



***CYPRUS FINANCIAL SERVICES
FIRMS ASSOCIATION***

Annual Report
for the year ended on 31st December 2009



Members of the Board of Directors 2009

Yiannis Ioannou	Chairman
Andreas Koufkis	Vice-chairman
Stavros Hadjikyriacou (until 03/11/2009)	General Secretary
Anna Sofroniou	Organizational Secretary
Michael Xiouros (until 20/02/2009)	Treasurer
Costas Toumpouris	Member
Petros Economides	Member

Honorary President

Louis Clappas

Executive Secretary

Maria Miltiadou

Legal Advisors

L. Papaphilippou and Co

Auditors

KPMG Limited

Chairman's Statement

The year 2009 was yet another challenging year for the financial services sector, both globally and in Cyprus and Greece. The negative impact of the global financial crisis which essentially affected the entire world in 2008, spilled over into the real economy in 2009, resulting in a further slowdown in economic growth or even a recession, a serious deterioration of public finances and a substantial rise in unemployment, across the world. At the same time, the likelihood of a collapse of the global banking system continued as a serious threat to markets.

It appears that these were the elements of what could be considered as the most severe economic and financial crisis since the Great Depression of the 1930s. The remarkable thing about this crisis, however, was the speed and extent to which a financial crisis that erupted in the US, spilled over into the whole world, showing the large integration that exists nowadays among markets and economies across the globe.

Reflecting these developments, stock markets around the world declined significantly during the first months of the year. Progressively though, from March 2009 onwards, following the massive support measures implemented by fiscal and monetary authorities, the first signs of stabilisation slowly became visible. Markets have gradually even factored in an economic recovery, and not only they have reversed the negative performance of the first few months, but have also recorded extraordinary returns, later on during the year.

However, during the latter months of the year and despite the still favourable conditions prevailing in the rest of the world, the specific macroeconomic problems facing Greece and the numerous upward revisions of its fiscal deficit had their toll on the equity markets in Greece and Cyprus. The performance of the stock markets in the two countries subsequently fell considerably off their peaks. However, by the end of the year, the Cyprus Stock Exchange (CSE) managed to record satisfactory gains around 45%, while the rise in the Athens Exchange (ATHEX) was a respectable 23%.

All in all, the crisis experienced in 2008 and 2009 has tested the limits of conventional and unconventional policy options available to policymakers around the world. It has also challenged, to some extent, the conventional wisdom regarding the self-correcting nature of financial markets. It forced governments and central banks across the world to take extreme measures and continue their interventions in an effort to support and bringing about stability in their financial systems and their economies in general.

In this highly volatile environment prevailing globally, the financial services sector in Cyprus strived to stay ahead of developments and serve its clientele as best as it could. The Cyprus Financial Services Firms Association, through a series of events, meetings, activities and presentations, which are outlined in more detail in this Annual Report, strived to promote the integrity and stability of the 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, helped them to cope with developments in the markets and guided them through changes in the institutional framework. We had numerous meetings, discussions and consultations with the Ministry of Finance, the Cyprus Securities and Exchange Commission, 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 or on current developments. All in all, the Board of Directors maintained a frequent and close cooperation with the regulatory authorities in Cyprus and Greece, being one of the main objectives and goals of this Association.

Finally, on behalf of my colleagues on the Board of Directors, I would like to thank, our Executive Secretary for her zeal and dedication, our legal advisors L. Papaphilippou and Co, 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 and continued support and I would like 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.

Yiannis Ioannou
Chairman

Annual Report 2009

Introduction

During 2009, the Board of Directors of the Cyprus Financial Services Firms Association (CFSFA) continued to undertake an active role. Its contribution in shaping the institutional, 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 2009, are outlined below:

With the aim of providing useful information about its actions, activities and results during the year 2009, the Board of Directors of the Cyprus Financial Services Firms Association, publishes the Annual Report for the year ended on 31 December 2009.

The Annual Report is comprised of four basic parts:

The first part focuses on the Associations internal management and organisational framework as recorded in the directives and decisions of the meetings of the Council.

The second part includes a review of the goals set for the year 2009 as recorded in the decisions of the Board of Directors meetings.

The third part includes the objectives set for the year 2010.

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 2009 (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 2009, CFSFA employed one person on a full time basis, namely its Executive Secretary. The operations of CFSFA are divided into the following categories:

(a) Meetings of the Board of Directors

Between January 1st and December 31st 2009, four (4) Board meetings took place. An attendance list for the member of the Board of Directors is provided in Annex 2 of the present annual report.

(b) Representation in Committees

Officers of the Association, participate in the following committees:

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

(c) Participation in meetings on a national and European Union level

27 – 29 April 2009: VIIth International Convention of Independent Financial Advisors Forum. The forum was held in the French capital and the Association was represented by its Vice-Chairman. The forum theme was “Recurring Financial jolts and crises. Advance warning signs of a new economic world order”.

20-24 October 2009: Workshop in Athens under the heading of: “X-NET: Efficient Market Access around the Globe. Mr. Andreas Koufkis, the Vice-Chairman of the Association attended the Workshop, following an invitation from the Athens Stock Exchange. Mr Koufkis also held a presentation during the workshop, on the challenges, experiences and opportunities for the ATHEX/CSE members and institutional investors' community, through X-NET.

Ministry of Finance: Six meetings were held on the issue of establishing the Financial Ombudsman in the Republic of Cyprus. The Association was invited and attended all the meetings dated: 20 and 23 January 2009, 26 February 2009, 19 May 2009, 16 October 2009 and 10 November 2009.

House of Representatives – Committee on Legal Affairs: During 2009, the Committee met seven times and continued the discussion regarding the introduced bill “The Financial Ombudsman of the Republic of Cyprus”. The Association was invited and attended all sessions held on 7 and 14 May 2009, on 2, 11 and 18 June 2009, on 17 July 2009 and on 29 October 2009.

House of Representatives – Committee on Financial and Budgetary Affairs: This Committee met on 11 May 2009 and examined the amendments to the legislation “The Securities and Cyprus Stock Exchange Laws”. The Association submitted before the Committee its views in writing. The Association was also invited and attended three sessions of the Committee, on 27 April 2009, on 4 May 2009 and on 15 June 2009, during the discussion of the introduced bill: “The Cyprus Securities and Exchange Commission Law”.

Cyprus Stock Exchange: During 2009, two meetings were held with the Cyprus Stock Exchange, focusing on the following issues:

- Trading methods and operation of the Emerging Companies Market
- Stockbroker Representatives/ Modification of the certification procedures.
- Rights issues/ timetable for listings
- Auxiliary Fund / Signing of a contract with Bank of Cyprus
- Disaster Recovery Centre/ Plan of action/ briefing by C.S.E.
- Special Category Market/ Trading hours

Other meetings - Association of Cyprus Banks and Insurance Association of Cyprus:

The Board of Directors held three meetings with the Association of Cyprus Banks as well as with the Insurance Association of Cyprus. All meetings (27 July 2009, 27 August 2009 and 19 November 2009), were held in reference with the proposed bill “The Financial Ombudsman of the Republic of Cyprus”. The main issues for discussion were the allocation of the annual contributions to each sector (Investment Firms, Banks and Insurance companies), the assurance for the participation of all Associations in the Board of Directors of the Ombudsman, the payroll and allowances of the personnel including the Financial Ombudsman’s remuneration as well as the Ombudsman’s annual publication report. Through these meetings, the Association established a very close collaboration with the other two Associations comprising the financial services sector in Cyprus.

(d) Significant Correspondence:

The Association sent a letter to the Unit of Combating Money Laundering (MOKAS) asking for the participation of the Association in the Advisory Authority for Combating Money Laundering.

Through a letter sent to the Minister of Finance, the Association put down its proposal for the complete abolition of the levy on stock market transactions.

The Association sent out to the Administrative Committee of the Investors' Compensation Scheme its views on the proposed amendments regarding the Regulations on The Establishment and Operation of an Investor Compensation Fund for Clients of CIFs.

A number of letters have been sent to the Ministry of Finance explaining the Association's positions with reference to the proposed bill under the heading "The Financial Ombudsman of the Republic of Cyprus", the proposed amendment of the Cyprus Securities and Exchange Commission Law and the Cyprus Securities and Stock Exchange Law regarding the establishment of the Emerging Companies Market.

(e) Circulars

In 2009, three Circulars were distributed to all Members of the Association, covering the following subjects:

- CIF's obligations to CySEC, by the end of January.
- CESR's Annual Conference
- Prevention of Money Laundering Seminar

Fifteen Circulars were forwarded during 2009 to the Members of the Cyprus and Athens Stock Exchanges, covering the following subjects:

- CSD OnLine - Urgent
- New invoice from CSE – Urgent
- Power of attorney
- Power of attorney – as of 2nd April
- Consultation paper from CSE
- Derivative Certifications
- Transaction Reporting System – Very Urgent
- CSD OnLine – Final agreement
- Securities Trader Certificate – Seminar
- Transaction Reporting System – Very Urgent
- Securities Trader Certificate – Seminar
- Request from CSE
- Application for the presentation of NEA
- Re the presentation of NEA
- Renewal of annual authorisation

(f) Educational / Training Seminars – Events

9 May 2009: Seminar – Securities Trader Certificate Seminar for the Athens Stock Exchange. Presenter: Mrs Athina Kanta/ HELEX.

25 June 2009: Seminar – Prevention of Money Laundering and Terrorist Financing. Certifications of attendance were provided.

Speakers:

- Mrs Eva Papakyriacou/ Head of the Unit for Combating Money Laundering at the Attorney General’s Office,
- Mr. Theodoros Stavrou/ Member of the Unit for Combating Money Laundering – Investigator
- Ms Eftychia Georgiou/ Cyprus Securities and Exchange Commission - Senior Officer – Investment Firms Department
- Mr Charalambos Paraskevas/ Cyprus Securities and Exchange Commission – Officer – Investment Firms Department.

13 November 2009: Presentation – Emerging Companies Market – Regulatory & Operational framework. Introducer: Mrs Demetra Kalogerou Senior officer/ Listing Department of C.S.E.

1.2 Management

In the course of the year 2009, 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 two new Members: United World Capital Limited and WS Financial and Investment Services Limited.</p>
<p>Article 4</p> <p>“...In the case where a representative ceases to be employed by the Member, the Member must notify the name of the replacement... was replaced.”</p>	<p>This provision was activated in the case of Atlas Capital Financial Services Ltd. The Member appointed Mr. Periklis Themistokli as its representative until 31/12/2010. Mr. Themistokli replaced Mr. Stavros Hadjikyriacos as of 03/11/2009. The Member nominated its new representative within the time limit provided for in the Articles of Association.</p>
<p>Article 9</p> <p>Obligations and Rights of Members</p> <p>c. Suspension of a Member</p> <p>...</p> <p>(i) delays paying its subscriptions for more than a three-month period</p> <p>...</p> <p>(vii) ceases to be an Investment Firm</p>	<p>This provision was activated in the case of Axia Ventures (Cyprus) Limited (16/02/2009).</p> <p>This provision was activated in the cases of Egnatia Financial Services (Cyprus) Ltd (01/01/2009), Laiki Investments (Financial Services) Public Company Ltd (20/02/2009), and U.F.G.I.S. Trading Limited (13/07/2009).</p>
<p>Article 11</p> <p>Any Member can submit its resignation ... The Board does not have the right to refuse the resignation.</p>	<p>This provision was activated in the case of NKB Investments Ltd (10/02/2009)</p>

A list of the Members of the Association for the year ended on 31 December 2009 is provided in Annex 3 of the Annual Report.

2. *Review of the goals set for the year 2009*

Part 2

2.1 Promotion and support of the Members interests

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 Securities and Exchange Commission, the Cyprus Stock Exchange, the Athens Exchange, the Hellenic Capital Market Commission, and other Authorities.

2.2 Seminars and other events

The seminar on the Prevention of Money Laundering and Terrorist Financing took place during June 2009. However, due to the rising needs of its Members, the Association organised one additional seminar and a presentation, as outlined above.

3. *Plan of actions for the year 2010*

Part 3

3.1 Promotion and support of the Members interests

The Board of Directors will continue all actions needed to accomplish its target of promoting its Members' interests. 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.

3.2 General Meetings for the years 2008 and 2009

Pending that the problem that came up regarding the legal status of the Association will be resolved, the General Meetings for the years 2008 and 2009 will be held towards the end of 2010.

3.3 Seminars and other events

A presentation regarding the Business Process Network X-NET from Athens Exchange will take place in April.

A presentation for the provision of KYC Services, from InfoCREDIT Group will take place in May.

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 Members.

Permanent Steering Committees

In order to best serve the needs of its Members and operate efficiently and proactively, the Association has established the following permanent internal Advisory Committees.

1. Committee for Legal Affairs

During 2009, the Committee examined five 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, were the proposed bill under the heading “The Financial Ombudsman of the Republic of Cyprus” the proposed Directive on “The prevention of money laundering and terrorist financing” as well as a consultation paper regarding a proposed amendment of the Cyprus Securities and Exchange Commission Law of 2009 on the confidentiality of electronic mail. Please note that before responding to the consultation paper and providing the Association’s views, the Board of Directors sought and obtained the legal assistance of the Legal Advisors of the Association.

2. Educational / Training Committee

The Committee was activated in three cases, for the organization of two seminars and a presentation. Please note that the presentation event: “Emerging Companies Market – Regulatory & operational framework” was organised in co-operation with CSE.

*Meetings of the Board of Directors**Attendance List*

Between January 2009 and December 2009, four (4) meetings of the Board of Directors took place.

Please note that Mr. Michael Xiouros withdrew from the Board of Directors on 20 February 2009 and Mr. Stavros Hadjikyriacos withdrew from the Board of Directors on 3 November 2009. Attendance to the meetings was as follows:

Yiannis Ioannou	(Chairman)	4
Andreas Koufkis	(Vice-Chairman)	4
Stavros Hadjikyriacou	(General Secretary)	0
Anna Sofroniou	(Organisational Secretary)	4
Michael Xiouros	(Treasurer)	1
Costas Toumpouris	(Member)	3
Petros Economides	(Member)	1

List of Members for the year ended on 31 December 2009 (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
7. Cooperative Central Bank Ltd
8. DFG Capital (Cyprus) Ltd
9. EFG Eurobank Χρηματοπιστωτική Α.Ε.Π.Ε.Υ.
10. Fenway Services Ltd
11. FXPRO Financial Services Ltd (rename of the Member EuroOrient Securities and Financial Services Ltd)
12. Global Capital Securities & Financial Services Ltd
13. Hellenic Bank (Investments) Ltd
14. Marfin CLR (Financial Services Ltd)
15. Mega-Equity Securities and Financial Services Ltd
16. National Bank of Greece (Cyprus) Ltd
17. Renaissance Securities (Cyprus) Limited
18. Reserve Invest (Cyprus) Ltd
19. Sharelink Securities and Financial Services Ltd
20. TD Investments Limited
21. The Cyprus Investment and Securities Corporation Limited

22. UniCredit Securities International Ltd (rename of the Member “UniCredit Aton International Limited)
23. United World Capital Limited (as of 20 March 2009)
24. WS Financial and Investment Services Limited (as of 24 June 2009)