



CYPRUS STOCK EXCHANGE



# CSE

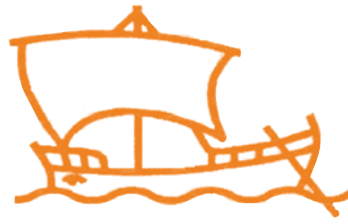
A modern and  
expanding market  
in the heart of Europe  
and the southeast  
Mediterranean











CYPRUS STOCK EXCHANGE





The new premises of the CSE in the centre of Nicosia

## Contents

● Message of the President of the CSE Board	8
● The Council of the CSE	9
● History	10
● Vision and Mission	10
● Objectives, Projects of the CSE	11
● Central Registry and Central Depository	11
● Cyprus and its Economy	12
● Tax Regime in Cyprus	13
● CSE's Modern Framework of Operations	14
● CSE – ATHEX Common Platform	17
● CSE Acquisitions	20
● Categorisation of CSE Companies	21
● New CSE Initiatives, Strategic and Regional Co-operations	22

## Communication with CSE

### Cyprus Stock Exchange

71-73 Lordou Vironos Avenue  
1096 Nicosia  
P.O. Box 25427  
Nicosia, 1309, Cyprus  
Tel: (357) 22 712300  
Fax: (357) 22 570308  
Email: [info@cse.com.cy](mailto:info@cse.com.cy)  
Website: [www.cse.com.cy](http://www.cse.com.cy)

**Edition 2009**





## Message of the Chairman of the CSE Council, Mr. George Koufaris

As the Council of the Cyprus Stock Exchange (CSE), we are in the pleasant position to welcome you to the world of the Cypriot securities market. The Cyprus Stock Exchange is a modern securities market, fully compliant with the relevant practices of the EU Directives in the European Union, of which Cyprus is a full member since May 2004. With reliable and modern procedures which compare to all developed stock exchanges around the world, and with the ambition of playing a central role in the region, the CSE today offers great opportunities to Cypriots as well as to foreign investors. The positive elements of the Cypriot economy, the accession of the country to the EMU (2008), the geographic location of Cyprus, its advantages as a business and investment centre of the region, the hospitality of the Cypriot people, as well as the new development plans of the CSE comprise great advantages for any investors that wish to become active in the securities market of Cyprus. As the Council of the CSE, we believe that Cyprus Stock Exchange has many things to offer, in an era when significant changes take place, as the economic landscape and the stock markets are changing radically. Our belief is that regional markets have a future and can play an important role in tomorrow's world stock and investment community. With this vision, we undertake continuous action, locally as well as abroad, in order for the CSE to gain distinction as an important lever, in the regional development of our area.

**George Koufaris**  
Chairman







## The Council and Management of the CSE

The existing Council of the Cyprus Stock Exchange was appointed by the Board of Ministers on April 2005, according to the relevant legislation. CSE's Board is responsible among others for the management of the stock exchange and the implementation of its policies. The Council monitors the functioning of the stock exchange and has the exclusive jurisdiction over the management of its assets, in accordance with the relevant laws and regulations.

### CSE Council Members

George Koufaris	Chairman
Dimitris Papadopoulos	Vice Chairman
Alexis Anninos	Member
Nikos Nikolaou	Member
Marios A. Pilavakis	Member
Andreas N. Leonidou	Member



Nontas Cl. Metaxas  
Director General – CEO

### Management team

Nikos Tripatsas	Chief Officer
Maria Petsa	Senior Officer, Clearing and Settlement Department
Demetra Kalogerou	Senior Officer, Listing Department
Angeliki Frangou	Senior Officer, Legal Services
Tassos Lazarides	Senior Officer, Information Technology Department





The opening concerning the floor of the CSE, in 1996

## History

The Cyprus Stock Exchange started operations as a legal entity on March 29 1996, based on the Laws and Regulations concerning the Cyprus Stock Exchange, which were enacted by the House of Representatives, Parliament of the Republic of Cyprus in 1993 and 1995 respectively. The Cyprus Stock Exchange is an organised securities market through which transactions on listed securities take place, such as government bonds, warrants, stocks or any other securities that are listed on the stock exchange.

The main participants in the market are the Members of the stock exchange (stock brokerage companies), custodians, issuers, as well as investors. The CSE is managed by its Board, which is appointed by the government of the Republic of Cyprus.

**The stock exchange offers a complete spectrum of products and services:**

– **Listing of Securities**

- Shares
- Bonds (Corporate Bonds, Government Bonds and Treasury Bills)
- Rights
- Warrants
- Share of Undertakings for Collective Investment in Transferable Securities (UCITS)

– **Trading of securities**

– **Clearing and Settlement of Transactions**

## Vision and Mission

The Board of the Cyprus Stock Exchange, within the framework of its Strategic Plan for the years 2008 and 2009, has as a vision the development of the CSE as one of the leading stock exchanges in the geographical region of Cyprus, as well as a leading stock exchange in specialised areas of activity.

In addition, the Cyprus Stock Exchange aims to establish itself as the basic vehicle of raising capital in the Cypriot market from companies that specialise in specific areas, and also enjoy the trust of the investors.





## Aims of the CSE

Since its founding, the CSE has established the reinforcement of its role and mission within the new global environment as a central aim, to reinforce the development of Cypriot businesses and Cyprus' economy as the ultimate pursuit. In order to realise these goals, the CSE has undertaken and continues to undertake a significant number of initiatives, in Cyprus as well as abroad, in order to be advanced as a modern and reliable securities market.

Within this framework, the CSE is focusing on:

- Providing the opportunity for listed companies to raise capital required for financing its plans for development
- Promoting investments in listed securities
- Securing sufficient liquidity, in the Cypriot securities market
- Attracting foreign investment to Cyprus
- Creating a flexible, competitive and modern securities Exchange, based on the model of the European Union of all the developed stock exchanges of the world, in a way that will safeguard the reliability and transparency of the transactions
- Upgrading the quality and quantity of services that are provided to investors and to other market participants, through the use of the latest technology
- Introducing securities that have been issued by Cypriot and foreign companies
- Introducing new financial products and tools in the Cypriot securities market
- Promoting cooperation in order to strengthen the CSE's role in Cyprus, as well as regionally



Market Participants during a stock exchange session at floor

## Central Registry and Securities Depository

All securities that are listed on the Cyprus Stock Exchange is dematerialised and all trades and registrations that take place and which are relevant to the Register of Listed Companies are carried out by the Central Register and Central Depository (which functions are under the control of the stock exchange). In order for an investor to be able to undertake transactions on the stock exchange, he will have to open an Investor Share and Securities Account at the Central Depository / Registry. These two accounts are opened by the operators (stock exchange members or custodians) on behalf of an investor.





## Cyprus and its Economy

Cyprus has a blossoming economy, with an outward orientation and very good prospects. Since 2004, Cyprus is a full member of the European Union and since January 2008 is also a member of the Economic and Monetary Union (EMU). Cyprus' currency is Euro. Public finances of Cyprus are healthy and are in line with the Maastricht criteria. Most of the sectors in the Cyprus economy have a continuous growth, while 70-75% of the Gross Domestic Product (GDP) is derived from the sector of services.

Cyprus offers modern and flexible businesses that successfully compete internationally.

As a rule, the largest companies in Cyprus are listed on the CSE.



Cyprus, due to its geographical location, modern infrastructure and flexible tax system, has become a centre for foreign businesses and investments.

The CSE can and does play a leading role in activating the foreign businesses in Cyprus.







## Tax System

Cyprus as a country is a member of the European Union and of EMU, with a dynamic economy. During the last few years, all basic factors of Cyprus' economy were excellent and in line with the Maastricht criteria. Within the framework of its strategic planning, Cyprus aims to become a regional centre of foreign businesses and investments. For this reason, it offers a number of comparative advantages in its tax system, as listed below:

- Corporate tax amounts to 10% (the lowest in the European Union).
- 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.
- The restructuring of companies, which allows the adjustment of existing or future structures, can be achieved without cost for tax payments.
- Offsetting of losses between companies of the same group is permitted (group relief) as well as the abolition of time limits for transfer of losses.





The first CSE Council in 1996



The Council of the CSE under the presidency of Mr Paris P. Lenas

## The CSE's Modern Framework of Operations

Having in mind today's challenges as well as the competitive global environment, the Cyprus Stock Exchange has presented to bring significant changes and improvements in its operations, fulfilling the completion of its strategic plans successfully.

More specifically, the Cyprus Stock Exchange and, more broadly, our securities market:

- Has completely reformed the legal/ regulatory framework of the operations of the stock exchange and of the Central Registry, in order to fully comply with European directives and relevant practices, adopted internationally.
- Has completely reformed the market of listed companies on the CSE, through the creation of specialised markets, based upon strict quantitative and qualitative criteria
- Has strengthened its efforts for the introduction of Corporate Governance in Cyprus by the CSE's listed companies. The code of Corporate Governance has been recently further advanced, through the adoption of new provisions/ additions based on modern international relevant practices.
- All CSE's procedures have been revisited in order to fully comply with relevant international practices in order to further improve services towards local and foreign institutional capital.
- The provision of custody services has been introduced in Cyprus, in order to better facilitate local but mostly foreign investments. The total number of custody organisations that are active today on the CSE, amount to 14.





**The Director General - CEO of the CSE Mr Nontas Cl. Metaxas with his management team and the rest of the CSE personell**

- Since the beginning of operations of the Common Platform between CSE and Athens Stock Exchange (30/10/06), the Euro was introduced as the currency for trading on the CSE (even before the accession of Cyprus to the EMU, which took place on 1/1/2008), thus allowing investors to invest in Euros.
- The acceptance of Remote Members has taken to better servicing foreign investors, which has had as a result an increase in the volume of transactions from foreign investors on the CSE.
- New categorisation system for the listed companies has been adopted, based on the FTSE international categorisation system.
- Investors are offered access to the Central Registry through the Internet (CSE on-line), in order for them to be constantly informed about their total portfolio, as it kept at the Central Registry of the CSE.





Briefing about the CSE's activities during a seminar

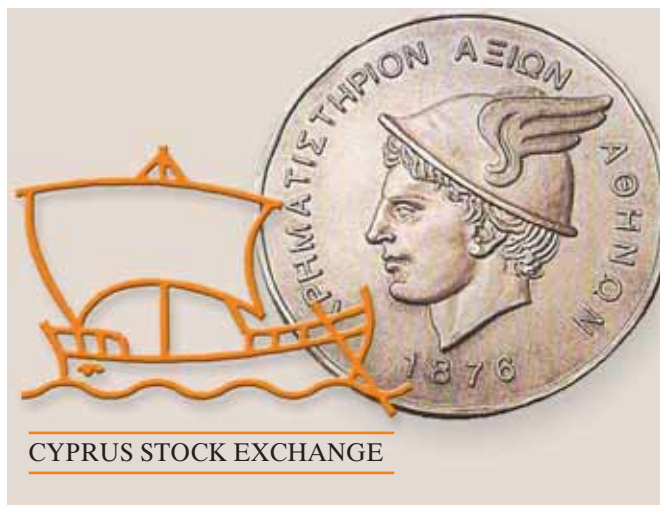


Federation of European Stock Exchanges - Forum in Nicosia - Cyprus in 1998

- The CSE's pricing policy has been reviewed and put into effect from 2/1/2008, with more competitive fees, comparable to these of the other European stock exchanges.
- The dematerialisation of Government Bonds on the Central Registry of the CSE (4/07) has been also completed, with the purpose of further facilitate the trading on this market.
- Since October 30 2006, the CSE – ATHEX (Athens Exchange) Common Platform was successfully put into operation and has procured significant gains for market participants. The operation of the Common Platform has become a model of co-operation, promoting the developmental initiatives of the CSE of constant modernisation and alignment with the developed markets, while assisting in utilising the opportunities for co-operation and collaborations.







## CSE – ATHEX Common Platform

Within the framework of the developmental programmes that were a part of its Strategic Plan for the years 2004 – 2006, the Cyprus Stock Exchange (CSE) reached an agreement with the Athens Exchange (ATHEX), regarding the introduction of a Common Platform between the two stock exchanges. This project was of significant importance, to which the CSE placed great emphasis on materialising it, as its implementation was an important step in its aim of radically rehabilitating the market in a number of refund areas. Amongst others, through the Common Platform, emphasis was placed in the area of offering a wider range of products and services, and generally in an effort to further upgrade the market, in order to completely align the Stock exchange with European and other international developed markets.

The two stock exchanges, recognising the need for the formation of common foundations in order to better facilitate access and use of markets on the Athens Exchange (ATHEX) and the Cyprus Stock Exchange (CSE) by the market participants (members, institutional and private investors, custody services, etc), proceeded with the project of establishing the Common Platform.

The establishment of the Common Platform aimed and aims to, among others:

- Provide to the market participants, a homogenous, productive and effective environment in order to facilitate transactions and their clearing and settlement on both markets, based on the principles of the European Union and of the developed international capital markets.
- Lower operating costs (with the efficient use of economies of scale) as well as the cost of access and use of the markets of the two stock exchanges for its participants.
- Facilitate and promote further collaborations and development initiatives in their operations.
- Allow listed companies to raise capital from another market, by avoiding the cost of a dual listing.





Through MOU agreements signed with other stock exchanges, the CSE aims at advancing its role in the geographical region

Within the framework of the Common Platform, the two stock exchanges keep their total independence and autonomy, executing on a separate basis among others, the procedure of all the transactions that take place on listed stocks.

For the purposes of the operation of the Common Platform, the CSE is using the same electronic systems that are used by ATHEX for the trading of securities (OASIS) as well as for clearing and settlement of the transactions on a fully dematerialises basis. Since the implementation of the Platform and in order to fully comply with ATHEX and other European stock exchanges, the trading hours of the stock exchange meetings were extended until 17:20.

Since the operation of the Common Platform, registration of foreign remote members is now possible. Also, through





The Council of the CSE presents its strategic plans during a press conference



Press conference of the CSE about the creation of a new index with the Athens Stock Exchange and for other relevant projects

the Common Platform, the opening of Central Registry accounts which now takes place through the new electronic systems from their offices. Specifically, 12 in total remote members are connected with the CSE.

Since the launching of the Common Platform between ATHEX – CSE (30/10/2006), CSE members, in addition of using a new software (screen based system) for trading (OASIS), they now also have an active role in the Central Registry/Depository system where they can use certain DSS system screens in order to carry out a number of different functions like opening of accounts, they can also have access to some data/ reports about their trading activity and for their clients. In addition to all of the above, CSE members also have more of an active role in the settlement and clearing of stock market transactions.



## CSE Markets

Within the framework of its rehabilitation of stock exchange legislation and its effort for continuous alignment with international financial markets, the Cyprus Stock Exchange has proceeded, based on a number of qualitative and quantitative criteria, in introducing and differentiating its markets as follows:

- Main market
- Shipping market
- Important Projects Market
- Parallel Market
- Alternative Market
- Investment Companies Market
- Corporates Bond Market
- Government Bond Market
- UCITS Market

There have been significant qualitative and quantitative criteria for the introduction of every CSE market, which are concisely presented in the following table:

Special Listing Conditions	Main Market	Parallel Market	Alternative Market	Investment Firm Market	Large Project Market	Ocean-going Shipping Market
Stock Exchange	€15 m.	€6.8 m.	€1 m.	€1 m.	€15 m.	€17 m.
Value and Equity Capital or	€8.5 m. (previous year)	€5 m. (previous year)	-	Over 90% of its estimated stock exchange value (previous year)	20% < of nominal value of its capital (previous year)	€8,5 m. (previous year)
Equity Capital	€13.6 m. (2 previous years)	€8.5 m. (2 previous years)	€1 m. (2 years before listing)	-	€12 m. and the nominal value of its share capital < 20% of the amount of the own capital	€13.6 m. (2 previous years)
Dispersion	25% 1000  (hold <2%)	20% 300	10% 100	25% 100  (hold <2%)	25% 300 (hold <2%) with exception	25% 300
Profitability	2 of 3, or 3 of 5	-	-	-	-	-
Audited Financial Results with exceptions	«4, with net positive position»	«3, with net positive position»	2	3	-	«5, with net positive position» (previous 5 years)
Quarterly Results						
Qualified Auditors' Report	NO	-	-	-	NO	NO
Corporate Governance Code	Fully	Partially (C3)	-	-	Fully	Fully
Issue Price	> €0,26					> €0,26
Website				-	-	
Marketability	5%	2%	1%	1%	5%	5%





Conference of the Federation of European Stock Exchanges in Cyprus in 1998

## Categorisation of CSE Companies

Within the framework of upgrading the services of the Cyprus Stock Exchange (CSE) and its efforts for continuous alignment with international financial markets, the Board of the stock exchange has remodelled the categorisation of the listed companies into sectors of activities.

The aim of classifying companies into these CSE sectors is to offer the investing public a classification of listed companies, on the basis of homogenous characteristics. These characteristics are based on the allocation of the turnover of the listed companies through the sector of their economic activity.

As a result, the Cyprus Stock Exchange has adopted the international stock categorisation system from the FTSE International.

The categorisation system of the FTSE divides the listed companies into ten wider sectors of economic activity, which are analysed by further sub-sectors. The categorisation of existing as well as newly listed companies on the CSE is based on the source of its main income.

The ten main categories of the said categorisation system are: Petroleum Products, Basic Materials, Industries, Consumable Goods, Health, Consumer Services, Telecommunications, Social Services, Finance, and Technology.



Speech by the Director General - CEO of the CSE Nontas Cl. Metaxas about the Corporate Governance





# New CSE Initiatives, Strategic and Regional Collaborations

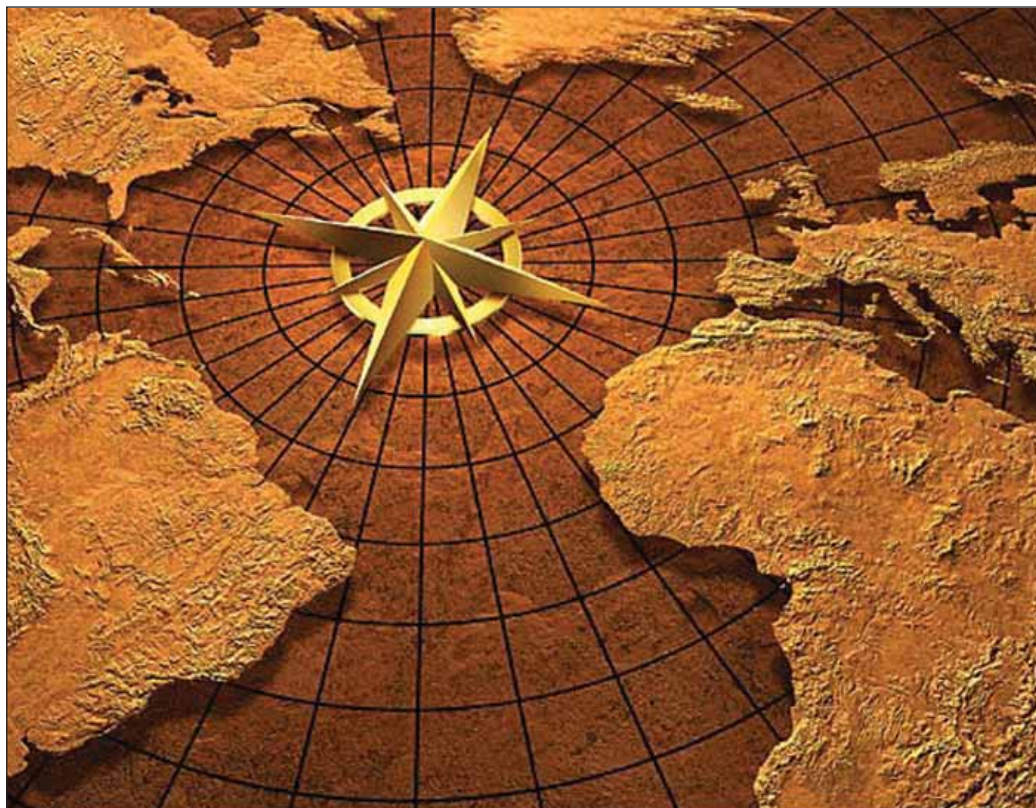
The CSE is promoting new strategic plans for the years 2008-2009, in order to reinforce its competitiveness and widen its activity. Within this framework it promotes:

- The exchange of information technology, experiences and useful information with other stock exchanges
- Initiatives for attracting capital and further liquidity
- Initiatives for attracting more remote members to become active in Cyprus, as well as attracting companies in order to be listed
- Offering listed issuers access to other markets
- Taking advantage of the economies of scale and collaborations with other stock exchanges
- The implementation of the ATHEX – CSE collaboration model on a regional level
- The upgrading of the CSE's wider role (as a stock exchange of a country that is a full member of the EU) in order to assist neighbouring stock exchanges in aligning their proceedings-practices with those of other European countries, and for their accession to the Euro zone – for international capital to be raised from these countries through the Common Platform

The new developmental programmes that are promoted by the CSE are the following:

- To attract Cypriot companies as well as foreign companies to list their titles on the stock exchange of the CSE, with specialised activity sectors where this is offered. The stock exchange, due to the geographical position of Cyprus as well as the advantages offered by the adoption of the Euro, aims to attract companies who wish to raise capital through the stock exchange, in order to finance their projects
- Subscription of Mutual Funds on the CSE, after the full allocation of the tax system. Mutual Funds are internationally considered as one of the most basic factors for institutional investors and is a necessary institution for the correct function of every successful financial market. Its operation is considered necessary for the CSE, which will positively contribute in securing increased liquidity and rationalism in the market
- The creation of Non-regulated Market Multilateral Trading facility which will follow the outlines that have to be implemented in organised markets. This market will not have strict restrictions regarding the entry and listing of companies. The creation of the market is considered necessary, as similar regulations are also promoted in other developed European stock markets, such as AIM of London, ENA in Athens and others.
- The creation of Derivative Products in co-operation with the Athens Exchange and this listing to the Athens Derivatives Market. The creation of Derivatives Products aims at creating a wide range of options for investors, with an emphasis on the option of investing in products that are offered either for speculating or for hedging the investment risk. Derivative products are considered stabilisation tools, levelling out and containing the risk in financial transactions, but also as a means of securing returns for the investors





- To further simplify procedures and related legislation in accordance with the recent European Directives which have been adopted by the Cyprus Securities and Exchange Commission (MiFiD, Transparency Law)
- Introduction of the Market Maker role, with the aim of increasing liquidity in the market. The implementation of the Market Maker role contributes, in addition to the creation of liquidity, “depth” in a market, with an increase in the liquidity of the listed companies as well as by attracting local and foreign investors
- Introduction of the Mechanism of Central Storage of Regulated Information (OAM). The concept of this mechanism is included in the legislation which provides for the mandatory transparency and information relating to an organised market, and will comprise the storage mechanism for regulated information. This mechanism will constantly comply with the minimum models of quality in terms of security, certainty regarding the information’s source, timely recording and easy access by the end users.
- Introduction of the external stock exchange trades (OTC Trades). The meaning of the trades is a term which is used for every transaction that does not take place within the stock exchange and is realised as a result of the MiFiD regulation

#### ***Regional Collaborations***

One of the CSE’s great aims, as detailed before, is regional collaborations. The stock exchange aims to further develop co-operation with foreign stock exchanges, with the aim of playing a significant role in the geographical region of Cyprus. The Cyprus Stock Exchange, through its ATHEX – CSE Common Platform, has already closely collaborated with the Athens Exchange and has signed memorandums of understanding with the stock exchanges of Bucharest, Romania, Egypt and Tehran, while similar intensive contacts are being made with a number of other stock markets.











---

## CYPRUS STOCK EXCHANGE

**71-73 Lordou Vironos Avenue**

**1096 Nicosia**

**P.O. Box 25427**

**Nicosia, 1309, Cyprus**

**Tel: (357) 22 712300**

**Fax: (357) 22 570308**

**Email: [info@cse.com.cy](mailto:info@cse.com.cy)**

**Website: [www.cse.com.cy](http://www.cse.com.cy)**