to public markets. Therefore, it is important to assess whether our current legislation both in European and National level treats both models adequately, and whether it creates a sufficient level playing field with equal opportunities between them that allow the markets to choose between the two models optimally.

The fact is that the regulatory framework



Signing of the Memorandum of Understanding (MOU) between the Cyprus Stock Exchange and Bucharest Stock Exchange - August 2007

implemented over the last few years may have created a very large gap between the regulated markets and the non-regulated markets generating distorted incentives for issuers to prefer the non-regulated markets over the regulated markets, despite any risks.

6 Conclusion

FESE considers that the recent events indicate that there is now a need for concentration of the public discussion on

policy issues on the question of regulated and non-regulated market. The challenge for policymakers is to assess whether the legislative framework creates a sufficiently level playing field between the different market models and the attractiveness of the asset classes that they trade. It is important to examine whether existing legislation treats the two models adequately and whether a fair level playing field exists for the operators, as well as the users/ investors of the two models.

3. Smooth industrial relations and a positive work climate ensures an organisation's success

March 2009

In the modern and competitive environment in which organisations operate today, specific conditions are required to ensure that they are able to achieve their aims and be highly effective. Such a precondition, which applies to all organisations, regardless of their field of activity, is the securing of smooth labour relations and the existence of a positive work climate. The importance of the human factor is undisputable, particularly in field of activities relating to the provision of services, which are characterised as labour- and not capital-intensive. In these areas management should place special emphasis on the rational utilisation, development and training of its human resources within a smooth and constructive work environment, while at the same time focusing on achieving the company's goals.

We, at the Cyprus Stock Exchange (CSE) recognise the great importance of the work force in the achievement of our aims and we have always attached great importance to the maintenance of a smooth work environment. Through the appropriate procedures, actions and decisions, we aim always to maintaining excellent working conditions and in general terms, at ensuring an environment which will reinforce our efforts to achieve our goals and increase our productivity.

Within this framework, we have established an effective mechanism for the timely and succesful implementation of the decisions taken by the CSE's Council, to ensure the organisation's effective results. We have also established a satisfactory mechanism to co-ordinate and monitor the

activities related to General Management Level and Senior Staff, in order to prevent delays in promoting all the work that is due to be done. At the same time, we have also put into place an arrangement whereby regular meetings are held with all staff, in order to ensure full co-ordination and immediate results. The main decisions/ conclusions of such meetings are minuted and distributed among the staff for immediate implementation.

The aim of the above meetings is that the CSE executives and staff in general, are acquainted with the thoughts and basic directions of the Council. A more general aim is to ensure that the development initiatives and new plans from time to time on a broad range of issues, are implemented quickly and effectively. In addition, the CSE executives have always been encouraged to make suggestions and proposals on all issues concerning procedures, work methods, improvement of performance, etc. We believe that the practical findings of the staff resulting from their daily contact with the specialised subject of our work in conjunction with suggestions emanating from market professionals, are a useful tool for the (potential) adoption by the Council, of decisions for improvements and modernisation, always in view of any new circumstances that may arise.

In addition to the exemplary collective work and spirit of co-operation among the staff, another important factor contributing to smooth industrial relations is the reasonable submission of any collective demands. Undoubtedly, there have been periods when there were different opinions

among management, unions and staff. However, consensus has always prevailed, within the framework of prevailing conditions within the organisation and the economy in general. Thus, there has never been any crisis or action at the CSE, since through extensive dialogue and the exchange of arguments we have always come to commonly acceptable solutions, which have contributed to the maintenance of a smooth working climate.

At this point, it would be an omission not to mention that through their tremendous hard work, the CSE personnel were exceptionally effective during the difficult periods experienced in the past. This was especially important during the most difficult period of 1999-2000, when the staff demonstrated a spirit of personal sacrifice and worked exceptionally hard, to ensure the smooth and unobstructed operation of the market. It can be said without exaggeration that the CSE employees were instrumental in ensuring the survival of the Cyprus Stock Exchange. In any case, this fact is evident from the reports of the Investigative Committee for the Stock Market of 1999-2000, as well as the reports of the Parliamentary Audit Committee on what occurred in the stock market in 1999-2000.

These reports mention the important role, the personal sacrifices and effective work of the employees of the CSE during the difficulties that had appeared in the market at that time.

Within the framework of the smooth industrial climate, internal procedures were put in place with regard to staff working hours and the reasonable submission of demands for overtime work, to ensure that overtime would be paid only when necessary. Furthermore, the necessary flexibility was exhibited by the staff, so that

during trading hours the organisation would operate in an expanded timetable of work to ensure that effective trading could take place. This was also effected by establishing a rotation system for afternoon work and a shift system, when absolutely necessary.

The Stock Exchange was thus able to operate its markets until late in the afternoon in line with the advanced Stock Exchanges of Europe. Furthermore, with the regulations that have been adapted it was possible to serve the public and the members of the CSE at our offices every afternoon.

It should also be noted that the CSE's relocation to our new offices, which was completed in December 2008, was carried out with the impeccable co-operation and team work of the staff.

Owing to the complex technical applications used by the CSE, the move had to take place effectively and without any disruption or interruption of our operations, and this was achieved with total success. Our principle and basic criteria will always be to ensure a smooth working environment, since this is of paramount importance for the successful operations of the CSE. Within this framework, and through our efforts for consensus, the aim of the CSE will always be to maintain a spirit of team work, so that any new plans and aims will be implemented and achieved successfully.

4. The Global Economic Crisis – Regulated Markets and their contribution towards prevention and smoothening of its effects

November 2009

The world economic crisis, that started manifesting itself at the end of 2007 and is continuing up to today, is an issue which should be studied in depth, since it is the first time that the world financial community is faced with such kind of crisis, affecting drastically the general economic environment.

It is a crisis, which has its explanations, has its solutions but above all has serious economic repercussions, not only on the world economy, but on each country as well. It has challenged the fundamentals of certain institutions and concepts. It is then obvious, that it should be studied from every perspective, and that all essential measures have to be taken, so that it is faced with concrete actions in the medium term, but also, in the long term by putting in place such actions in order to avoid the creation of a similar crisis in the years to come.

It is noted that the whole process should start by ascertaining from where the crisis emanate - through the relevant symptoms and then to apply suitable treatment. Simply, if we do not achieve correct diagnosis, it is impossible to achieve the appropriate treatment and the results will then become even worse.

Because of my position, I have followed in Cyprus and abroad various analysis, speeches and articles on the subject. I should say that many times I felt disappointed on the way that such a complex phenomenon was faced by persons reported as experts. In order to avoid the risk of falling to the same error,

I will try to give my opinion, from the point of view of the Exchanges only, without making a general assessment of the whole situation.

Due to my position in the Board of the Federation of European Securities Exchanges (FESE) as well as in the Management Committee of the World Federation of Exchanges (WFE), I have had an active involvement when the whole issue was discussed from all angles but especially in relation to the new European Directives and mainly MIFID. The main reason, among others, being the fact that MIFID allows the creation of non-regulated markets.

As a result, many times regulated markets are forced to operate such markets but under their responsibility, while other such markets pop up on their own.

Let us see now the basic advantages offered by the Regulated Markets. The list is most extensive. It has been published in a relative statement from FESE and I have written articles in the local and foreign press explaining them. I will briefly mention however two very important elements, from this list, that are the biggest advantages and guarantees of regulated markets.

1 Guarantee of protection of investors and integrity of market

Because of the high standard of the models for the protection of investors, organised markets contribute to the direction of strengthening of confidence on market and on the market players, via sufficient methods of supervision, high models of



Press Conference at the offices of the CSE – June 2010.

transparency - notification of information and transparency, as regards to the process before and after transactions. The close collaboration of regulated markets with their supervisors for many years, contributes also effectively to this direction.

2 Transparency

The execution, clearing and settlement of transactions take place in the Regulated Markets in an environment which is characterised by a sufficient and high level of transparency. The Regulated Markets, it is appreciated that in the future and with the operation of MIFID, will also continue helping to achieve smooth, transparent and orderly operation of market for the benefit of investors.

Also WFE in a press release, related to comments that it submitted to IOSCO on unregulated markets, indicates specific areas that need improvement, in order to minimise risks in such markets. These are transparency, standardisation, centralised clearing and capital requirements.

The question to be answered at this point is the following. Can in anyway unregulated markets

provide the above? The answer is naturally no, at least to the extent that they can be provided by the regulated ones. What to say, for example, of “dark pools” I wonder?

Unregulated markets were introduced in order to minimize the cost to the investor. But experience shows that the reduction of cost, caused discounts in the protection of the investor. To use economic terms, it is an “elastic” relation. The more the cost reduction the greater the discount in protection.

On the other hand, Regulated Markets operate in a general regulatory framework which tackles drastically many of the above problems, that are referred to as the causes of the world economic crisis. To give a concrete example, let me focus on the issue of Salaries and Bonuses of executives in financial institutions. A sector which is blamed as one of the causes of the crisis. Many Regulated Markets have introduced codes of Corporate Governance to deal with this issue. The CSE, cannot be the exception and through the application of its Code of Corporate Governance, which compares favourably with

the relevant codes of other countries, regulates this subject via transparency, in order for the investor to have the necessary information, so to be able to take calculated decisions and have an educated opinion on the issue. It is also noted that the Code of Corporate Governance also touches upon a lot of other issues, eg Committees of Internal Control, Remunerations, Nominations etc.

I feel that now is the time to say a few words about the issue of Regulation. While the financial markets of Europe have been unified, we note substantial differences on the subject of regulation and regulatory framework resulting to what we call “regulatory arbitrage”.

As a result, if a company judges that the regulatory framework in Cyprus is stricter than the regulatory framework in another country of the European Union, it can move its listing to that other country in order to avoid these regulations. However the Cypriot investor might proceed undisturbed to transactions in this other country.

Therefore we urge the regulators of the countries of the EU to take action immediately, as a subject of priority and to proceed in taking concrete action for harmonisation of regulatory framework. It is absolutely and totally unacceptable, in a completely liberalised environment with freedom of transactions, to have such phenomena which create problems

for the protection of investors. However, if there are problems with the legal framework within the European Union, just think of the magnitude of the problems in the difference of regulatory framework between the European Union and the United States.

Let us move a bit further by referring to the “toxic” bonds? Does anybody in this room doubt that the creation and offering to the public of such instruments has also to do with the then existing legal and regulatory framework?

I will not take up any more of your time with other comments. I simply wanted to stimulate discussion on a number of issues. The issues that I have reported above should be dealt with immediately. It has been stressed that in the centre of the new philosophy as it is expressed in MIFID, was the reduction of cost for the investor. If this reduction means “dark pools”, if it means less monitoring, if it means confusion in the monitoring, then I believe as an issue of priority, that the whole concept has to be reviewed.

A final comment. It is the duty of all of us to strengthen the role of Regulated Markets. We should opt for uniform supervisory framework and in this way we will be very close to eliminating most of the probable causes for the creation of such crises in the future.



Speech at an event organised by the CSE regarding New Developments, Challenges and Opportunities – October 2004

5. The Cyprus Stock Exchange, the crisis and the investors

November 2009

During the period 1999 – 2000, we all experienced an unusual situation marked with a particular increase in investment interest, that led to exaltation in stock trading and prices of listed securities.

The period of continuous and rapid increases in prices was not so easy for the CSE, nor the decline that followed. It was a very painful and rough time in every aspect for the CSE management, often having to deal with factors well beyond its control.

During that period, the CSE decided to implement effective measures to handle the above situation, as well as solving different problems that were created, because of that particular situation.

It is worth mentioning that the actions of the CSE at that time focused on two main directions in handling the extraordinary situation that had been created.

The first action was the proper handling of the daily operations of the Stock Exchange, so as to ensure as far as possible the smooth and orderly market functioning. As a result, the staff of the Stock Exchange was trying with hard work and remarkable conscientiousness, to meet the very difficult time conditions. Furthermore, the CSE Council was forced to meet on a very regular basis and take decisions within a tight schedule. There were a limited number of CSE personnel at that time since the stock exchange had been designed in the years 1994 - 1996 to cope with a much lower turnover level than the one presented in 1999 to 2000.

Consequently, the limited number of the CSE personnel at that time, was forced to fulfil work on a daily basis, in very difficult conditions (the problems of space that existed were known) and within exhaustive schedules of operation, (without payment of overtime), having as their priority to service the public and the smooth implementation of the operations of the CSE, especially as related to the clearing and settlement of securities transactions.

Concerning the above subject, it is mentioned that in the relevant findings of the Audit and Finance Committees of the House of Representatives that were prepared for the Stock Exchange Market during the period 1999 to 2000, these Committees, expressed their great satisfaction for the hard work and high sense of responsibility under which all CSE employees worked in 1999 within particularly exhaustive conditions, giving their whole being in an effort to avoid an overall system breakdown, finally succeeding their aim.

A similar appreciation as to the aforementioned subject can be found in the findings of the Inquiry Committee appointed for the Stock Exchange Market during 1999-2000, which among other things it is mentioned that due to the extraordinary situation that was created, all of the CSE staff worked until late in the evening on an overtime basis and exclusively for proper clearing and settlement of securities transactions. It was further indicated that due to the difficulties in the process for the approval of the engagement of new employees, this problem was solved with



Speech at the Annual Exchange Symposium – May 2003

a considerable delay but because of insufficient office space the personnel worked under conditions of congestion.

Relating to this subject, I report an incident that I remember characteristically that one evening of that period, at late hours, the husbands of two members of the CSE personnel had visited me, reporting to me specifically – «Mr. Metaxas, we had the impression that until recently, our wives had been married to us, but we find out lately that they are married to the Stock Exchange». Personally the only thing I could tell to them was to thank them for their patience and support.

The second action that the CSE efforts focused on, was to cover gaps that existed in its legal framework, concerning the operation of the Capital Market in general and at the same time to strengthen the CSE technical infrastructure.

In addition to handling matters of daily operation, the CSE was focusing primarily on the introduction of a fully automated system through the process of dematerialisation of securities and for the establishment of a Central CSE

Depository, as well as with the filling of various legislative gaps. The Dematerialisation/Central Registry - Depository was a very difficult process, since this project involved all listed companies and the need to ensure their full compatibility regarding their registries to the appropriate requirements of the Stock Exchange.

As to the existing legislative gaps, the Stock Exchange had taken initiatives to promote two issues. The first one was the introduction of mutual funds. The Stock Exchange taking the initiative and acting on its own costs, prepared in 1998 the first legislative draft concerning mutual funds in an effort to bring stability and balance to the intense price fluctuating values.

The second issue was that the Stock Exchange submitted a proposal concerning the introduction of a regulation for investment advisors. At that time due to the vast investment interest that existed throughout Cyprus many investment advisors accepted orders without operating under a relevant legal framework.

Regarding the operation of the CSE and the

fact that the CSE has done everything that was humanly possible from its part to handle the situation acting within its legal framework is also useful to refer to a decision of the Supreme Court which had challenged the initial decision of the Court, which had been acknowledged that the CSE had received during the reporting period a series of measures to tackle the extraordinary situation. These events were encountered and regarded as findings of the Court.

Concretely it is reported inter alia in the decision of Court that "In an effort of confrontation of the problem, the CSE has engaged additional personnel and proceeded to issue several times circulars to its members for confrontation of problems, publishing at the same time announcements to the public. The CSE also proceeded to regular briefings to the public via the media concerning the CSE way of operation and the rights and obligations of investors. Furthermore the CSE proceeded to adjustments concerning its legislation. With regular meetings with all related party's and by sending staff to the offices of companies experiencing problems concerning processing transactions the CSE tried to eliminate the problem of delayed transactions. In addition to the above the CSE imposed penalties to its members - stockbrokers, who did not meet their obligations..."

Today, ten years later it is noted that there have been radical changes in the operation of the stock market and due to the adoption of all relevant European Directives and modern practices, any gaps have been filled in. Today the market is working with excellent technological infrastructure and with many safeguards and therefore, as a result any phenomena that may occur in the future can be treated to a large extent successfully.

As I have repeatedly stressed in the period 1999 - 2000, an investor should always study, appraise and assess the available data concerning an investment in a listed company without giving credit to rumors and temporary enthusiasm.

6. CSE: It's role for further economic development and for addressing the impact of the economic crisis

January 2010

As it is empirically proven, throughout the years in developed economies the Securities Exchanges have helped significantly the development of enterprises and economies in general. The Exchanges are the main instruments for economic development since through them, companies raise the necessary funds for growth and investors have the opportunity to take advantage of new investment opportunities.

The Cyprus Stock Exchange (CSE), implementing its strategic plans within the context of the current period's unprecedented economic crisis, takes all possible actions and initiatives, in order to serve this purpose and to contribute further to the development of the country's economy.

The Cyprus Stock Exchange (CSE) is an organised regulated market, operating in accordance with the relevant legislation and on a modern basis, having adopted all relevant European Directives and basic practices that most developed markets follow.

The CSE has at times been under relevant scrutiny from various international organisations, based on which it has been assessed as meeting all relevant standards and criteria. It is also ranked highly in the relevant classifications that are occasionally published. More specifically, we can mention the recent recognition of the CSE by the tax authorities of the United Kingdom as a fully recognised stock exchange, and the upgrade of CSE in the classification of Stock Exchanges by FTSE.

The Cyprus Stock Exchange provides with efficiency and effectiveness all major stock market services (admission to listing, trading, clearing, cash settlement transactions, the central registry). As a regulated market, CSE operates under full transparency and adequacy, is properly regulated and ensures that investors are provided with complete and timely information.

It is also important to note that the CSE offers opportunities to invest in a wide range of securities, even in times of economic recession and limited wider economic development. The investors however, must always assess – evaluate the current macroeconomic data, as well as the data from companies in depth, take advice and invest logically and with restraint.

It is particularly important that through the stock market the necessary liquidity should be achieved, as well as the opportunity for investors to have available a wide range of products and services comparable to those of developed stock markets. In recent years the CSE has steadily concentrated its efforts in this direction, so as to provide a modern and comprehensive range of products and services.

In order to achieve the common goal to establish Cyprus, as a regional financial and investment services centre, apart from theoretical statements, we need to proceed to actions and implement the necessary development projects and initiatives, so Cyprus will be able to attract foreign investments. Therefore there should

not be any obstacles and barriers, in order to be able to respond as a country, quickly and methodically, to the new changes and to exploit the opportunities that occur, which appear and are not available indefinitely.

Therefore, the Cyprus Stock Exchange must be strongly supported in its effort. It is well known that in order to succeed as a country and manage to evolve into a significant financial centre, the Cyprus Stock Exchange must be the focal reference of this effort. No other country has achieved something similar, without having a well developed stock exchange, which must enjoy the full support of all regulatory and business participants.

Within the difficult conditions that Cyprus is currently facing, all necessary actions should be taken in order to implement new investment projects, both in the private sector and in the public sector, so as to ensure a sufficient degree of economic development. It is also necessary to reduce the rising unemployment rate, to maintain consumption at satisfactory levels and generally to successfully face the impact of the difficult economic conditions. Among the options

which the CSE offers, beyond its regulated market is, the Emerging Companies Market (E.C.M) as a multilateral trading facility, as well as Major Projects the market, aiming to cover different needs for funding and development of businesses and related investment plans. Therefore, the CSE invites all interested persons to consider the options offered by the CSE and to evaluate them, in order to evaluate the significant advantages offered.

To conclude this brief intervention, I would like to stress emphatically that is important for the CSE to be supported in order to achieve the objective of its contribution for further economic development. The CSE should not be considered as a means for easy profit or a means to earn huge returns in a short time, but as a financial tool to assist development, through targeted programs of development and modernisation.

7. Initiatives - development activities of the Cyprus Stock Exchange

5/6/2010

The Cyprus Stock Exchange (CSE) operates nowadays in a dynamic environment, in which it is vital to take the appropriate initiatives and effective actions, in order to react to the new developments.

The main characteristic of the rapidly changing environment, is on one side the many institutional changes that take place, the relevant European Directives that should be followed and also the globally provision of a wide spectrum of new products and services. On the other side, the observed unfavourable economic conditions as a result of the world economic crisis, impose the necessity for taking specific measures in order to deal with them.

If the timely and planned study of the situation and the appointment of measures did not exist, the CSE as an Institution would face very serious viability problems.

The Cyprus Stock Exchange has intensified its efforts during the last years in the framework of the above directions, through a coordinated and targeted strategic plan that is being materialised. The CSE has taken into consideration the proposals from experts and shaped its strategic directions, after extensive research and in a detailed mode, having in mind the current conditions in Cyprus and internationally.

The Cyprus Stock Exchange by materialising its strategic plans, makes all possible efforts and takes initiatives so that it will serve the aim mentioned above, helping simultaneously in the further development of the country's economy. This cannot be disputed since the CSE, as it is obvious in any

country, constitutes a fundamental vehicle of economic development, where through the CSE, the companies raise the necessary funds for development and investors have the opportunity to invest in new investments.

Briefly and indicatively note among others, the following initiatives of the CSE and the projects which are being promoted, that illustrate the effort that the CSE is taking, towards the previously mentioned direction. It shall be noted that all the initiatives of the CSE aim to the following:

- Provide service to investors and market participants even more effectively, with simplified processes and reduction of bureaucracy and at a lower cost.
- Introduction to the market of a complete spectrum of products and services, comparable to the ones offered in the most developed markets.
- The achievement of the biggest possible cost reduction for the CSE ensuring the effective operation of the Organisation.

(a) New Market of the CSE (E.C.M. - Emerging Companies Market)

For this new market of the CSE, the E.C.M., the CSE has prepared an extensive infrastructure and also an extensive promotion activity has taken place. The CSE has registered the first nominated advisors-nomads and has listed already the first 4 companies which started trading on March 29, 2010. This market, which is a multilateral trading facility (MTF), aims to serve a variety of market needs,

(b) Reductions in the CSE fees

The CSE implemented in 2009 additional extensive reductions in its fees, in order to

secure its competitiveness. Similar modification in the of the fee structure had also been implemented during 2008.

(c) Cost cutting effort by the CSE

- Furthermore the CSE implemented with its own initiative and with the complete cooperation and support of its personnel, an extensive program of cost reduction, taking into consideration the broader economic conditions that prevailed and continue to be in place.

(d) Simplifications in the processes of the CSE - reduction of bureaucracy

- The CSE implemented a series of simplifications in its processes, so that it will serve more effectively and in a simplified mode, market participants and investors timely and at lower cost (indicatively we mention the changes concerning the listing of securities, online submission of applications, changes on issues relating to trading rules etc). The objective is the minimisation of bureaucracy, as much as possible on issues relating to the listing of securities, and also in other important operations of the CSE.

Note that in all its efforts, the CSE had the full support of its personnel, who by reacting to the current challenges, cooperated completely in the direction of securing the competitiveness and viability of the CSE. Indicatively it is mentioned that the personnel of the CSE prepared a special study towards the effort of achieving cost savings, in the current difficult economic conditions and the results in this effort are already very positive.

The CSE should be supported in its development plans, so that it will offer new products and services to the investors and market participants and be able to compare favourably to the developed

markets. The CSE should be reinforced in its effort to expand and to obtain increased liquidity. In this direction, the CSE has prepared a special legal framework for the operation of the Market Maker in the Cyprus Stock Exchange, and also for the «Over The Counter trades» (OTC) transactions.

Furthermore, the Mutual Funds, an institution that helps further towards the rationalism of the market and the development of new opportunities for Cyprus, must be registered at the CSE. It is imperative that these new products and services be introduced, since they constitute fundamental elements of the effort for the establishment of Cyprus as a developed regional financial centre.

Consequently, the CSE should enjoy the essential support from the State and it must very quickly receive all the essential approvals from the Authorities, in order for these new essential institutions to be introduced with effectiveness and efficiency and to take advantage of the existing opportunities.

In every economic crisis in the midst of difficult conditions, the opportunities that are presented must be explored and the difficult conditions and threats must be dealt with as challenges, in order to finally reach positive results. The CSE, having received the messages of the times, aims to get out of the crisis strengthened and with accumulated experiences for the future, something that will also bring proportional benefits to the Cyprus economy.

8. The importance of the Stock Exchange in the growth of enterprises

June 2010

The difficult economic conditions that are observed internationally over recent years, as resulting from the world international crisis, dictate that companies / enterprises take practical measures, in order to maintain their growth and exit from the crisis, with the lowest possible cost. It is particularly important to ensure the continuation of growth and the consequent consumption, as well as to retain employment, so that the economy does not enter into recession and predominance of negative psychology is avoided.

The enterprises need, inter alia, cheaper financing, in order to be developed. Therefore, they should develop alternative ways of financing and mechanisms of growth, so that they ensure their competitiveness and continuity, with claims in the respectively difficult and very competitive environment. Equally important is that the country's effort of attracting institutional and strategic investors from abroad yields benefits to our economy.

It should be stressed that Stock Exchanges are considered one of the mechanisms that facilitate the raising of capital to financing the development plans of enterprises. Stock Exchanges, as organised markets that assemble the basic investment factors (companies, investors, businessmen), constitute a basic lever of growth of enterprises and economies in general. Also, Stock Exchanges have, by definition, certain basic fundamental characteristics, which are taken into consideration very seriously by the international investors. Thus, other than the existence of sufficient information,

transparency and a price formation by the forces of supply and demand in the market, it is important to note that via these, the ability for direct entry and exit from the market is provided, at satisfactory liquidity levels. This fact by itself constitutes a basic factor that is taken into account by the institutional investors internationally, in order to select a country for making investments.

In Cyprus, where the enterprises operate in the globalised environment and absorb the vibrations of various new developments, the Stock Exchange market is supposed to facilitate their effort to grow and safeguard the necessary financing of their new plans. Any strategy in order to establish Cyprus as a regional financial centre can be materialised effectively, only if the country has a developed Stock Exchange that will decisively carry out this strategic role, being at the same time a gate of entry, but also exit, for investors. There are a lot of examples of countries in Europe but also worldwide (as e.g. Luxembourg, Ireland, Hong-Kong), where this objective was achieved via the Stock Exchanges. Over the recent years the CSE, through coordinated and targeted efforts, has proceeded with the expansion of its provided products and services, so that it contributes to the direction that is mentioned before. Consequently, it undertook various initiatives, so that it would facilitate the raising of capital by enterprises and the growth of economy in general, corresponding to different needs in the market.

In this framework the CSE proceeded,

among other initiatives, into the categorisation of its listed issuers in markets, according to a number of qualitative and quantitative criteria. The Market of Major Projects was also established, in which newly established companies can be listed, thus enabling them to implement, through obtaining the necessary financing, big developmental projects in our country.

Also, the CSE has recently launched its Emerging Companies Market (ECM). This market offers a diversified opportunity mainly to small and medium-sized enterprises, in order to get listed on the CSE and be developed further, due to the advantages that the CSE offers.

Listing of companies on the CSE, other than forming their securities' prices based on the enhance supply and demand their capabilities of obtaining finance. It additionally provides companies with the opportunity of pledging securities in order to receive loans from credit institutions, in case they need further funds as required for the implementation of their developmental investments.

Also the companies have the ability, at the CSE, to issue corporate bonds, without necessarily having listing their share capital. The bonds issue is considered as an alternative way of financing of companies, which is internationally rendered as a continuously more attractive form of financing but also investment and consequently it is useful that the companies also examine this alternative.

Moreover, the Bonds Market could also be considered by other institutions, like Semigovernment as Organisations, Municipalities, etc, that also periodically seek financing. In addition, the issue of Bonds by companies from other countries that have a currency other than Euro, could benefit them due to the fact that Cyprus is a member of the Eurozone and therefore through such bond issues they could gain a relevant recognition and marketability by European institutional investors. Foreign companies could also benefit by the operation of CSE remote Members as well as of the international Organisations providing custody services regarding their bonds' listing on CSE.

Simultaneously, the CSE proceeds with the required procedures for facilitating foreign companies to list their securities, through the issue of depository receipts, known as GDRs.

Moreover, note that in the context of the CSE's intensive efforts to increase its international recognition, the CSE was upgraded to the category of «Frontier Markets» by FTSE in the categorisation of countries (FTSE Global Index Series). The CSE through its own initiative, also enjoyed recognition as a Recognized Investment Exchange from Revenue and Customs Dept. of the United Kingdom, as well as from the Federal Financial Markets Services (FFMS) of Russia. I would also like to stress that this recognition provides the CSE with even more with prestige.

All the above initiatives of the CSE targeting to the provision of a wide range of products and services, take place in a context of flexibility,

low cost and limited bureaucratic work, in order that the market participants would be benefited from the comparative advantages of the Stock Exchange market.

As it was already mentioned, the Securities Exchange market of Cyprus should be characterised by sufficient liquidity. Towards this direction, the CSE has proceeded with the preparation of relevant regulatory framework for the operation of the Market Maker and the operation of lending of securities, while it also promotes the introduction of new derivative products. Such tools that are used by developed Stock Exchanges internationally aiming to increase liquidity and/or for hedging, should also be adopted in Cyprus, in order that our Stock Exchange does not lag behind the most developed Stock Exchanges. Any delay, in the introduction of these supporting tools prevents

all the aforementioned developmental efforts, does not help the increase of liquidity in the economy (liquidity that when it leaves it does not come back) and condemns the wider Cyprus capital market to decline.

In conclusion, the CSE should be supported in its efforts and enjoy the necessary consent by the competent authorities, so that new investment tools are introduced in the Cyprus market without any delay. The CSE should be able to face adequately the new market conditions and requirements. Prior to that, it should widely be recognised that the effort for the establishment of Cyprus as a regional financial centre, is supported primarily through the development of the Stock Exchange.

9. Emerging Companies Market (ECM) of the CSE

July 2010

The Cyprus Stock Exchange has contained a number of new initiatives in its strategic plans, including the establishment of its Emerging Companies Market. This market has simplified listing requirements and offers new opportunities for companies and investors.

What is the Emerging Companies Market (ECM)?

The Emerging Companies Market (ECM) is considered a Multilateral Trading Facility (MTF) according to “the provision of Investment Services, the exercise of investment activities, the operation of regulated markets and other related matters” Law 144(I)/ 2007. The ECM operates according to the Regulative Decisions adopted by the CSE.

The market is characterised as unregulated and therefore it does not come under the mandatory provisions for regulated markets, which impose strict listing requirements and continuous obligations.

The ECM is addressed to unlisted companies seeking finance and easy access to a secondary market, to investors seeking new products for investment, with awareness of the high risk of the market and to listed

companies that are not able or willing to undertake the higher costs of remaining in a regulated market.

Tax Benefits:

- Profits that are derived from the disposal of securities on the CSE are exempt from any tax.
- Dividends to non tax-paying residents of Cyprus are exempt of income tax and defence tax.
- Free movement of capital and investments to Cyprus from Europe and third-party countries for companies listed on the CSE.

Advantages of the ECM:

Trading on the ECM will offer a lot of advantages to companies and investors:

- For unlisted companies the ECM is an alternative method for securing financing at competitive cost, it promotes their recognition and reputation and it prepares them – if they wish – to transfer to the regulated market, through the gradual increase of the dispersion and velocity of their shares.
- For companies already listed, entry into the ECM offers the possibility of flotation with simplified procedures (as long as they firstly delist from the

regulated market), if they are unwilling or unable to cope with the cost of maintaining the increased obligations of the regulated markets.

- Also, the ECM creates new investment opportunities for investors who wish to invest in companies with high prospects for development, but also with high risk.

What are the listing requirements of the Emerging Companies Market?

- The issuer must have published audited accounts and have had operations and related activities for at least the two years preceding the application. Newly established companies will be able to be listed if the Board of Directors judges that potential shareholders are given satisfactory information that would allow them to assess properly the value of the titles, from the Nominated Advisor of the issuer.
- Throughout the flotation procedure, the issuer must have a Nominated Advisor.
- The issuer must be a public company with a satisfactory number of investors. No minimum share capital must be dispersed among the general public.

What are the ways of getting a listing?

Either by public offer, which requires a Prospectus and an approval from the Securities and Exchange Commission or by

private placement, which requires only an Admission Document to be submitted to the CSE. A combination of both methods is also possible.

Is it necessary to publish a prospectus?

If the offer is public, greater than 2.5 million Euros and is addressed to over 100 shareholders, a Prospectus and an approval from the Securities and Exchange Commission will be required.

In a different case (by private placement), where the offer is addressed to institutional investors (strategic or other) or to fewer than 100 shareholders and it is less than 2.5 million Euros, an Admission Document is to be submitted to the CSE without any requirement for approval by the Securities and Exchange Commission.

What are the continuous obligations of the issuers in the Emerging Companies Market (ECM)?

- Listed companies must publish annual audited accounts four months after the end of the financial year and also semi – annual accounts two months after the end of the half-year period.
- Any changes regarding the Nominated advisors must be announced.
- In order to ensure the early notification to the investors, listed companies have the

obligation to announce to the Cyprus Stock Exchange immediately and at least one hour before trading begins, any decision taken relating to corporate actions and changes in the capital structure of the company.

- Publication and submission to the CSE of the dispersion statement of the share capital of the issuer, at the last working day of the year.

Who is eligible to become a Nominated Advisor?

Only legal persons are acceptable as Nominated Advisors, as follows:

- Credit Institutions or Investment Firms.
- Audit Firms or Solicitors Firms.

What is the role of a Nominated Advisor?

The Nominated Advisor will advise the issuer in respect to its compliance with the rules and regulations of the Emerging Companies Market (ECM).

Especially the Nominated Advisor:

Advices the issuer in respect to the compliance with the continuous obligations:

- Monitors and assists the issuer according

to the rules and regulations of the ECM in fulfilling their obligations.

- Advices the issuer in respect of its obligations and takes any appropriate measures for the fulfilment of these obligations.
- If the issuer does not comply with its obligations, the nominated advisor takes any necessary actions in order to remedy any failure, while informing the CSE on the nature of the failure and the measures that the issuer has taken on.

What are the main steps for an issuer who seeks admission to the Emerging Companies Market (ECM)?

- Be informed about the Rules and Regulations of the ECM.
- Verify that it fulfills the listing requirements.
- Choose a Nominated Advisor to prepare the Admission Document or any other document necessary for the application. In the case where a public offer is taking place, a Prospectus must be prepared to the Securities and Exchange Commission.

10. Human Resources and Work Environment as a motivating force for the achievement of high objectives

August 2010

The CSE, as a modern and dynamic organisation, places particular importance to the issues of labour relations, to the productivity and to the efficiency of its personnel, as well as to its corporate social responsibility.

In this framework, the CSE has established effective mechanisms of operation that promote a collective spirit, hard work and high output. Functioning as a team and in a spirit of mutual understanding, the Management, the other executives and the personnel of the CSE seek to attain new objectives, plan the future and create value for their work and their organisation.

Today, the CSE is characterised by an excellent climate of labour relations which is evidenced by the zero loss of work time due to internal labour friction. Everybody who works at the CSE enjoys a healthy work environment, ideal for producing results that require high output and attaining difficult objectives. By implementing the Code of Governance and the hierarchy of the organisation, everybody works for the ultimate result that is none other than the reinforcement and credibility of the CSE, both inland and abroad.

The CSE implements, even if this is not required by its legislation, the provisions that itself imposes on its Members and the listed companies. A factual proof is the application of the Code of Corporate Governance to the extent that this is feasible, based on its legal status. What does this mean? It means an independent Internal Controller and Audit Committee

with explicit operation rules. It means in the final analysis the most explicit application of fair administration.

The most excellent labour relations have brought about important results for the CSE, which today is included in the most developed stock exchanges of Europe and in our region. Its recognition by international and European institutions, its modern technological infrastructure, its collaborations with other stock exchanges and in general the structure and its operation, confirm the comprehensive work that is carried out internally in the CSE. The close and harmonious collaboration of the Council and personnel, the responsibility of those who manage, the executives and its personnel, the completion of projects within the set timeframes and the continuous effort of all, in order for the organisation to be further advanced, have brought the CSE in an enviable place regarding productivity and efficiency.

A fact that should be pointed out is the collective participation to the organisation's planning. The preparation of strategic plan begins from below and "it moves up", until the final proposal that will be discussed by the Council is prepared, again with the attendance of the responsible executives.

The effort of costs reduction is once again collective. Also each member of the personnel feels that he/she is being utilised and participates within the CSE.

For these reasons, the CSE has the advantage to promote continuously new development plans, which with the systematic and hard work the executives



The Management staff and all Officers of the CSE

and personnel bring to materialisation. Indicative of this is that just for the period 2009-10 (up to date) the CSE has accomplished and promoted:

- From 29 March the E.C.M. Market (Emerging Companies Market) that enriches our market.
- The listing in the Derivatives Market of the Athens Exchange (AthEx) of a new product based on the joint index AthEx - CSE.
- The introduction of new tools aiming for the increase of liquidity of the market, such as the Market Makers, the Over the Counter Trades, as well as the Securities Lending.
- The simplification of internal processes in order to minimise bureaucracy and to strengthen the technological infrastructure of its services.
- The strengthening of CSE's relations with other stock exchanges (Greece, Russia, Romania, Egypt, etc).
- In 2009, it was approved as a recognised Stock Exchange by the tax authorities of the United Kingdom.
- Its approval since June 2010 as a recognised stock exchange by the competent authority for capital markets issues of the Russian Federation (FFMS).
- The reinforcement of its recognition in international level through its upgrade by the FTSE in country category (FTSE Global Index Series) and specifically to the category of Frontier Markets.
- Its linking in November 2009, to the joint - venture Link Up Markets that began operation with the participation of a number European Depositories – Exchanges, including the CSE.
- The signing in 2009 of the Memorandum of Understanding (MOU) for CSE's participation to the Target 2 Securities project, that is promoted by the European Central Bank for the centralisation of transactions clearing by a unified pan European platform.
- The development of bonds market in the CSE.
- The recent taking over of functions relating to Government Listed Bonds and Treasury Bills, due to the transfer of the Public Debt

administration from the Central Bank to the Ministry of Finance.

- The preparation of regulations for the promotion of Global Depository Receipts (known as GDR's).
- At the same time, with all these objectives that the CSE achieved, in addition:
- Organises regularly informative presentations «road shows» in markets abroad for the promotion of the CSE and its listed securities.
- Enriches the level of the information provided to investors.
- In addition to the monthly electronic review of the market (bulletin) and the annual publications Fact Book and Annual Reports, it published recently the «Glossary of the CSE» that includes in simplified language terminologies of the stock market. It has also recently published the edition «Articles & Opinions of executives of the CSE» that covers specialised subjects/articles by officers of the CSE.
- It organises educational presentations for all the participants of the capital market.

As it can be deduced from the above, the central axis of all actions of the CSE is the promotion of new products and services that serve the needs of the market.

Also the CSE gives particular importance to the management of its resources, so that it remains a robust and financially strong organisation. It achieves this, through particular policies that aim to the proper control of expenses and to the increase of revenues.

As a modern organisation, the CSE could not close its eyes to the needs of society. Within the framework of its Corporate Social Responsibility,

it participates, in philanthropic events, organises blood donations of its personnel, supports institutions of social benefit and in general it participates actively in our society.

Remarkable also is the activity of the CSE in events that concern the entertainment of its personnel. Reference is made the common social events of its personnel, while now the CSE has undertaken also the organisation of the pan-European athletic tournament for 2011.

The remarkable work that is being done at the CSE is due to the proper organisation, the hard work and the good work environment in the organisation. These factors safeguard the strengthening of the efforts of the personnel, which is called to handle difficult problems and to carry out a very important mission.

The proper operation of the CSE, its international credibility its further growth have direct repercussions for the development and the course of the Cypriot economy, a dimension that has been comprehended completely by all that work today at the CSE.

The executives and the personnel of the CSE will continue with the same zeal their work and their mission. A mission that creates important benefits for the economy and for Cyprus in general.

11. The role of the Cyprus Stock Exchange in development

August 2010

The basic role of Stock Exchanges is that of the development of organisations through which the private and public sectors raise the necessary capital for their growth. Especially during recession periods, Stock Exchanges help different countries to exit the crisis.

I strongly believe that the time has come also in Cyprus for everybody to realise, particularly with emphasis to organisations such as municipalities and small-medium enterprises but also big semi-governmental organisations, the possibility and opportunity that the Cyprus Stock Exchange offers to the above direction.

The following article has been written within this framework which I wish to be a catalyst to the mutual interest of everybody. As it is widely known in the last few years the economic conditions have been difficult due to the negative effects of the international economic crisis. It is thus imperative that organisations should take measures and actions to sustain their growth, so as to exit the crisis by minimising the potential consequences. It is particularly important to secure the economic development and avoid negative psychology to prevail.

For organisations to expand, it is needed among other issues, to secure low cost financing, utilising the alternative forms of financing so as to safeguard their competitiveness and their viability.

Amongst the mechanisms that facilitate the raising of capital to finance the growth plans of organisations are the Stock Exchanges. The Stock Exchanges, as organised markets, concentrate the basic investment participants

(companies, investors, entrepreneurs) which constitute a basic development tool of enterprises and help the wider economy towards more economic growth, offering to investors an alternative investment option. Stock Exchanges are characterised by certain fundamental parameters which investors take very seriously into consideration. Additionally to sufficient information, transparency, formulated price as defined by supply and demand in the market, safeguarded by the Stock Exchanges, it is very important to note that through the Stock Exchanges investors may easily enter or exit the market, under sufficient liquidity levels. This factor is taken into consideration by international institutional investors when selecting a country to invest.

Regarding Cyprus, where enterprises nowadays operate in the wider global environment absorbing inevitably the effects of various new developments, it should be emphasised that the stock market should be exploited in an effort for developing and obtaining the necessary funding of new strategic plans. The declared strategy to transform Cyprus into a financial center can be materialised in practice by achieving positive results, only if the country has a developed Stock Exchange which will perform a decisive role towards this effort. Moreover, the securities market should constitute the entrance gate but also progressively, if this is the desire, the exit of foreign investors. Many are the examples of countries in Europe and globally that have managed to evolve as financial centers (e.g. Luxemburg, Ireland, Hong Kong etc) and the respective aim that was achieved through Stock Exchanges. By coordinated and targeted efforts the Stock Exchange, during the last year, has proceeded

to the expansion of its offered products and services so as to contribute towards the above direction, responding to the occasional changing needs of the market.

The Cyprus Stock Exchange proceeded during the last years amongst other initiatives to the classification of the listed securities to a number of markets which are differentiated according to specific quantitative and qualitative criteria. Amongst others, the 'Large Project Companies Market' was created where newly established companies can be introduced that will promote the implementation, through receiving the necessary funding, of big development projects in our country.

Also recently (29/3/2010), the Emerging Companies Market (E.C.M) of CSE, was put into operation. This offers a unique opportunity mainly for small to medium enterprises to be listed on the CSE and develop further, exploiting the advantages offered through this market. This market offers quite a few advantages not only to the enterprises listing their securities but also to the investors. Up to now the securities of 4 companies have been listed whereas 18 companies were registered as Nominated Advisors. Through their listing on the CSE, in addition to price formation according to supply and demand for their securities and the capability of raising capital, the securities can also be used as collateral to receive loans that should be used for financing new investments for their development.

Furthermore according to regulatory modifications that were adopted by the CSE, the companies have the opportunity to proceed through the CSE to the issuance of debt securities (not convertible) without necessarily listing securities on the CSE. The issuance of debt securities is an alternative way of company financing which is internationally

becoming an attractive mechanism of raising funds but also an investment opportunity, so I believe it is useful for companies to further examine, this option.

It should be noted that in relation to the undertaking of the management of the public debt by the Ministry of Finance (1/08/2010) the CSE undertook, at the operational level, relevant responsibilities for the issued debt securities and treasury bills.

Moreover, the debt securities market through the issuance of debt securities should be exploited also by other organisations such as semi governmental organisations, municipalities etc, which also seek funding. Also companies from abroad, coming from countries with a different currency, through the issuance of debt securities in Euros can benefit by the fact that Cyprus is a member of the Euro zone and they get the opportunity for their debt securities to be recognised and traded by European institutional investors. Taking into consideration the operation at the CSE of remote members and international organisations offering custodian services from abroad, these companies have the opportunity to benefit by the advantages which are offered by the listing of their debt securities at the CSE. Simultaneously the CSE is proceeding with the necessary procedures to facilitate companies coming from abroad to list their securities, through Depository Receipts-GDR's. Within this framework the CSE has prepared relevant regulations for introducing the GDR's and a promotional campaign is planned specifically for the Russian market.

Additionally, after intensive efforts to increase its competitiveness on an international level, the CSE was upgraded by FTSE in the country categorisation (FTSE Global Index Series) and more specifically in the Frontier Markets category. The Stock Exchange, after relevant initiatives it undertook was approved

as a recognised Exchange by the Revenue and Customs Dept. of the United Kingdom and the Federal Financial Market Services (FFMS) of Russia. It is emphasised that these recognitions provide the CSE even more prestige.

The CSE aims to simplify internal procedures in order to reduce bureaucracy and become even more efficient and flexible. At the same time we are continuously promoting technology innovation of the CSE services, so as to be fully harmonised with the modern foreign Exchanges.

The CSE participates in initiatives that are developed in the European Union. More specifically we mention that:

- In 2009 the CSE successfully connected to Link Up Markets, a joint venture which started with the participation of a number of European CSDs-Stock Exchanges including the CSE. Link Up Markets objective is to improve efficiency, simplify procedures and reduce costs of post-trade processing of cross-border securities transactions globally.
- In 2009 the CSE signed the Memorandum of Understanding (MOU) for its participation in the Target 2 Securities project, undertaken by the European Central Bank, for the purpose of unifying the clearing of transactions into a pan European platform in Europe.

We note that the CSE has already proceeded to a series of fee reductions for transactions in the CSE Markets according to the CSE's decision for regularly reviewing its fee structure by taking into account the prevailing conditions.

The CSE is in an advanced stage to introduce new instruments, aiming to increase market liquidity, such as the Market Maker and Security Lending.

We also note that Over The Counter (OTC) transactions, that emerged in Europe after the introduction of the MIFID Directive, were put in place in the Cyprus securities market since 20/07/2010. Such instruments that are used for increasing liquidity and/or risk management and are in place internationally in developed Exchanges, should also be adopted to Cyprus so that our securities market is competitive to international developed financial markets.

All the above CSE's initiatives, which do not constitute an exhaustive list of initiatives for providing a wider range of products and services, are accomplished within a framework of flexibility, low cost and through the elimination of bureaucratic procedures, so as to benefit market participants who make use of the comparative advantages of the Stock Exchange.

Conclusively the Stock Exchange, in order to achieve its goals should be supported by the Authorities in order to be able to respond efficiently under the new conditions and demands of the market. The CSE should be supported in its efforts that contribute to the Cyprus economy growth and should additionally be recognised that the effort to transform Cyprus into a regional financial centre, may be achieved mainly through securing the Stock Exchange's development.

12. Speech of the Director General – CEO of the Cyprus Stock Exchange (CSE) Mr. Nondas Cl. Metaxas at the Business Forum “Cyprus – An International and Professional Center”

15/6/2010

It is with great pleasure that I responded to this invitation to participate in today's forum and to present recent developments in our capital market, as well as the business opportunities that are provided to Russian businessmen and investors. It is a great honor for me to address the audience of today's Forum.

I would firstly like to express my appreciation to the Cyprus Chamber of Commerce and Industry, the Cyprus - Russian Business Association and the Ministry of Commerce and Industry and Tourism of the Republic of Cyprus, for their initiative to organise this very productive business forum.

As it is well known, Russia and Cyprus have enjoyed excellent relations in all areas during the last decades and we therefore consider this fact to be a strong basis, on which we can build upon and further expand the co-operation between our two countries.

The Cyprus Stock Exchange, aims at a broader and closer co-operation with the Russian securities market and with the Russian institutional and private investors.

The CSE is a modern and well-functioning regulated securities market, aspiring to play an important role in our wider geographical region. The CSE's vision is to operate as a regional gateway for investors in the Middle East, the Balkans and the South and Eastern Europe. By having a state of the art operational framework and legislation which is fully harmonised with EU Directives and international practices that are also adopted by all advanced Exchanges, the CSE is in a unique position to offer a wide range of products and services, as well as various investment opportunities to Russian businesses and investors.

The CSE offers all basic exchange processes i.e. trading, clearing, settlement and registration of securities. It is a one-stop exchange for equities, bonds and the other instruments that are listed and traded on it. The CSE provides a facility to foreign investors for entry and exit in the market, a factor that is considered of great importance in investments worldwide.

The CSE's listing procedures are simple and the listing standards are based on the European ones, whereas its listing fees are very competitive. The CSE responds to application for new listings in a very flexible and effective mode, within the framework of the legislation.

The CSE's valued proposition to the investors is speed, flexibility, effectiveness and competitive pricing policy. The CSE places also great importance on having a competitive pricing policy, that will allow the market participants to continue being actively present in the Cyprus securities market.

It is important to mention that since the last quarter of 2006, the CSE has launched a Common Platform with the Athens Exchange which allows for the simultaneous trading of securities and transactions in both countries. We place great emphasis on further developing this initiative, since it has proved to provide added value, thus assisting us in our effort of being more known and accessed by international investors. This offers many advantages to listed issuers that wish to attract investments from a wider shareholder base and to investors who wish to secure, more choices for their funds.

Russian companies are provided the opportunity through the CSE to list their securities on the

Exchange, which can be traded through Cypriot and Greek members, and handled in custody through a number of International Custodians that operate remotely in the CSE, through their offices/branches in Athens. Russian investors can very easily make transactions in all Cypriot and Greek listed stocks, through exploiting relevant benefits provided by the Common Platform.

Russian companies can in addition make use of the services and various markets provided by the CSE. Apart from listing their shares in the CSE, a Russian company can also issue corporate bonds in Euro currency, that could enjoy a wide visibility and be traded by European investors, through the links they have in the Greek and Cyprus market. At this point, I also mention that a company of Russian interests has listed its share on the CSE.

The CSE has very recently prepared the regulatory framework for the introduction of Depository Receipts which will allow foreign companies listed on other exchanges to list their GDR's on the Cyprus Stock Exchange, through which their share capital will be represented accordingly. This will offer new business opportunities to companies from Russia, to list their securities on the CSE.

The Cyprus Stock Exchange has also established close ties with MICEX Exchange, as well as with other organisations and institutional investors in Russia, for the purposes of further promoting the co-operation in securities markets, for mutual benefit. Within these days during my stay in Moscow, a number of relevant meetings have been arranged with the purpose of intensifying this effort.

It should also be noted that the Cyprus Stock Exchange has recently been successfully approved by the Federal Financial Markets Service (FFMS) of Russia. If we also take into account the favorable Cyprus' tax framework, details of which have been or will be presented in detail by other specialist speakers during this forum (I need to stress only that capital gains derived from investing in shares are exempt from taxation), we are confident that the CSE is a

proper destination for foreign funds, and of course more specifically for Russian funds.

In October 2008, as it was announced, a memorandum of understanding /co-operation was signed between VTB Bank of the Russian Federation and the Cyprus Stock Exchange (CSE). With the memorandum, both sides expressed their mutual interest and readiness for a close collaboration, that aims to develop the securities exchanges of Russia and Cyprus. The strategic aim of the collaboration is the development of a modern framework, so that institutional and private investors in Russia and Cyprus are offered easy access to a wide range of financial instruments in both countries.

The CSE is at present implementing a comprehensive strategic plan that includes an enlarged programme for further development and initiatives for regional co-operation based on Cyprus' geographical position and tax advantages. In this way, the CSE can act as a bridge between the securities markets in our region and Europe and thus the CSE aims to contribute, in its own way, in achieving the goal of establishing Cyprus as a reputable regional financial centre.

The CSE provides to investors, the required ease for entry and exit mechanism. We are aware that many Cypriot financial services companies, of Russian interests manage their business activities through Cyprus. We aim to direct, even a small part of this liquidity, to the CSE for the CSE's and investors' mutual benefit. We are certain that on the basis of the many links that exist between the two countries, the co-operation in the securities industry will expand. We are certain that together we could build new bridges for investment and for further advancing co-operation in securities markets' issues.

Thank you very much for your attention. Many thanks also are expressed to the organisers of this Business Forum, for giving me the opportunity for addressing this speech. I wish you every success and I am at your disposal, to answer any questions that will be raised.

