



***CYPRUS FINANCIAL SERVICES
FIRMS ASSOCIATION***

Annual Report
for the year ended on 31st December 2008



Members of the Board of Directors 2008

Yiannis Ioannou (as of 11/04/2008) Christodoulos Ellinas (until 11/04/2008)	Chairman
Andreas Koufkis (as of 11/04/2008) Yiannis Ioannou (until 11/04/2008)	Vice-Chairman
Stavros Hadjikyriacou (as of 11/04/2008) Petros Economides (until 11/04/2008)	General Secretary
Anna Sofroniou (as of 11/04/2008) Stavros Hadjikyriacou (until 11/04/2008)	Organizational Secretary
Michael Xiouros	Treasurer
Costas Toumpouris Petros Economides (as of 11/04/2008) Anna Sofroniou (until 11/04/2008)	Members

Honorary President

Louis Clappas

Executive Secretary

Maria Miltiadou

Legal Advisors

Antis Triantafyllides & Sons

Auditors

KPMG Limited

Chairman's Statement

The year 2008 was an extremely difficult year for the financial services industry, globally. The financial crisis that first erupted in the US and the severe recession that ensued in essentially all parts of the world in 2008, has been declared to be the worst since the 1929 depression.

The global economic downturn and the severe fall in most of the major international stock exchanges started at the beginning of the year and continued until the summer. But nobody could have envisioned the turn of events that have followed. In mid September 2008, the collapse of Lehman Brothers, the US investment bank, was just the beginning of a major upheaval in financial markets. Confidence in the financial system essentially vanished while major indices reached multi year lows. At the peak of the crisis, major financial markets were virtually paralysed.

These dramatic developments led governments, central banks and international organisations all over the world to intervene and, through concerted efforts, to adopt emergency measures aiming to avoid the collapse of the financial system, bring back stability and prevent a further deterioration in the real economy. These measures included coordinated reductions in interest rates internationally and the adoption of specific measures to bring back confidence in the markets and to revive the functioning of the money markets.

In this dramatic global environment, it became evident that Cyprus could not have escaped the storm of the international financial crisis and that it would have severely been affected. Economic growth slowed down considerably and the Cyprus Stock Exchange recorded extensive losses reaching 77%. However, the situation would have been much worse if Cyprus, hadn't, as of 1st January 2008, joined the eurozone along with Malta as eurozone's new members. This was the single most important factor that has prevented a series of more serious repercussions, on Cyprus.

Additionally and in contrast to what happened in the US, Europe and in other developed countries, Cyprus has not experienced any serious problems in the functioning of its financial and banking system. That was mainly due to the financial institutions' relatively limited involvement and exposure in what became to be known as the "toxic" products industry. The risk averse profile of the Cypriot financial institutions their unwillingness to take risks in areas they did not understand well and to stay away from these investments, has paid off.

In this extremely volatile and unstable environment in the global financial markets, the Cyprus Financial Services Firms Association (CFSFA) assisted its Members to cope with developments in the markets where they are mostly engaged. Through a series of events, meetings, activities and presentations, which are outlined in more detail in this Annual Report, we strived to promote the integrity and stability of our financial markets here in Cyprus and the professional reputation and ethics of our Members. Through various consultations and meetings with authorities both in Cyprus and

abroad, the Association pursued the best interests of its Members. We had numerous meetings, discussions and consultations with the Ministry of Finance, the Cyprus Securities and Exchange Commission, the Central Bank of Cyprus, the Cyprus Stock Exchange, the Athens Exchange and various working Committees of the House of Representatives (Parliament), among others. We also organised a number of seminars and lectures, whose purpose was to educate the staff of our Members in areas of common interest and on current developments.

All in all, in these difficult times, the Association had quite a busy year and tried to do its utmost to promote and support the interests of all of its Members.

Finally, on behalf of all of my colleagues in the Board of Directors, I would like to thank, our Executive Secretary for her exceptional dedication and work, our legal advisors Antis Triantafyllides and Sons, our auditors KPMG and the Cyprus Chamber of Commerce and Industry for their valued services and excellent cooperation. Last but definitely not least, I would like to thank all of our Members for their trust, continued support and cooperation and to ensure them that we will continue to pursue the Association's main objectives and goals with a view to further promoting the interests of our Members and the financial services industry as a whole.

Yiannis Ioannou
Chairman

Annual Report 2008

Introduction

During 2008, the Board of Directors of the Cyprus Financial Services Firms Association (CFSFA) assumed an active role. Its contribution in shaping the legislative and operational framework in Cyprus was evidenced by the numerous consultation meetings in which it participated.

More specifically, the major events, activities or functions in which CFSFA had an active role or participation during 2008, are outlined below:

With the aim of providing useful information about its actions, activities and results during the year 2008, the Board of Directors of the Cyprus Financial Services Firms Association, publishes the Annual Report for the year ended on 31 December 2008.

The Annual Report is comprised of four basic parts:

The first part focuses on the Association's internal management and organisational framework as recorded in the directives and decisions of the meetings of the Board of Directors.

The second part includes the objectives set for the year 2008 as recorded in the decisions of the Annual General Meeting for the year 2007.

The third part includes the objectives set for the year 2009.

The fourth part includes the following annexes:

- Permanent Steering Committees (Annex 1)
- Meetings of the Board of Directors (attendance list) (Annex 2)
- List of Members (Annex 3)
- Annual Balance Sheet and Income and Expenditure Statement for the year ended on 31 December 2008 (Annex 4)

1. Organization - Management

Part 1

1.1. Organizational Framework

The Cyprus Financial Services Firms Association (CFSFA) is governed by its Board of Directors, whose members are elected by member Investment Firms (IFs). CFSFA is a partner association of CIFA (Convention of Independent Financial Advisors).

During 2008, CFSFA employed one person on a full time basis, namely its Executive Secretary. The operations of CFSFA are divided in to the following categories:

(a) General meetings of the Association

11 April 2008: Annual General Meeting for the year ended on 31 December 2006–Special Business (Amendments of the Articles of Association– Elections).

3 October 2008: General Meeting for the Members of the Association, which are Members on the Cyprus Stock Exchange and Athens Stock Exchange.

5 December 2008: Annual General Meeting for the year ended on 31 December 2007 – Special Business (Amendments of the Articles of Association)

(b) Meetings of the Board of Directors

Between January 1st and December 31st 2008, eleven (11) Board of Directors meetings have taken place.

An attendance list for the meetings of the Board of Directors is provided in Annex 2 of the present annual report.

(c) Representation of CFSFA in Committees.

Officers of the Association, participate in the following committees:

- Administrative Committee of the Investors' Compensation Scheme Fund, for Customers of CIFs and other IFs.
- Administrative Committee of the Corporate Governance Code, organised by the Cyprus Stock Exchange.
- Advisory Committee of the FTSE/CySE 20.

(d) Participation in meetings at a National and European Union level

9 May 2008: Meeting with the Minister of Finance

The Minister of Finance, Mr. Charilaos Stavrakis accepted the request of our Association for a meeting with the Board of Directors. A number of various issues were discussed during the meeting, and particularly as follows:

- Privatisation of the Cyprus Stock Exchange (CSE) - representation of the Association on its BoD
- Establishing Cyprus as a Global Financial Centre – Attract foreign investment funds in Cyprus
- Mutual Funds – tax regime

- Capital gains tax
- Bonds – suggestions for promoting the market
- Social Security Fund – investment policy.
- Certification of employees of Investment Firms – comments relating to the content of the examinations
- Legislation – request for simultaneous translation in the English language

27 August 2008: Meeting with the Governor of the Central Bank of Cyprus

The Board of Directors held a meeting with the newly appointed Governor of the Central Bank of Cyprus, Mr. Athanasios Orphanides. The discussion focused on the onset of the global economic crisis and its impact on the Cyprus economy as well as on the issue of establishing Cyprus as a global financial centre.

30 September 2008: Meeting with IMF

A delegation from the International Monetary Fund visited Cyprus, as part of its scheduled assessment of the financial sector of Cyprus (Financial Sector Assessment Programme 2008) and held a meeting with the Association's Board of Directors. The aim of the assessment was to evaluate the extent to which CySEC has implemented the Core Principles of Securities Regulation of the International Organisation of Securities Commissions (IOSCO).

Ministry of Finance:

Two meetings were held at the Ministry of Finance on 19 September 2008 and on 18 December 2008 on the issue of establishing a Financial Ombudsman in the Republic of Cyprus. The Association was invited and attended the meetings.

One meeting was held on 16 October 2008 regarding the proposed bill under the heading of: "The Cyprus Securities and Exchange Commission Law" with the participation of the Association.

One meeting took place on 9 December 2008 during which the Association expressed its views on the proposed plan of C.S.E. for the establishment of the Emerging Companies Market.

House of Representatives – Committee on Legal Affairs:

The Association was invited and attended three sessions of the Committee on Legal Affairs, on 5 June 2008, on 16 September 2008 and on 11 December 2008 during the discussion of the bill: "The Financial Ombudsman of the Republic of Cyprus".

House of Representatives – Committee on Financial and Budgetary Affairs:

This Committee met on 22 September 2008 and on 13 October 2008 and examined the proposed bill: "The Cyprus Securities and Exchange Commission Law". The Association attended the sessions and expressed its views.

Cyprus Securities and Exchange Commission (CySEC):

One meeting took place on May 6, 2008 during which the following issues were discussed:

- Implementation of MiFID by IFs
- Capital Adequacy – Request for a seminar
- Prevention of money laundering– consultation paper
- Transaction Reporting System – reporting from C.S.E.
- Omnibus accounts – re the status quo in Greece
- Squeeze out
- Derivates Market –IFs need the approval of CySEC
- Prospectuses – request to be accepted both in the Greek and English languages

Cyprus Stock Exchange (CSE): During 2008, six meetings were held with the Cyprus Stock Exchange, focusing on the following issues:

- The establishment of a Derivatives Market.
- Possible cooperation with Citigroup for the establishment of a platform for securities trading in major foreign markets.
- Price Fluctuation Limits
- C.S.E pricing policy.
- Auxiliary Fund. Review of its framework.
- Regulatory Decision concerning procedures for acceptance, clearing and settlement of transactions following a public offer or a squeeze out.

(e) Circulars

In 2008, ten Circulars were distributed to all Members of the Association, covering the following subjects:

- Application to appoint a new representative for the Association
- Annual General Meeting
- Internal procedure manual – new deadline
- Candidacies and amendments
- New Board of Directors
- Audited accounts – suitability report
- Presentation – “Today’s U.S. economy”
- New address for the administration office of the Association
- Annual General Meeting
- Annual General Meeting (reminder)

Additionally, seven Circulars were forwarded during 2008 only to the Members of the Cyprus and Athens Stock Exchanges, covering the following subjects:

- Public holidays on C.S.E and ATHEX
- Derivative Market – presentation – rules and regulations (ATHEX)
- Meeting next Friday
- Seminar and Certification on Derivatives
- Seminar and Certification on Derivatives (details)
- Renewal of annual license on C.S.E.
- Transaction reporting system – urgent

(f) Educational / Training seminars – Events

7 October 2008: Presentation – “The subprime debt effect on US and global markets”. Speaker: Mr James Carouso, Economic & Financial Officer, American Embassy

22-23 November 2008: Seminar – Rules and Regulations governing the operation of the Derivatives Market in Athens Stock Exchange. Speaker: Mr Andreas Georgopoulos - HELEX

1.2 Management

In the course of the year 2008, the following articles of the Articles of Association were activated:

<p>Article 4 - Members</p>	
<p>Article 7 (a) Subscription/ Right of registration</p>	<p>The paragraphs of both Articles were activated for the registration of three new Members: Atlas Capital Financial Services Limited, TD Investments Limited and Axia Ventures (Cyprus) Limited.</p>
<p>Article 4 “...In the case where a representative ceases to be employed by the Member, the Member must notify the name of the replacement at the latest within a week from the dismissal. The new nomination will last until the end of the full term of the representative who was replaced.</p>	<p>This provision was activated in the case of Alpinex Financial Services (Cyprus) Ltd. The Member appointed Mr. Panicos Panayi as its representative until 31/12/2010. Mr. Panayi replaced Mr. Aris Gregoriades as of 20/07/2008. The Member nominated its new representative within the time limit provided for in the Articles of the Association.</p>
<p>Article 9 Obligations and Rights of Members c. Suspension of a Member A Member of the Association is suspended when: (i) delays paying its subscriptions for more than a three-month period ... (vii) ceases to be an Investment Firm</p>	<p>This provision was activated in the case of Euroxx AXEΠEY</p> <p>This provision was activated in the case of Nikitas Brokerage Limited (22/02/2008).</p>

A list of the Members of the Association for the year ended on 31 December 2008 is provided in Annex 3 of the Annual Report.

2. *Review of the goals set for the year 2008*

Part 2

2.1 *Promotion and support of the Members interests*

Mission accomplished through the participation of the Board of Directors in meetings at a national and European Union level, as well as through the submission of reports, petitions and memorandums before the Ministry of Finance, the House of Representatives, the Cyprus Stock Exchange, the Cyprus Securities and Exchange Commission, the Athens Stock Exchange, the Hellenic Capital Market Commission, and other Authorities.

2.2 *Seminars and other events*

Two seminars were scheduled to take place during 2008. The first one concerning the operation of the Derivatives Market in the Athens Stock Exchange took place in late November 2008. The second one regarding the Directive for the Prevention of Money Laundering and Terrorist Financing was postponed due to the fact that the relevant Directive was not published / enacted.

3. *Plan of actions for the year 2009*

Part 3

3.1 Promotion and support of the Members' interests

The Board of Directors will continue all actions needed to accomplish the target. The main aim of the Board of Directors remains the frequent and close cooperation between the Association and the supervisory authorities in Cyprus and abroad. Furthermore, the Board of Directors places great importance to the continuous upgrading of its internal organisation in order to be able to deal in a timely fashion, effectively and efficiently, with its increasing responsibilities for the Members of the Association. In this framework, the Board of Directors is at the final stages of establishing and implementing a better communication policy with its Members.

3.2 Annual General Meeting for the year 2008

Pending that the problem which came up regarding the legal status of the Association will be resolved, the Annual General Meeting for the year ended on 31 December 2008 is planned to be held towards the end of 2009.

3.3 Seminars and other events

Rescheduling of the training Seminar set for the year 2008, regarding "The Prevention and Suppression of Money Laundering Activities Law 2007" and the Directive of the Cyprus Securities and Exchange Commission for the Prevention of Money Laundering and Terrorist Financing. Planned for the end of June 2009.

3.4 Publications

The handbook for the Investors' Compensation Fund for clients of CIFs will be available both in Greek and in English, when the revised edition for the Rules and Regulations of the ICS will be published.

3.5 Membership Certificate

When the problem regarding the legal status of the Association will be resolved, the certification will be sent to the Members.

Permanent Steering Committees

In order to meet the needs of Members and operate efficiently and proactively, the Association has established the following permanent internal Advisory Committees:

1. **Committee for Legal Affairs**
During the year, the Committee examined sixteen proposed bills or consultation papers issued either by the Ministry of Finance, or by the Cyprus Securities and Exchange Commission, or by the Cyprus Stock Exchange. Among them, was the proposed bill on the establishment of a Financial Ombudsman in Cyprus and the consultation paper on the prevention of money laundering and terrorist financing.
2. **Educational / Training Committee**
Activated for the organization of the seminar: “Rules and Regulations governing the operation of the Derivatives Market in Athens Stock Exchange.
3. **Mass Media Committee**
Activated in two cases. In February 2008, when “In Business” magazine required an interview by the Chairman (at the time, Mr. C. Ellinas) and in November 2008, when “Stockwatch” website required an interview by the Chairman (Mr. Yiannis Ioannou).

Meetings of the Board of Directors
Attendance List

Between January 2008 and December 2008, eleven (11) meetings of the Board of Directors took place.

Attendance to the meetings was as follows:

Yiannis Ioannou	(Chairman)	11
Christodoulos Ellinas	(until 11/04/2008)	2
Andreas Koufkis	(Vice-Chairman)	8
(as of 11/04/2008)		
Stavros Hadjikyriacou	(General Secretary)	7
Anna Sofroniou	(Organisational Secretary)	8
Michael Xiouros	(Treasurer)	8
Costas Toumpouris	(Member)	7
Petros Economides	(Member)	3

List of Members for the year ended on 31 December 2008 (alphabetical)

1. Alfa Capital Holdings (Cyprus) Limited
2. Alpha Finance A.E.Π.E.Y.
3. Alpinex Financial Services (Cyprus) Limited
4. Argus Stockbrokers Limited
5. Atlantic Securities Limited
6. Atlas Capital Financial Services Ltd (as of 31/03/2008)
7. Axia Ventures (Cyprus) Limited (as of 31/03/2008)
8. Cooperative Central Bank Ltd
9. DFG Capital (Cyprus) Ltd
10. EFG Eurobank Χρηματοπιστωτική Α.Ε.Π.Ε.Υ.
11. Egnatia Financial Services (Cyprus) Ltd
12. EuroOrient Securities and Financial Services Ltd
13. Fenway Services Ltd
14. Global Capital Securities & Financial Services Ltd
15. Hellenic Bank (Investments) Ltd
16. Laiki Investments (Financial Services) Public Company Ltd
17. Mega-Equity Securities and Financial Services Ltd
18. National Bank of Greece (Cyprus) Ltd
19. NKB Investments Ltd
20. Renaissance Securities (Cyprus) Limited
21. Reserve Invest (Cyprus) Ltd

22. Sharelink Securities and Financial Services Ltd
23. TD Investments Limited (as of 24/03/2008)
24. The Cyprus Investment and Securities Corporation Limited
25. U.F.G.I.S. Trading Ltd
26. Unicredit Aton International Limited