



ARTICLES & OPINIONS

of executives of CSE's





**CYPRUS STOCK
E X C H A N G E**



Smooth industrial relations and a positive work climate ensure an organisation's success



By Nondas C.I. Metaxas
CSE General Director



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 securing of smooth industrial relations and the existence of a positive operating climate. The importance of the human factor is undisputable, particularly in fields of activity 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 at 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 successful accomplishment 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 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 the entire 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 developmental 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 at the CSE believe that the empirical 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

demands through the Staff Trade Unions. 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 superhuman efforts and 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 unimpeded 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 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. Moreover, 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, the regulations adopted made it 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 effected 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 criterion will always be to ensure a smooth working environment, since this is of paramount importance in 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.



Corporate governance code



By Eliza Stasopoulou
CSE's Officer



The Cyprus Stock Exchange introduced the 1st Edition of the Corporate Governance Code (CGC) in September 2002. It was based on OECD (Organisation for Economic Co-operation and Development) principles and on the basic principles of the relevant Codes of other European Markets (UK, Greece and France). The proper implementation of the CGC prompts companies to achieve their business targets and visions. With shareholders/owners now becoming shareholders/investors and the change of the philosophy of one share-one vote and the stakeholder's presence, Board of Directors trying to safeguard shareholder's long term interests. Empirical studies in the UK have shown that enterprises which have adopted and implemented Corporate Governance have lower capital costs and their share prices are up to 18% higher. In the UK the effort to introduce the concept of Corporate Governance began in 1992 with the Cadbury Report.

2. General Information about the CGC

A number of amendments were made in November 2003 and in March 2006 to the CGC, supporting the issue of the 2nd Edition of the Corporate Governance Code. In other words, the CGC is non static but is a dynamic Code which is being continually upgraded and updated. Listed companies are obliged to include in their annual reports a report by the Board of Directors on Corporate Governance as follows: In the first part of the report, the company should report whether it complies with the Code and the extent to which it implements its principles. In the second part, the company should confirm that it has complied with the Code provisions and in the event that it has not, should give adequate explanation.

3. Importance of the CGC

The Corporate Governance Code has following aims:

To protect investors and particularly small investors (minority investors); To strengthen the monitoring role of the company's Board of Directors and safeguard its independence; Adoption of greater transparency and timely information; Protection of the Creditors and the stakeholders; and Improvement and advancement of the reliability, competitiveness and quality of listed companies and of the CSE, as general.

4. CSE and CGC markets

In 2004 the CSE classified its Market into 10 markets. The listed companies in the Main Market, the Large Projects and the Ocean-going Shipping Market are obliged to implement fully the Corporate Governance (basic requirement for listing and a continuing obligation). In the Parallel Market companies are obliged to partial implementation of the Code in particular, provision C.3 concerning the Audit Committee, - while in the Alternative Market, the Investment Companies Market and the Company Bond Market, the implementation of the Code is not mandatory («comply or explain» basis).

5. Statistics regarding implementation of the CGC

On the CSE website, section 'Corporate Governance', there is a report which presents the compliance of the Code from the listed companies on the CSE.

6. Corporate Governance Advisory Committee

In 2003 the CSE set up a Corporate Governance Advisory Committee, which deals with issues of Corporate Governance in Cyprus. The Committee is chaired by the Chairman of the Council of the CSE and comprised by all the

main participants of the Stock Market. Through the Corporate Governance Advisory Committee, the Stock Exchange monitors developments, updates and improves the Code at regular intervals in order to help companies have the best and most competitive corporate culture.

7. Basic areas of CGC

The code is comprised from 4 chapters. The main issues covered by the CGC are listed below:

A. Directors:

The 1st Chapter sets about the composition (structure) of the Board of Directors and the balance between independent non-executive Directors and all the other Directors, the supply of information to the Directors, appointments to the Board, as well as the re-election of Directors, etc.

Balance within the Board: Regarding companies listed in the Parallel, Alternative and Investment Company Markets, non-executive directors should comprise no less than 1/3 of the Board, and their majority, or at least 2, should be independent. For companies listed on the Main Market, the Large Projects Market and the Ocean-going Shipping Market, at least 50% of the Board, excluding the Chairman should comprise independent no-executive directors. If the 50% criterion is not met, a relevant explanation must be given in the CGC Report.

Executive Directors should be represented in the Board. Only Investment Organisations with a fund manager are exempted.

Independent Directors should meet the following minimum requirements: should not be an employee of the Company of the Group within the last five years, should not have any business relationship or close family ties with company's advisers, should not hold cross-directorships with other Directors through involvement in other companies or bodies, should not serve on the Board for more than 9 years (consecutive or otherwise) etc.

Nominations Committee: There should be a formal and transparent procedure for the appointment of new Directors to the Board of Directors. The Board of Directors should consist of competent and suitable individuals able to participate in the Company's Board of Directors. There should be a nomination Committee which should lead the process for board appointments and make recommendations to the Board of Directors. A majority of the members of this Committee should be Non-Executive Directors and its Chairman should be either the Chairman (non-executive) of the Board of Directors or a Non-Executive Director.

B. Directors' Remuneration:

Procedure, The Level and Make-up of Remuneration Employment Contracts and Compensation of Executive Directors, Disclosure.

Remuneration's Committee: Companies should establish a formal and transparent procedure for developing a policy on executive Director's remuneration and for fixing the remuneration packages of

individual Directors. No Director should be involved in deciding his/her remuneration. The Board of Directors should set up a Remuneration Committee consisting exclusively of Non-Executive Directors, who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent and unbiased judgment.

Disclosure: The Company's Report on Corporate Governance should contain a statement of the remuneration policy and related criteria as well as details of the remuneration of the Executive and Non-Executive Directors.

C. Accountability and Audit:

Financial Reporting, Internal Control Audit Committee, Auditors and Compliance with the Code etc.

Internal Control: Directors should, at least annually, conduct a review of the effectiveness of the Company's internal control systems as well as of the procedures used to confirm the accuracy, completeness and validity of the information provided to investors and should make sure to report/ certify this in the Report on Corporate Governance. It is noted that the companies which do not have an Internal Audit Function and are listed either on the Main Market or on the Major Projects Market or on the Shipping Companies Market should outsource internal control matters to external certified firms. Companies listed on the other Markets and which do not have an Internal Control Department and have not outsourced such matters to external firms, should identify the natural person who is responsible for the Company's internal control systems.

Audit Committee: The Board of Directors should submit a balanced, detailed and understandable assessment of the Company's position and prospects. The Board of Directors should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets. Additionally, the Board of Directors should establish specific and transparent arrangements for considering how they should apply financial reporting, corporate governance and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Board of Directors should establish an Audit Committee of at least two Non-Executive Directors, a majority of whom should be independent Non-Executive Directors. The President of the said Committee should have experience in accounting or financial policies.

D. Relationship with Shareholders:

Constructive use of the Annual General Meeting, Equitable Treatment of Shareholders

Shareholders, provided they represent a sufficient number of shares (5%), should be given the opportunity to place items on the agenda of the General Meetings of the shareholders up to 5 months after the end of the Company's financial year.



Central Depository and Central Registry of Securities (CDCR)-Clearing and Settlement of Transactions



By Koulla Panayi
Tziapoura CSE's Officer

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What is the Central Registry?

The Cyprus Stock Exchange among, other operations has undertaken the responsibility to operate a Central Registry, which contains all the shareholders' details of the listed securities at the Cyprus Stock Exchange (CSE). More specifically the CSE with the introduction of the CDCR has undertaken:

- the responsibility to operate the registries of the listed companies at the CSE, by recording any change in any listed security, either due to a Stock Exchange Transaction or Off-Exchange Transaction,
- the completion of the operations with regards to Clearing & Settlement of Stock Exchange Transactions,
- the offer of various relevant services to the listed companies, to the investors and to the public in general.

Legal Status of the Central Registry:

The Central Registry is an operation of the CSE which is a public corporate body. Since the date the CSE has undertook the operations of the registry of each listed Company, the CDCR became the Official Registry. Any transfer or pledge or any other trade related to securities should be recorded at the Central Registry of the CSE, in order to be fulfilled.

Confidentiality-Obligation to be discrete (Article 20 of the Law)

Any registrations to the CDCR are confidential and the CSE according to the Law has obligation to be discrete and not to disclose any information to anyone except information that its disclosure is requested by law or by Court Order.

SERVICES:

The CDCR, aiming to offer to investors and to

the market participants, a wider range of services concentrates in four main areas:

(A) CLEARING AND SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS

The Clearing and Settlement of Stock Exchange transactions is performed in four stages and it is fulfilled on T+3, that is three working days after the trade takes place. It is performed through direct link with the Settlement Bank, which at present is Alpha Bank Cyprus. The Clearing and Settlement of each buy or sell transaction is final and irrevocable.

(B) INVESTORS' HELP DESK – SERVICES OFFERED

(1) Provision of information:

The investor or any legally appointed person may receive information with regards to the details of its account such as the number of its Share Account (and Securities Account) by filling form number 17 and paying €0.85. Additionally by using the same form (17) the investor may request the issue of Investor Statement. The charge is €4.00. In case the interested person does not have a Share Account at the CDCR and wishes to open one, he/she should contact a CSE Operator (Member or Custodian).

(2) Pledge of securities

In order to place a pledge on securities registered at the CDCR, the securities must be in the investor's Special Account. Either the pledgee or the pledgor must have, an active Share Account in the Dematerialized Securities System of the CSE. In order to place a pledge, a relevant form for this purpose should be

submitted to the CSE (Form No. 14), signed by the pledgor or the authorized representative and the pledgee. There is a fee of €17.00 per security (ISIN code).

(3) Release of Securities.

The CSE releases securities from a pledge upon the pledgee's written request using (form 15). There is a fee of €8.54 per security (ISIN code). At the same time with the release, the option is given for the securities either to remain at the Special Account or to be transferred to an Operator's Account.

(4) Transfer of Securities due to off exchange transactions

Any securities to be transferred as an off exchange transaction must be held in the Special Account of the transferor. The beneficiary must hold an active Share Account. The instrument of transfer must be submitted to the CSE in the specified form (form 13) signed by the parties, with their signature duly certified.

(5) CSD – Online Service

The shareholders have the opportunity to access and view their Share Account details through the Internet. Specifically, by filling-in a form, they can obtain full access to view their Share Account. For this service there is an annual fee of €8.50.

(6) Inspection of the Registry /copy of a registry

Any interested person has the right to inspect or obtain a copy of any registry of any listed company at the CSE by filling-in forms 21 and 22 respectively. There is a fee of €1.71 per page.

(7) Changes in Share Account details

The registered holder of listed Securities at the CSE may request or inform the CSE for any changes in his/her Share Account details

using a relevant form for the purpose (Form No. 8).

(8) Transfer of securities from the Special Account to an Operator's Account

If the investors wish to sell securities at the CSE, they must transfer their Securities from the Special Account under the control of an Operator's Account of their choice. This can be done by filling form 6 and by paying a fee of €5.00 per security (ISIN code).

(9) Power of Attorney Registry

The CSE maintains "a Power of Attorney Registry" in which investors have the option to submit power of attorneys, in relation to their representation on issues relating to the CDCR.

The signing of the power of attorney is not obligatory for actions that are related to the CDCR.

(C) CORPORATE ACTIONS - SERVICES PROVIDED TO ISSUES

The CDCR provides a wide range of services to the Issuers of the CSE regarding corporate actions; issue of registry, actions related to rights issue, bonus issue conversion of nominal value, split of shares etc.

For corporate actions that have an impact only on a certain percentage of securities and not on the share capital of an issuer, in total, such as exercise of rights, exercise of warrants, reinvestment of dividends etc., the CSE distributes an electronic file to the issuers to perform any operations necessary.

(D) EXTERNAL DEVELOPMENTS/ DEVELOPMENT PROGRESSES

The CDCR follows all developments that take place in other CSDs and in Europe in general with the aim to offer upgraded and improved services.



Link Up Markets launch on 30th March 2009



By Maria Petsa
CSE's Senior Officer



Due to new developments that take place in Europe in the area of Clearing and Settlement of transactions aiming to facilitate cross –border transactions and to harmonise relevant activities in the European Union, the Cyprus Stock Exchange has decided to participate in this new venture promoted by large Central Depositories, with the name Link-Up Markets.

Link Up Markets (LUM) - the joint venture between 8 European Central Securities Depositories (CSDs) representing 50% of the European securities transactions – launched its infrastructure on the 30th of March 2009 as planned. Link Up Markets is a joint venture between the CSDs of Austria (Oesterreichische Kontrollbank), Cyprus (Cyprus Stock Exchange), Denmark (VP), Germany (Clearstream Banking Frankfurt), Greece (Hellenic Exchanges), Norway (VPS), Spain (Iberclear) and Switzerland (SIX SIS). The official operations of Link Up Markets started on the 30th of March 2009.

As of this date, participating CSDs will start connecting to the infrastructure in three steps:

- Connectivity of Clearstream Banking Frankfurt (Germany), OeKB (Austria), SIX SIS (Switzerland) and VP (Denmark) started on 30th March 2009.
- Connectivity of Hellenic Exchanges (Greece) and Iberclear (Spain) will follow in June 2009.
- Connectivity of Cyprus Stock Exchange (Cyprus) and VPS (Norway) will take place in the 4th quarter 2009.

Scope:

The scope of the new venture is the operation of a Central System which will facilitate the cross border services, custody services and safekeeping of foreign securities from the Central Depositories that form the venture. In this way the cross border trades will be cheaper and easier for the joining Central Depositories.

Connectivity / Characteristics:

Link Up Markets will absorb message variations between CSDs and will leverage the existing infrastructures and processes of CSDs. The CSDs can connect to Link Up Markets either via proprietary communication networks or, later this year, via the SWIFT network. By connecting to the Link Up Markets infrastructure, each participating CSD will be able to access the services of the other linked CSD markets. Market participants will receive consistent best-in-class core settlement and custody services by directly accessing 8 markets via a single CSD gateway. The solution creates the potential to reduce the gap between domestic and cross-border costs for transactions significantly. Link Up Markets will facili-

tate existing European initiatives such as MiFID, the European Code of Conduct on Clearing and Settlement and TARGET2-Securities.

The connection to the infrastructure of LUM will offer benefits to the Markets of the joining Central Depositories only if the Central Depositories of the venture obtain links between them. Two Central Depositories that create a link between them and a link to the LUM infrastructure offer the opportunity to the investors of their country to have easy access to the two Markets of the Central Depositories at a lower cost. More specifically, between two Central Depositories that create a link, the one Depository acts as an Issuer CSD and the other as an Investor CSD. The securities in the Central Depository System of the Issuer CSD will be registered (if it is permitted by Law) in the name of the Investor CSD which will act on behalf of clients in its Market (Country).

If due to legal restrictions of the Issuer CSD, it is not permitted to the Investor CSD to open an omnibus account on behalf of clients to the Central Depository of the Issuer CSD, then the securities will be registered in the names of the final investors who will authorize the Investor CSD to act on their behalf.

Benefits to the CSE:

- Access to the services of other Central Depositories which joined LUM.
- Facilitates cross border trades.
- The CSE through LUM will be able to offer new securities.
- The CSE will benefit from Economies of scale.
- This cooperation will offer benefits to the Members of the CSE and investors.
- CSE will remain autonomous and at the same time will offer tools for new services.

Interpreting the balance sheet



By Ioanna Petrou Elia
CSE's Officer



The Financial Statements constitute the most important piece of economic data on which financial decisions and investment choices can be based. Moreover the estimation of elements included in this financial information, allows the determination of the value of the enterprise, offers important information about lending and enterprise autonomy.

The Balance Sheet, otherwise known as a statement of financial position shows at a certain point in time the assets that the entity has at its disposal, the debts and obligations that the entity has against third parties, as well as, shareholders capital. The Balance Sheet together with the Income Statement and Cash Flow Statement constitute the corner stone of the financial position of an enterprise.

As a shareholder of an entity it is important to understand how the Balance Sheet is structured and analyzed. It is also equally important to realize that a Balance Sheet is a snapshot of an entity's financial position at a specific date, which is usually the end of its financial year.

In this article the financial analysis of the Balance Sheet will be confined to the structure of the assets and liabilities.

How the Balance Sheet is structured

A Balance Sheet is divided in three main parts and all of its elements are separated among the main categories of assets, liabilities and shareholders' equity. As shown by the following equation the assets should counterbalance the summation of liabilities and share capital. The equation shown below makes up the main mechanism that structures the Balance Sheet.

**ASSETS (=) LIABILITIES
+ SHAREHOLDERS EQUITY
OR
ASSETS (-) LIABILITIES = NET WORTH**

The assets are used mostly for the entity's functioning, while the entity's obligations and share equity are the two sources that are called to support the assets of the enterprise. Also the Balance Sheet statement shows at a specific date, the sources of capital availability and the way that the entity is financing itself.

Examples of assets

- Anything with commercial value owed by the entity (tangible/ intangible financial instruments, investments in other enterprises).
- Inventory (quantity and value).
- Debtors and other receivables.
- Cash and bank balances.

Examples of Liabilities (i.e)

- Entity's obligations to third parties
- Creditors and other payables
- Deferred tax
- Bank overdrafts

Entity's equity

An entity's equity is the difference between total assets and total liabilities, also known as net worth.

- Share capital
- Reserves

The assets and liabilities disclosed in the Balance Sheet of an enterprise are divided into four main categories namely, Current Assets and non Current Assets, Current Liabilities and non Current Liabilities. The major difference is that in the case of Current Assets/ Liabilities the elements included refer to that portion of assets or obligations that is expected to be paid out or turned into cash during the normal course of the entity's operating cycle (normally one year). Non current assets/ liabilities refer to those assets or liabilities that are expected to be held for the whole year and

are not expected to be turned into cash or paid out within one year during the normal course of the business.

An entity's financial position

The financial position of an enterprise, as shown through a company's Balance Sheet is affected by decisions taken by the entity's high level management, which aims to the entity's growth and continuity.

There are many reasons why it is considered useful to analyse the Balance Sheet. An analysis of the Balance Sheet will be useful when assessing an entity's ability to continue its operational existence in the foreseeable future, for example, if Current Liabilities exceed Current Assets then this may be an indication that the entity may not be able to meet its obligations as they fall due. Similarly if an entity's debt exceeds its equity then this may be an indication that the entity is taking more risk in its financing policy and raises the question of whether it will be able to cover its interest payment. An entity's Balance Sheet will also indicate its capacity to borrow, for example if the entity owns valuable immovable property this will be offer as collateral against the loan.

- Users of the Financial Statement's must be able to comprehend how well the entity can meet its obligations and if the entity is facing going concern problems.
- Users of the Financial Statement's must be able to comprehend whether the entity is about to meet cash flow problems and whether the entity's financial position is such that it can't meet its current obligations and as a result the entity might be force to sell out material assets in a very low prices.
- Users of the Financial Statements must be able to comprehend whether the entity is facing problems in increasing its share capital.
- Users of the Financial Statements must be able to comprehend the operational efficiency of the entity.
- Users of the Financial Statement's must be in a position to weigh the value of an entity's assets as opposed to its liabilities, in their attempt to decide the best price to pay out for investing

in an entity's share capital.

Public companies are obliged by law to publish and present at least once a year audited Financial Statements. Investors must have in mind during the process of forming their investment portfolio and investment policies, to invest into companies that offer audited Financial Statements.

It is recommended to investors before starting analysing an entity's Financial Statements to spend out some time reading the independent auditors report. Usually an entity's external auditors are characterised as exigent, strict and incompatible.

An unqualified audit opinion expressed by the entity's independent auditors can be considered an indication that the Balance Sheet figures give a true and a fair view of the entity's financial position as a whole and as a result can be reliably utilize by investors as a basis for further investment decision.

If an entity's independent auditor expressed in his/her report an opinion that includes any of the following elements, disagreement, limitation of scope, adverse opinion, disclaimer of opinion or even if the auditors report an emphasis of matter, then before considering to proceed or not with the investment, must analyze further the entity's Balance Sheet and other Financial Statements.

Conclusion

The Balance Sheet along with the Income and Cash Flow Statements are important tools for the investors to gain insight into an entity's operational efficiency and operating cycle.

The purpose of the Balance Sheet is to give users an idea of the entity's financial position along with displaying what the entity owns and owes.

It is important that all investors know how to use, analyse and read a statement of Balance Sheet. Each user of the Financial Statements will usually interpret and analyze the information disclosed in the Balance Sheet differently.

The purpose and the importance of the Internal Audit



By Froso Nicolaou Kapiri
CSE's Internal Auditor



The Internal Audit is an:

- Independent,
- Objective,
- Assurance and
- Consulting/Advisory Activity

which is designed to add value to the Organization and improve its procedures and functions.

The objective of the Internal Audit Department in the Cyprus Stock Exchange (CSE) and in other Organisations is to evaluate the effectiveness of the internal procedures of the Organisation, in order to identify any weaknesses and mistakes that might jeopardize the effective operation of these procedures. The Internal Auditor assesses the reasons behind any failures and the objectives that these procedures are meant to achieve. Based on this assessment, the Internal Auditor suggests improvements in these procedures aiming to achieve the objectives of the Organization and a better, more efficient and effective operation of its Departments. The implementation of effective internal controls in conjunction with the effective Management of the Organisation is an effective means of Corporate Governance. It ensures in this way the long-term survival of the Organisation and its protection from fraud.

The Transition of Internal Audit from the traditional to the progressive approach

Until recently the profession of Internal Auditing was given the role of the policeman in Organisations, focusing their attention to the economic audit of

Organisations by following repressive controls (controls after completion of work) in order to confirm compliance with the procedures of the Organisation. The audit used to focus on the completion of work and was based primarily on financial reports. Control procedures were emphasizing the handling, compliance and enforcement of regulations of the Organisation by staff and the imposition of penalties for non-compliance. The above system has resulted in ignoring the anthropocentric factor of audit and the risks related with administrative and management problems, leaving the Organisation vulnerable to fraud.

Therefore, given the above, it is observed that the simple control procedures which were subject to a traditional system are now not able to address in depth the dangers that are currently faced by Organizations. A progressive audit methodology based on a combination of preventive and repressive controls, achieves the improvement of procedures and a continuous assessment of the risks faced by an Organisation. This methodology must also take into account the procedures that indicate how management is conducted in an Organisation. The Internal Audit will now be seen as a necessary function of modern «management», which provides advice to all hierarchical levels of administration.

The above progressive approach aims to add value to an Organisation, thus creating internally the need for the appointment of an Internal Auditor. Note that it is not necessary for a firm to be listed in the Stock Exchange to have the

need of an Internal Auditor. This need stems from the benefits that will be reaped by the Management of an Organisation through the presence of an Internal Auditor, i.e. efficient and effective administration. The Internal Auditor should always act bearing in mind:

- The objectives of an Organisation,
- The total of the activities of each Organisation,
- Understanding the activities and sources of revenues of an Organisation,
- Recognizing the potential risks that may prevent the achievement of the objectives of an Organisation.

The Internal Audit in CSE tries to follow the progressive approach of internal auditing (as described above) and to play the role of the "Consultant of Management", aiming to add value to the Organisation. The audits conducted by the Internal Audit Department in CSE are not limited to the «traditional financial control», i.e. control over the financial statements only, but instead follow a broader scope of controls (e.g. production controls, administrative controls, operational controls, etc.) covering all functions of the Organisation. The ultimate purpose of the evaluation of the procedures is to recognize any possible inadequate operation of the control points or any opportunities for improvements and to provide recommendations for improving these procedures. The target is always to include appropriate safeguards that will ensure proper operation of the control points (e.g. using passwords to protect against unauthorized access, segregation of duties, audit of procedures, authorizations, etc.) aiming to achieve the objectives set by the Council of the Organisation. In this way the work of the Internal Auditor adds value and furnishes the effectiveness of the Organization in achieving its set objectives.

Indicative, a System of Internal Controls includes a series of subsystems, such as:

- Internal Audit Department,
- Approved Organisation chart (definition of duties and segregation of duties)
- Computerized controls,
- Documentation of written procedures,
- Action Planning (short - long term) and follow up,
- Policy of purchasing / procurement, personnel rules,
- Management portfolio, administration of assets etc.

Given the current rapid economic conditions and financial scandals that beset our economy, the confidence of investors and generally that of stakeholders (banks, associates, etc.) has been shaken regarding the fair Management of Organisations.

In view of these developments and because of the sensitivity of the CSE for the protection of investors, it has prepared a «Code of Corporate Governance» defining the roles and the policy on fees of the Board, the Council's responsibilities, the Accounting and Internal Audit and the relationship with shareholders. The purpose of this Code is to ensure a transparent and fair administration of the CSE and the protection of investors, as this is the main scope of its existence. As Internal Auditors we know that the application of the principles of Corporate Governance (fair administration, clear definition of roles of stakeholders, social sensitivity, etc.) shields the interests of the Organisation, its stakeholders and employees. In order for the Organizations to become competitive they will have to learn to operate in a more «moral environment» and to apply the principles of Corporate Governance. Only by this way they will be able to survive this unprecedented financial crisis.

Each Internal auditor should recognize that he/she plays an important role in ensuring the credibility of the Organisation through the provision of both confirmatory and advisory services to the Management of the Organisation.



The existence of the Internal Audit function is directly related to the culture of the Organization regarding Fair and Good Corporate Governance.

The Modern anthropocentric role of the Internal Auditor

Nowadays, the Internal Auditor must give utmost importance to the good working environment between the Internal Auditor and the auditees. We know that the human factor in the modern versatile work environment directly affects the achievement of the objectives of the Internal Auditor. The Internal Auditor is a tool of the auditees, is the person that helps the working efficiency of the work of the auditees and calls for their acceptance and harmonious cooperation. The Internal auditors should not forget that the auditees are also colleagues and face the same problems and have the same goals. The achievement of the objectives of the Organisation is an effort of all workers and not only that of the Internal Auditors.

The Internal Audit in CSE considers all the above factors and through the evaluation of the procedures conducts various tests to assure that the Executives of the Departments perform their work in accordance with the decisions and orders of the Council of the Organisation. According to this evaluation recommendations for improvements in the procedures are made by the Internal Auditor towards the Management of the Organisation. Note that the Internal Audit does not replace the responsibility of the Department in drafting regulations/procedures and in the performance of their work.

After the completion of the audit work (except in the case of the discovery of fraud) from the Internal Auditor, the importance of informing the auditee

regarding the findings of the audit should not be overlooked. Thus, by this way the controlled party is informed about the observations of the Internal Auditor and confirms the reasons behind these findings. If the auditee opposes with the findings of the Internal Auditor, his opinion is included in the Audit report. In this way, the Management of the Organisation is comprehensively informed on this issue. Note that for the preparation of the Audit reports, it should be taken into account that the views of Internal Auditors are responsible opinions and not hierarchical orders as before.

Nor should we ignore that we live in a computerized environment where most of the operations and information of the Organisations are computerised or undergo computerized processing. In the modern workplace human intervention is significantly reduced and thus the nature, types of controls and security measures should be able to guarantee a strong and reliable computerized system. As the Internal auditor of any modern and competitive Organization we should play an important role in developing safe and reliable information systems and applications, and in the analysis of procedures of a good management information systems of the Organisation. The Internal Auditor should include in the Annual audit program audit of the IT procedures followed by the Organisation, thus by this way minimizing the risk factors before they are developed and occurred. In addition, appropriate safeguards should be placed in order to ensure confidentiality, integrity and security of the computerized information. It is generally better to prevent a problem with the use of preventive controls, rather than to manage it after happening.

The parameters affecting the effectiveness of the role of Internal Audit

It should be noted that the effectiveness of the work of the Internal Auditor as described above, is influenced by a number of parameters such as:

- independence, objectivity, competence and confidentiality of the Internal Auditor,
- freedom of action of the Internal Auditor,
- freedom of movement and unhindered access to the records of the Organisation and
- the importance given by the Management of the Organisation to the Internal Auditor as a necessary Management tool.

To ensure the independence of the Internal Auditor from the other Departments of the Organisation, the Internal Auditor should report administratively to the Council or to the Council's Internal Audit Committee. This determines the extent of support that the Internal auditor will have from the Council. In the CSE the Internal Auditor reports administratively to the Audit Committee of the Council and the audit work is performed according to the Approved Annual Internal Audit Program and is completed in alignment with the International Standards of Internal Audit. For the preparation of this Audit program the corporate and operational objectives, strategies and specific risk management processes of the Organisation must be taken into account. This hierarchy ensures the independence and objectivity of Internal Auditors and ensures the impartial performance of their work without interference. The approval of the Audit Charter (a document that determines internal auditor's purpose, authority and responsibility) from Management provides additional protection to the independence of the Internal Auditor. It ensures their independence, purpose and scope of

work, their mission, powers and responsibilities as well as free access to complete their work. The above give the dynamics to the Internal Auditor to complete his work effectively and efficiently.

Also, the Internal Audit Department should be organized and staffed by qualified and trained scientific personnel that should maintain an adequate level of expertise with continuing education and learning. Members of Internal Audit Department should be independent of the staff and Officers of the controlled units so as not to influence their work. As Internal auditors we should always act professionally and with full harmonization with International Standards of Internal Audit and with the policies and procedures of the Organisation.

We must also maintain continuous contact and good relations with the Management of the Organisation. In this way, the Internal Auditor will be informed of all activities of the Organisation and thus will be able to recognize and assist the Organisation to timely address the risks that may prevent the achievement of its objectives.

At CSE we know that the «current tool of Corporate Governance» is the implementation of effective internal controls that help the Organisation to accomplish its objectives by providing high quality services to the Management and offering a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control systems and Governance processes.



Market Maker



By Eliza Stasopoulou
CSE's Officer



The Council of the Cyprus Stock Exchange has decided to proceed with the introduction of the supportive tool of market making, within the framework of its strategy to offer an even more wider range of services / products in the securities market. Within this framework, the general principles for the implementation of market maker are described below. An amendment of the legislation which provides for the supportive tool of Market Maker has recently been approved by the House of Representatives. The detailed regulations on this issue are in the process of their finalisation by CSE's legal advisors and are expected to be ready shortly.

Market Maker is a supportive tool in the financial market which can help to the increase of the marketability (trading velocity) of listed securities on the CSE.

A member firm of the CSE could act as Market Maker if it undertakes to trade for own-account trading and buy and sell specific listed shares on a continuous basis at prices that will be determined by the Member. A market making order is defined as the buy order or the sell order, which is a part of the relevant quotes. The market making orders have specific technical features such as: Price Deviation, Minimum Quantity to be announced, Minimum Daily Quantity and Time for re-insertation. The market making

orders will be entered through a separate code.

In order to operate as a market maker, a member firm of the CSE should be licensed by the CSE as a market maker. The license for market making may include one or more securities and the duration of market making cannot be less than one year. To obtain the status of market maker on a security, an application must be submitted to the CSE and examined as to whether the conditions for obtaining such a status are fulfilled. The conditions generally focuses on whether a Member firm is licensed for trading for own account, it maintains a department for market and a licensed Market Maker, it has an adequate accounting, and technical support system, as well as regulations for internal controls. The CSE will be notifying to the public through the daily price list of the CSE, the start, renewal, suspension or termination of market making on specific securities.

The market makers will not incur transaction fees. The reason for providing this incentive to them, is to encourage and support the market making operation, as well as to offer incentive to the members of the CSE to express interest in the market making.

The market maker will apply to all Markets of the CSE on a voluntary basis. All listed companies wishing to adopt market making on their listed securities

will be able to do so, by signing a contract with a market maker. Additionally, a market maker will be able to conduct market making on any security, provided it is authorised to conduct transactions for own account. The CSE will encourage listed companies with low liquidity to adopt the market making tool, in order to increase the marketability (velocity) of their listed securities, regardless of the market in which they are listed.

At its discretion, the CSE could adopt a specific procedure for the evaluation of market makers taking into account certain specific criteria. In CSE's case,

this evaluation will be conducted by the CSE on a quarterly basis and relevant results will be announced to the public, through the CSE's website.

Any violations by a market maker in relation to the conduct of its relevant duties in the securities markets of the CSE, may result in the withdrawal by the CSE of the status of the market maker, given to a Member.



The importance of electronic information through the website of the CSE



By Andreas Christoforou
IT Officer

I

n these modern times we live in, the website of a financial institution is not only an alternative channel of communication and rendering of services to the public, but an imperative necessity. The saying "If you don't have a website, you don't appear to exist" seems to have been said having financial institutions in mind. The type of information a financial institution, such as the Cyprus Stock Exchange, disseminates and our clientele's profile requires a communication channel which is constantly accessible and has no geographical restrictions.

On the CSE website investors can find up-to-date information regarding the Cyprus Stock Exchange such as the history and objectives of the CSE, they can be informed about the members of the Council, read articles written by Council members and staff published in the daily press, find information regarding Memoranda of Understanding - Cooperation signed by the CSE with neighboring Exchanges and download electronic forms and information leaflets issued by the CSE.

Market participants and investors can read about the current legislation governing the operations of the CSE and find out about proposed changes to the legal framework. The CSE website provides a wealth of information and electronic forms relating to members and listed companies, such as contact information, the Board members, financial results and financial reports, information about dividends and information about Public Offers. Also available is information and electronic

forms relating to the listing procedures, continuous obligations of listed companies, prospectuses issued by listed companies and information on the Corporate Governance Code.

The Cyprus Stock Exchange as the official Storage Mechanism of Regulated Information of the Republic (OAM) publishes, on its website, announcements of listed and non-listed companies, announcements and circulars of the Cyprus Securities and Exchange Commission and circulars of the CSE. In addition the CSE website provides to investors, search capabilities based on specific criteria, in our announcements database.

Published on the CSE website are also announcements relating to:

- Disclosure of transactions made by company officials and related parties.
- Disclosure of transactions made out of CSE with a value of more than 170.000 euros.
- Notifications of acquisitions or disposals of major holdings in a listed company
- Notifications of transactions in accordance with section 18 of the Cyprus Securities and Exchanges Commission Law.
- Appointments and resignations from the Boards of Directors of Listed Companies
- Tenders issued by the CSE

Furthermore, depository account holders may access and monitor their depository account through the website of the CSE. The CSD Online service allows registered users to monitor their depository accounts and find out up-to-date

information about:

- Their portfolio.
- The state of securities in their portfolio.
- The member or members of the Cyprus Stock Exchange that manage their trading accounts.
- The transactions of their trading accounts.

The Investor Service provides investor, a way to submit suggestions and complaints regarding the CSE site. Provided in the same section is information concerning existing Data Vendors of the CSE and documents with technical specifications/requirements used by Data Vendors.

The CSE website provides to investors, with a mandatory 15 minute delay, financial data about the market trading status, current prices of indices, and securities information about daily transactions. Available are also statistics of the current stock market session, information about the trading hours of the CSE markets, the internal values of investment companies listed on the CSE and the current prices of mutual funds published by the CSE.

In addition to the above, through the pages of the CSE website, investors can search for historical data of past market trading sessions, brochures and electronic application forms, informative literature and information on the Central Depository and Central Securities Registry.

The CSE has recently upgraded its website, which has been enriched with new information about the Cyprus stock market and is updated continually in order to give an even more complete picture to investors. The number of visits on the CSE website, average to 2000 hits daily. Ninety percent (90%) of the visitors come from Cyprus and Greece and the remaining ten percent (10%) from other countries, mainly the European Union and the U.S.A.

Given the rapid development of technology in recent years and the continuous improvements in advertising methods, there is an increase in international advertising on websites covering activities related to Stock Exchanges. The CSE recognizing the importance of the Organization's website provides advertising opportunities with attractive rates. It is undeniable that through this option, interested organizations / companies have several advantages, ease of access and flexibility / adaptability to spread their messages to the public and their customers. For more information on advertising opportunities on the CSE website, interested parties can visit the following address <http://www.cse.com.cy/gr/profile/advertise.asp>

The CSE website is a live project, with constant additions of new information and services and modification of existing features and data in order to fulfill the expectations of our customers and to conform to the law and regulations of the CSE. The immediate, constantly available and unrestricted access to information the CSE website provides, aims to promote equal information to all investors and to enhance the transparency of transactions.

Emerging Companies Market (E.C.M.)



By **Demetra Kalogerou**
CSE's Senior Officer



Within the framework of a wider effort of the CSE for implementing its new developmental initiatives, the CSE is introducing its new market called the Emerging Companies Market (E.C.M.).

This market is characterised as unregulated and it is considered as a Multilateral Trading Facility according to the provisions of the Investment Services Law 144(I)/2007 and does not come under the mandatory provision for regulated markets, which impose strict listing criteria and continuous obligations. As such it is governed under the direct monitoring of the CSE as explained below. Based on the above law the CSE has been approved by the Securities and Exchange Commission to operate a Multilateral Trading Facility as operator of this Market.

The CSE will be exclusively responsible for setting the listing criteria and continuous obligations of the issuers and directors, as well as for any sanctions to be imposed for any violation of the Rules. Moreover the Securities and Exchange Commission will supervise the CSE as a market operator that operates the Multilateral Trading Facility.

The E.C.M. Market aims at listing dynamic and developing companies and through its successful operation it is expected that it will bring about major advantages not only to the issuers and the participants of the market but also to the economy of Cyprus in general. Specifically the E.C.M.

Market is addressed to:

- (a) Non listed companies that are seeking finance and easy access to a secondary market.
- (b) Investors seeking new ways of investment with awareness of high risk of the market.
- (c) Listed companies that are not able or willing to undertake the higher costs of remaining in a regulated market and
- (d) Credit institutions, investment firms, lawyers and accountants as Nomads who will be having the opportunity to expand their operations to new products/ services and improve their recognition and reputation.

The advantages for listing on the E.C.M. Market are:

- (a) Flexible listing requirements as follows:
 - The issuer must have published accounts and had normal operation and related activities for at least two years preceding its application with the possibility of exemption by the Council of the CSE.
 - The issuer must have a nominated advisor.
 - The issuer must be a public company with a satisfactory number of investors.
- (b) Simplified and quick procedures of listing.
- (c) Low listing fees compare to other similar markets abroad (e.g. AIM, Alternext, etc).

Important role for the operation of this market has the Nominated Advisor who could either be a credit institution, investment firm, accounting firm or legal firm. The role of the nominated advisor is to advise the issuer during the listing procedure as well as during its trading to the E.C.M. Market.

The procedure for any of the above legal person to acquire the licence for being a Nominated advisor is to apply to the CSE Council and provided that it fulfils the relevant criteria, the CSE will give its approval and include them to Nominated Advisors list.

The requirements to become a Nominated Advisor are:

- The nominated advisor must exclusively employ at least two qualified executives with experience relating to Corporate finance,

preparation of prospectuses, mergers and acquisitions etc.

- The Nominated Advisor has not been the subject of disciplinary action by any legal financial or regulatory authority.

The main continuous obligations of an issuer listed on the E.C.M. Market are the following:

- Must publish their annual audited accounts as well as unaudited semi-annual accounts.
- Must announce any changes regarding the Nominated Advisor.
- Must announce to the CSE as least one (1) hour before trading begins any decisions regarding Corporate actions.
- Must publish their dispersion statement of the share capital the last working day of the year.



Describing of the fluctuations of the Securities Markets in countries that joined the European Union after the enlargement of 2004/2007



By Michalis Michael
CSE's Officer

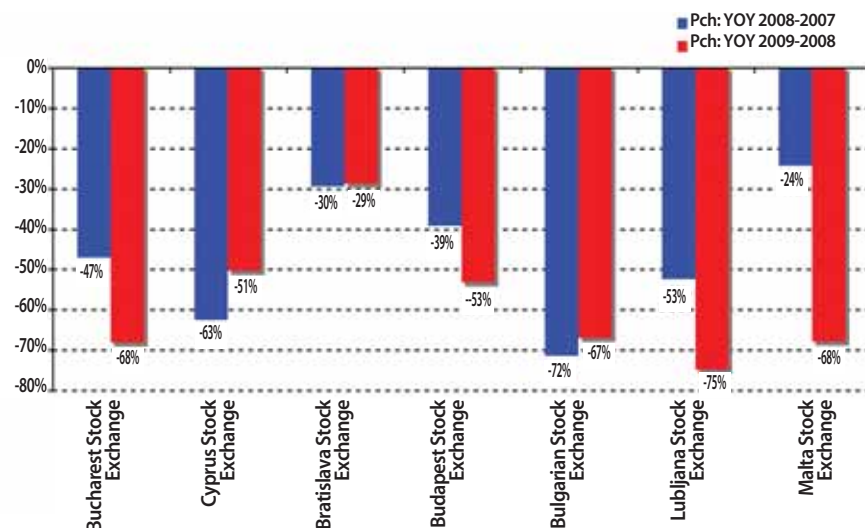


During the last enlargement, 12 Countries of Central Europe, Eastern Europe and also of the Mediterranean region, joined the European Union (EU) on two stages: On May 1st, 2004 ten states (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) acceded to the EU and on January 1st 2007, two states (Bulgaria and Romania) followed. This study aims at exploring the fluctuations of Stock Markets of Member States which entered the EU on 2004/2007, by focusing on main stock market indicators¹.

This study describes in brief the markets of the following Member States: Cyprus, the Czech Republic, Hungary, Malta, Slovakia, Slovenia Bulgaria and Romania for which available and comparable figures exist in

the official statistical publications of the Federation of European Securities Exchanges (FESE). During the preceding year the Stock Markets were in the centre of a world wide financial crisis. The upward trend in the international markets that was observed during the period 2004-2007 was interrupted and the markets followed a downward trend in 2008, with negative consequences in the financial figures of the Stock Exchanges. In 2008, the turnover (equities) in the Stock markets of the aforementioned countries exhibited on average a decrease of 47% compared to the previous year. The corresponding reduction in turnover for the Cyprus Stock Exchange (CSE) reached 63%, while the highest reduction as a percentage was presented by the Bulgarian Stock Exchange with 72%.

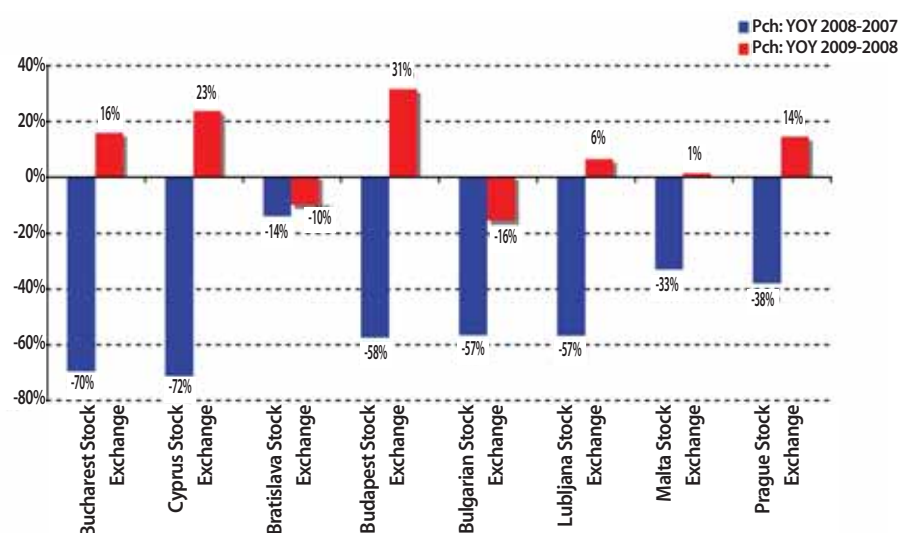
Diagram 1: Percentage Change in the value of Turnover (equities)



In the first seven months of 2009 compared to the previous year, the average value of turnover (equities) in the above markets decreased by 59%. It should be noted that the CSE during the same period presented a decrease of 51%, which is the second best result behind the Bratislava Stock Exchange where the relevant decrease was at 29% thus resulting to the decrease of the CSE turnover at smaller level than the average of the corresponding Stock Exchanges (Diagram 1).

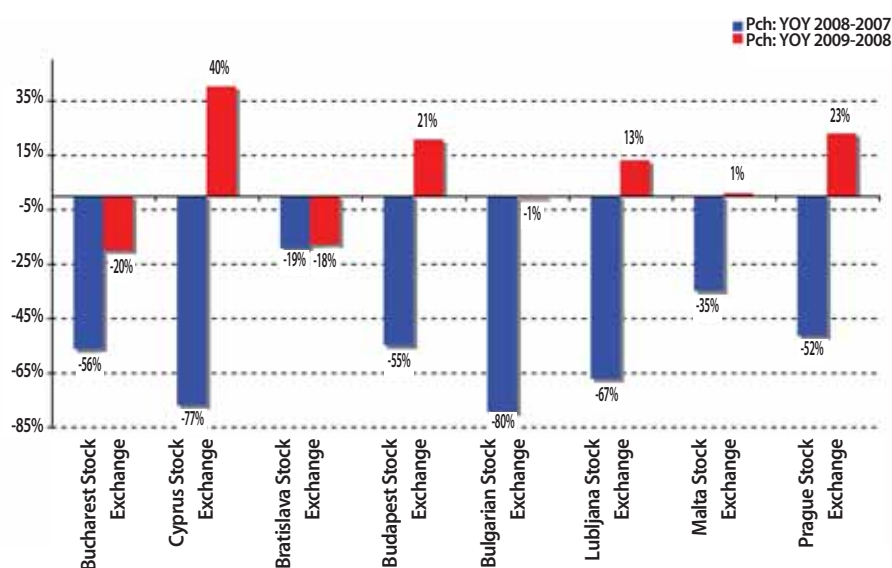
In 2008, the market capitalisation (equities) of the countries mentioned above followed a downward trend. Compared to the end of 2007, the average market capitalisation (equities) for the year 2008 exhibited a 56% decrease based on the average market capitalisation for the above markets. For the same period the CSE exhibited a decrease of 72%. It is equally important to note that during the first 7 months of 2009 the CSE exhibited an increase of 23%, compared to the 7% average increase for the exchanges under evaluation. (Diagram 2).

Diagram 2: Percentage change for the Market Capitalisation (equities)



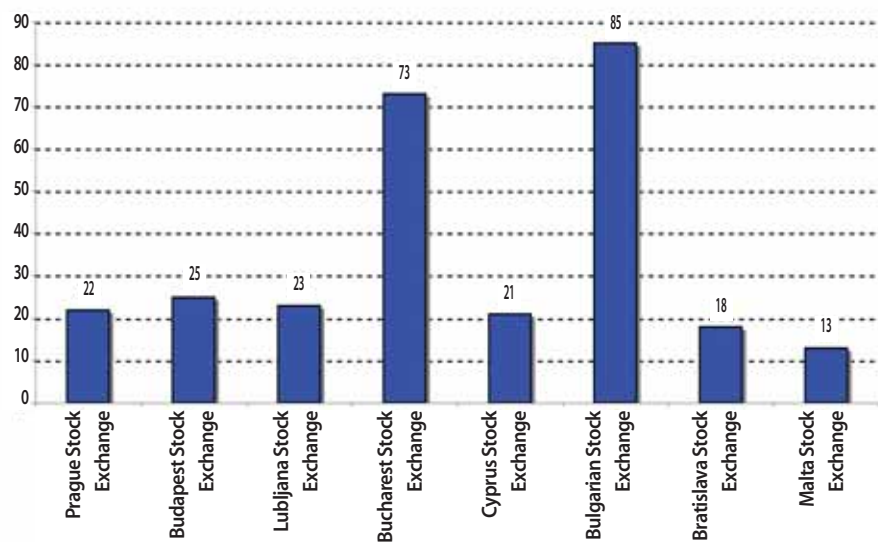
Similar results were also presented in the performance of the market indices, since the CSE General Index for the first seven months of 2009 exhibited an upward trend of 40%, which was the best performance compared to the other 7 Markets, where 3 of them presented a downward trend (Diagram 3).

Diagram 3: Percentage change of the Main Stock Exchange Indexes



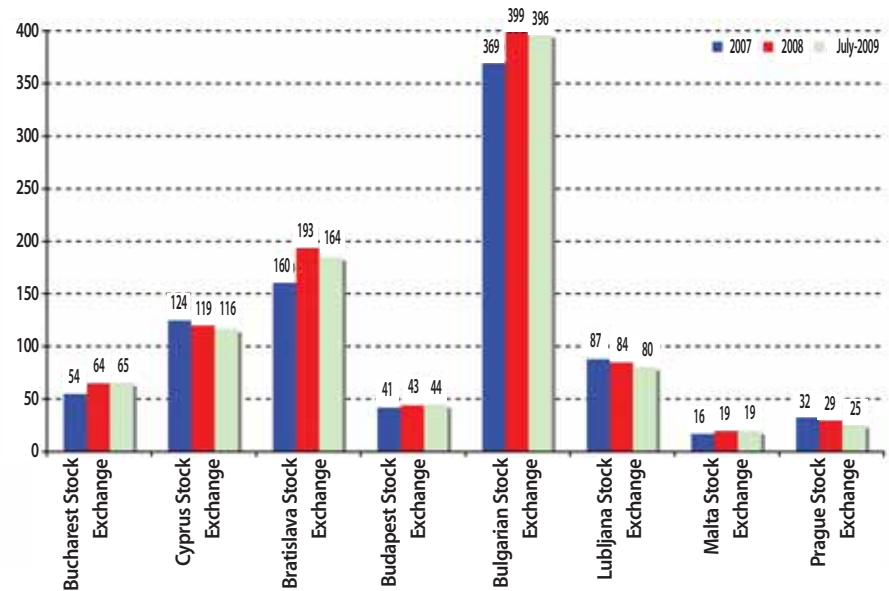
In regard to the Members that participate in the markets of the above countries, it is worth mentioning that the Romania and Bulgaria Stock Exchanges have 73 and 85 active Members respectively, while the other Stock Exchanges have on average 20 Members. The CSE has 21 active Members including remote Members. The Common Platform of the CSE with the Athens Stock Exchange (ASE) paved the way for Members from abroad to participate in the market of the CSE. At present, 10 Members of ASE operate as remote members of the CSE and have access to the trading system and execute trades on the listed securities of the CSE (Diagram 4).

Diagram 4: Number of active Member in the Market



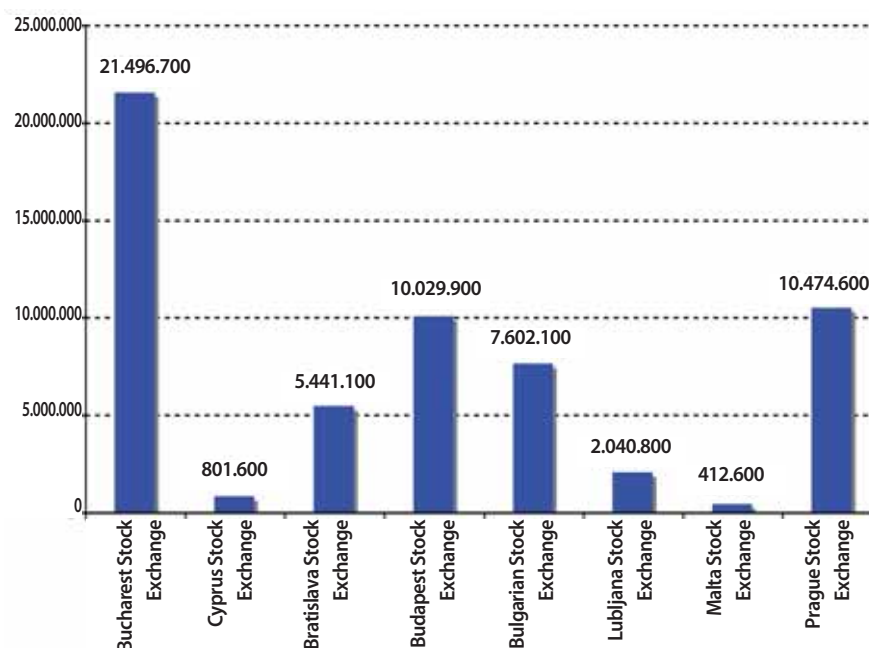
The total number of listed companies on the Cyprus Stock Exchange is closed to the average number of the aforementioned counties (chart 5).

Diagram 5: Number of listed Companies (excluding investment companies and UCITS)



Also, it is pointed out that Cyprus and Malta compared the other 7 Member States entered EU on 2004/2007, have the smallest population (Chart 6).

Diagram 6: Population of the aforementioned counties²



Conclusion

According to the volume of the transactions (turnover) of the above markets during the first 7 months of 2009, the CSE holds the 3rd position (€742 mil.), while based on the total market capitalisation CSE holds the 5th position (€7.076 mil.) among the 8 countries examined in our study. The main indicators of the CSE in regard to the market capitalisation, turnover, indices performance, number of listed companies and market participants, do not deviate to a great extent from the indicators of the Stock Market of other Member states that entered EU after the enlargement of 2004/2007 and analysed in this study. In conclusion the CSE can be favorably compared with the above Markets. Taking into consideration the population of Cyprus and the alternative traditional options for investments, it is evident that the CSE is comparatively and proportionally at very satisfactory levels, compared to the Stock markets of other countries reflecting also the wider potential of the Cypriot economy.

Notes

¹ The main stock market indicators were analysed with regard the following: market capitalisation, value of equities volume, indices performance, number of listed companies and number of stock Exchange Members.

² The population figures have been taken from Eurostat.

Transfer of Securities due to Off Exchange Transactions



By Constantinos
Papaconstantinou
CSE's Officer



The Cyprus Stock Exchange (CSE), offers to all investors and other participants of the market a variety of services via its Central Depository/ Registry (CSD). One of the services that the CSD offers is the ability to execute transactions outside the Exchange, given that the transaction falls into the provisions of Article 23 of the Cyprus Stock Exchange Law. Some of the provisions of the Law are:

- Issue or acquisition of securities by the Issuer.
- Transaction between family members.
- Gifts or a transaction that does not have any monetary consideration.
- Transfer due to death.
- Transaction after a Court Order.
- Transaction of a security of a stock exchange value of one hundred seventy thousand, eight hundred and sixty euro and fourteen cents and above, (\$170,860, 14).
- Transaction which is executed after a direct offer towards all the security holders of a specific security coming from one Issuer and is related to at least a ten per cent of the total number of these securities.

Requirements for the execution of Off Exchange Transactions:

- (1) The Securities to be transferred should be in the Special Account. If not, then the transferor should request from the Operator (Broker or Custodian), who has the securities under his control, to transfer the securities to the Special A/c.
- (2) It is a prerequisite for the transferee (receiver) to have a Share Account in the Central Securities Depository

system of the CSE.

- (3) Form number 13 should be submitted to the CSE according to Article 30 (1) of the Regulation for the Operation of the CSD filled in accordingly, signed and confirmed by a Certified Officer.
- (4) If the receiver wishes the securities to be transferred from the Special account to an Operator's A/c after the transaction is completed, then he will have to submit Form number 6 according to Article 12 of the Regulation for the Operation of the CSD.
- (5) Fees charged by the CSE:
 - 0,2% with a minimum charge of €4,00. Excluded from this are Off Exchange transactions related to the cause of death where the fees are fixed to 0,075% and the charge is differentiated to a minimum €5,00 per receiver and per security (amendment of Appendix 17 of the Official Gazette 596/2005).
 - Special transaction fee 0,15%.
 - For Government bonds: 0,0025% with a minimum charge of €1,71.

Useful Information:

- (1) The transfer of securities is completed three business days after the submission of the appropriate forms and given that the pre-mentioned requirements are fulfilled.
- (2) The signatures in all CSE forms will have to be certified, unless the people interested or the attorneys, sign in the presence of a CSE employee.
- (3) In case that the investor is a legal person, then documents showing representation will have to be

submitted to the CSE.

- (4) In case that the transferor is deceased then additionally the Tax Exemption Form issued by the Internal Revenue Department and a Court Order should be submitted.
- (5) If necessary, it is possible for the CSE to require written explanations from the counterparties for certain Off Exchange Transactions.

Off-Exchange Transactions - transfer of securities of a deceased without a Court Order:

In addition to the above, it is possible to transfer securities of a deceased Off Exchange given that, the securities of the deceased do not exceed in value the amount of €2000 at the date of death. The requirements are the following:

- A period of 12 months must pass from the date of death.
- The total value of securities of the deceased should not exceed in value the amount of €2000 at the date of death.
- An administrator or other legal representative has not been appointed for the property of the deceased.
- The General Manager of the CSE will have to be satisfied with regards to the rights of the person or persons to whom the securities will be transferred. According to the procedure a certificate issued by the President of the Community Council or a document of any other foreign public authority or Court Authority is needed to prove the above.
- The specific power cannot be used for a part of the securities of the deceased.

- A written consent of all heirs is needed unless if one of the heirs cannot be found and at least 15 days before the transfer, a relevant announcement is published in a newspaper with the names of the heirs and the procedure to be followed.

The forms required to be filled are the following:

- A certificate issued by the President of the Community Council or a document issued by any other foreign public or Court Authority showing the details of the heirs.
- Submission of form KM13A (application of transfer of the securities of the deceased investor according to article 19E) filled in with the details of the deceased as well as those of the applicants. The signatures of the applicants will have to be confirmed by a Certified Employee.
- It has to be noted that the Tax exemption Form issued by the Internal Revenue department is obligatory.

Finally we would like to inform you that the CSE is, as always, at the disposal of investors for any necessary information, and especially for any assistance needed concerning the above as well as for all other services offered by the CSE.

Multilateral Trading Facilities



By **Demetris Constantinou**
CSE's Officer



Multilateral Trading Facilities (MTFs) are non-regulated markets in which issuers' financial instruments [shares, derivatives, UCITS (mutual funds) etc] are traded and transactions are executed. According to the provisions of the Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other related matters Law 144(I)/2007, the definition given for MTF is 'a multilateral system operated by an IF or market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments - in the system and in accordance with its nondiscretionary rules - in a way that results in a contract..'

The creation and parallel operation of MTFs with the Stock Exchange, was allowed in Cyprus in 2007 by the application of the Directive of the European Union on the Markets in Financial Instruments Directive (MiFID), according to the provisions of the Investment Services Law 144(I)/2007 by which MiFID was embodied at National Law.

MTFs are created either by credit institutions and Investment Firms (IFs) and compete with the traditional Stock Exchanges (Regulated Markets) in order to acquire profits or by the administrators of the traditional Stock Exchanges / Regulated Markets in order to offer alternative solutions to issuers and investors, aiming to the provision of

services at a lower cost.

A basic characteristic of MTFs is that they do not fall under the provisions that are applied obligatorily to regulated markets, but function with shorter procedures, as well as fewer and less strict rules, for the issuers that have financial instruments listed on a MTF.

Companies that cannot apply the stricter legislative framework of regulated markets or which do not want to bear the relatively higher cost of being listed in a regulated market, have the opportunity via the listing of their financial instruments for trading on a MTF, alternatively to attract financing.

MTFs can be separated, basically in two general categories. In the first category, a regulated market can operate a MTF with a view to satisfy the differentiated issuers' needs by the observation of a smaller amount of obligations in comparison to obligations that exist in a regulated market. The Cyprus Stock Exchange created the Emerging Companies Market (E.C.M) during the last quarter of the year 2009, which falls into this category of MTFs and has specified specific conditions, which are definitely more flexible than those in a regulated market.

However, a second category of MTFs exists that is created by organizations, other than Stock Exchanges offering alternative solutions to issuers and investors, aiming for the provision of financial services at an even lower cost

than the cost at regulated markets. Subsequently, the level of transparency and control is much less than the level provided in a regulated market. In this category, the basic form of MTFs is the "dark pools". Dark pools are often shaped by the order books of stockbrokers and by other liquidity other than at the particular market. Dark Liquidity represents orders that are crossed with other orders without been registered at the official order book. Dark pools were created to minimise the investor's cost, but the decrease at the cost will affect the level of transparency and information to the investors.

Generally, the investors will be obliged to demonstrate increased attention for investment to securities that are traded only on a MTF because of the level of transparency that takes place, undoubtedly is in less detail from that at regulated markets. This is because the issuers are in less control, in relation to issuers whose securities are traded at regulated markets and comply with possibly a lower number of regulations in number and quantity, which results that the investment at the particular market to include a higher risk in relation to the regulated markets.

The Cyprus Stock Exchange (CSE) having all the rules and regulations approved, has proceeded to create and

operate a Multilateral Trading Facility, the Emerging Companies Market (E.C.M), which was created for dynamically developing companies and appears to attract particular interest. Already, the CSE has announced a number of Nomads that have been registered. Nomads are an essential element for the market and for the listing of companies in the E.C.M, and during their application phase, a number of applications by companies for listing are being evaluated. The CSE has placed certain conditions for securities that will be trading at the E.C.M, which are more flexible than those currently applied at the Regulated Market (Existing Markets of CSE). The Regulatory framework for the new market was determined by the Regulatory Administrative Acts that were published by the Council of the Cyprus Stock Exchange regarding the Markets of the Stock Exchange [Regulatory Administrative Act 326/2009], which were published in the Official Gazette of the Republic on 15 September 2009 and subsequently came into force on 30 September 2009.

Initiatives taken by the Cyprus Stock Exchange for its further development and for coping with the negative impact of the economic crisis



By Nicos Tripatsas
Chief Officer of the CSE



The financial and economic crisis that originated from the most developed countries of the world in 2008 has negatively influenced all economies of the world, taking into consideration the interdependence of the economies in the globalised environment, that has been created. It has been noticed that the degree of the impact varies among the economies of the countries, not only to the extent, but also to the starting point in time of the adverse effects of the crisis, as well as to their duration.

Within this negative environment no magic recipe exists for an Organisation for tackling the consequences of the crisis, without any problems and negative results. However, the various Organisations and Authorities should intensify and co-ordinate their efforts towards the direction of more effectively serving the market, of reducing the operating costs and of providing services and introducing new, modern methods and products, on competitive terms.

The Cyprus Stock Exchange has intensified during recent years its efforts towards the above mentioned directions, through a focused and coordinated strategic plan for implementation. The role of the CSE is especially important for the further development of the economy, since securities markets comprise the most basic leverage for economic development, through which companies can raise the necessary funds for expansion and investors can have the ability to invest in new investment opportunities.

The Cyprus Stock Exchange (CSE) by

materialising its strategic planning, makes all possible effort and takes all possible initiatives in order to serve this purpose and help the further development of the domestic economy.

It is therefore of paramount importance that through the securities market, sufficient liquidity is provided and a facility is available to the investors for having access to a wide range of services and products, comparable to that offered by the most advanced markets. The Cyprus Stock Exchange within recent years, has constantly focused its efforts towards this direction.

Indicatively, a number of relevant initiatives are noted below, as well as new projects that have been promoted and implemented, that show this effort which the CSE makes towards the above mentioned direction:-

- The cooperation between the CSE and the Athens Exchange was further developed within the framework of the Common Platform CSE- ATHEX and in exploiting synergies and economies of scale that are possible.
- During the last quarter of 2009, the New Market of the CSE was launched (Emerging Companies Market - ECM) . For the purposes of this New Market, a relevant remarkable infrastructure has been prepared by the CSE and an intensive promotional campaign has taken place, both in Cyprus and abroad. The CSE has already registered a number of nominated advisors and at present is proceeding with the examination of applications for listing that have been submitted to the CSE.

- The CSE during 2009, has proceeded to substantially reduce its fees and charges, in order to safeguard its competitiveness. A similar adjustment to its pricing policy was also implemented in 2008.
- Moreover, the CSE has implemented through its own initiative and with the full support of its personnel, a comprehensive programme of operational cost reductions, taking into consideration the wider economic circumstances that have prevailed.
- The CSE has also implemented a series of simplifications in its procedures, so as to serve market participants in an even more effective way and at lower cost (i.e. changes in relation to listing issues, on – line filing of applications, changes in relation to issues relating to trading - trading rules, etc.)
- As a result of intensive efforts by the CSE for reinforcing its presence internationally, the CSE has been upgraded by the FTSE Organisation to the status of “Frontier Market”, with FTSE’s country classification policy.
- Following further relevant initiatives taken by the CSE, the Organisation has been classified as a recognised investment exchange by the Revenue and Customs Dept. of the United Kingdom. This new development, provides the Exchange with an upgraded status.
- During 2009, the CSE has successfully completed the transfer of its offices to its new privately owned building, from which since then, all its services are provided in an even more effective manner. The transfer to the new building was done without any interruptions to the CSE’s business, following a comprehensive and well designed plan for this purpose.
- In November of 2009 the CSE completed the link to the Link Up Markets project, a joint venture of a number of European Exchanges Depositories. Link Up Markets aims at increasing the effectiveness in the process of settlement of the cross- border transactions on a European level and at the simplification of procedures and the reduction of costs.
- The CSE has signed during 2009, the Memorandum of Understanding (MOU) for taking part in the project “Target 2 Securities” which is undertaken by the European Central Bank, for the purposes of consolidating the settlement of transactions through a pan - European platform, within the European Union.
- The CSE has reached an agreement with the Athens Exchange in 2009, for the registration of CSE’s Members as members of the Derivatives Market of ATHEX. Additionally, the two Exchanges have prepared a joint index, in collaboration with FTSE, (covering the Banking Sector), and at present, based on market conditions, a procedure is under way for introducing a new product in the derivatives market of Greece, based on this index.
- The CSE, having recognised the great importance of keeping investors and market participants informed about new developments in the market, has proceeded on a systematic manner in 2009, to the task of organising presentations, road shows and meetings, in various important international financial centres, etc.
- The CSE has also prepared the relevant regulatory framework for the introduction of additional tools that further assist the adequacy of satisfactory liquidity in the market, (i.e. Market Maker, Over the Counter Trades) and the relevant procedure for their implementation in 2010 is at present under way.

As a conclusion, it should be noted that the CSE should be supported in its efforts and the CSE’s market should further be taken advantage of, by the market participants. Each crisis or period of difficult economic conditions should be tackled with the appropriate measures, however these should also be viewed as challenges and opportunities. In these conditions, it is important in general that Cyprus as a whole should manage to finally exit the crisis with positive results, and gain useful experiences for the future.

Training Seminars



By **Constantinos Kantzilieris**
CSE's Officer



The new Strategic Plans of the Cyprus Stock Exchange include training seminars mainly aiming to inform the Market's factors on the products and services offered by CSE, as well as updating their knowledge on stock exchange issues.

By conducting these seminars it is sought to develop a basic plan to train those interested in issues related to the stock exchange while improving and promoting the Organization's image at the same time. Furthermore, the seminars will help attendants understand the advantages and benefits derived from the Stock Exchange and will provide an opportunity to promote and understand new institutions etc. They will also contribute to ensure more effective communication, which is one of CSE's goals. It is a joint effort involving personnel from all CSE's departments, sharing a common goal and a spirit of cooperation.

The aims of the seminars are specific, practical and feasible and have been determined taking into consideration the special features of the Cyprus market. In this way, the participants will be able to fully understand the modus operandi of the Stock Exchange Markets and the Central Securities Depository and Central Registry as well as the new development initiatives and the institution as a whole.

It should be noted that the efforts of the Stock Exchange are aided by the Human Resource Development Authority which approves and supports specific CSE seminars by sponsoring all participants.

CSE seminars sponsorship is approved by

the Human Resource Development Authority of Cyprus (HRDA) by the submission of the relevant documentation and the completion of the required procedure (program analysis / program description / meeting deadlines etc) as stipulated in the Authority's "Policies and Procedures Guide".

Following a thorough examination and assessment of the most substantial information in the documents submitted as regards the successful carrying out of the training program, HRDA announces to each training Organization its decision on sponsoring the relevant programs or not.

The CSE has conducted two training programs over the year 2009 in cooperation with HRDA on issues related to the activities and new initiatives of the Stock Exchange (listing of securities) and more specifically:

- a) Regarding the New Stock Exchange Market "Emerging Companies Market" which took place on Tuesday 13 October 2009 at the Cyprus Chamber of Commerce and Industry premises. Corporate executives, Investment Firms (Ifs) and auditing firms managers etc. responded positively and had the opportunity to receive clear and detailed information on the prerequisites and operation processes involved and also for listing securities in the CSE's new market.
- b) "Corporate Governance / CSE" Company listing procedure / Information and Changes / Market Maker which took place on Tuesday 8 December 2009 at

the CCCI building. High ranking executives of listed companies and Members, auditing firms managers and executives of listed companies responsible for stock exchange compliance issues, attended the seminar in order to be informed on the amendments of the CSE Corporate Governance Code and the procedures that must be followed to resolve any problems faced by listed companies as well as the introduction of the Market Maker role, a supportive instrument in the market which can contribute to increasing securities trading at the CSE.

It is worth mentioning that the CSE has obtained the relevant specification approval by HRDA and will conduct two more seminars over the first half of 2010 (January-June) on issues relating to the Central Registry, managed by the CSE such as:

- a) "Settlement and Clearance – Central Securities Depository/Central Registry Services". The program will take place on Wednesday 14 April 2010 at the Cyprus Chamber of Commerce and Industry premises. It is addressed to representatives of CSE members, custodians at the CSE and representatives of CSE listed companies. The participants will have the opportunity to be informed on the procedures of the Market, the services rendered and the changes put forward, so as to acquire more knowledge on the abovementioned issue and achieve a better implementation

of the relevant procedures.

- b) "Clearance and Central Registry / Developments in the European Union / Target 2 Securities – Link Up Markets etc". The program will take place on Friday 18 June 2010 at the Cyprus Chamber of Commerce and Industry premises. It is intended for representatives of CSE members, custodians of the CSE and representatives of companies listed at the CSE. The participants will have the opportunity to be informed on the CSE's development projects with regard to Clearance and Central Depository/Registry (CSD) as well as on the new developments in Europe, so as to acquire further knowledge in relation to the abovementioned issue in order for the market factors affected to be prepared accordingly.

The CSE's efforts have been very successful so far, attracting considerable interest by the Market's representatives. The Stock Exchange will continue its efforts to conduct seminars aspiring to the most positive results possible. The objective is to implement appropriate plans, in order for the CSE to continue on its path towards further growth.



**CYPRUS STOCK
E X C H A N G E**

71-73 Lord Byron Avenue
1096, Nicosia, Cyprus
P.O. BOX 25427
Nicosia, 1309, Cyprus
Tel. (357) 22 712300
Fax: (357) 22 570308
Email: info@cse.com.cy
Website: www.cse.com.cy