



***CYPRUS FINANCIAL SERVICES  
FIRMS ASSOCIATION***

***Annual Report***  
***for the year ended on 31<sup>st</sup> December 2010***



**Members of the Board of Directors 2010**

Yiannis Ioannou	Chairman
Andreas Koufkis	Vice-chairman
Anna Sofroniou	Organizational Secretary
Costas Toumpouris	Member
Petros Economides	Member

**Honorary President**

Louis Clappas

**Executive Secretary**

Maria Miltiadou

**Legal Advisors**

L. Papaphilippou and Co

**Auditors**

KPMG Limited

## *Annual Report 2010*

### *Introduction*

During 2010, the Board of Directors of the Cyprus Financial Services Firms Association (CFSFA) continued to pursue 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 2010, are outlined below:

With the aim of providing useful information about its actions, activities and results during the year 2010, the Board of Directors of the Cyprus Financial Services Firms Association, publishes the Annual Report for the year ended on 31 December 2010.

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 a review of the goals set for the year 2010 as recorded in the decisions of the Board of Directors meetings.

The third part includes the objectives set for the year 2011.

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 2010 (Annex 4) (Pdf-file)

## **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 2010, 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 1<sup>st</sup> and December 31<sup>st</sup> 2010, five (5) 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**

##### **8 June 2010: Meeting with MONEYVAL**

An evaluation team from the European Committee on Crime Problems visited Cyprus, as part of the Fourth Round Evaluation of Cyprus and held a meeting with the Association's Board of Directors. The examiners reviewed the institutional framework, the relevant AML Laws, regulations and guidelines and other requirements, and the regulatory and other system in place to deter money laundering and financing terrorism through financial institutions and designated non-financial business and professions as well as examining the capacity, the implementation and the effectiveness of all these systems.

### **8 November 2010: 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, as follows:

- Representation of the Association on the CSE Board of Directors.
- Capital gains tax
- Bonds/ suggestions for promoting the market
- Social Security Fund/ investment policy
- Provident Funds/ investment policy
- The Financial Ombudsman of the Republic of Cyprus/ representation of the Association on its BoD.
- Private ICIS/ the Minister of Finance reassured that no taxation will be imposed

**House of Representatives – Committee on Legal Affairs:** On 14 January 2010, the Committee held its final meeting regarding the introduced bill “The Financial Ombudsman of the Republic of Cyprus”. The Association was invited and attended the meeting. “The Financial Ombudsman of the Republic of Cyprus Law of 2010” was published in the Official Gazette on 23 July 2010.

### **Cyprus Securities and Exchange Commission (CySEC):**

Two meetings took place, on February 2 and on September 23, 2010 during which the following issues were discussed:

- **CI 144-2009-07: Interest derived from bank account of clients’ funds:** All CIFs, are required to disclose to their clients their policy on this issue. The CIFs, should keep in their records a signed document from their clients, stating explicitly whether the account is interest bearing and the interest rate. This document will either be part of the agreement with the clients, or a separate form.
- **Directive DI 144-2007-06 (Exemptions of Exposures section):** Cyprus Securities and Exchange Commission accepted a relevant request from our Association and included Russia in the list of exempted jurisdictions.
- **Anti-Money Laundering Directive:** The Board of Directors requested the removal of the provision of the Directive referring to the obligation of the client to provide the CIF with a statement of his annual income and his assets. This is a still pending issue.
- **Invoice from the Hellenic Capital Market for the Members of Athens Exchange:** The Chairman of CySEC, reassured the Association that he will contact the Chairman of the Hellenic Capital Market in person, because HCM’s persistence to impose to the Cypriot remote members of ATHEX fees for supervision is contradictory to the European institutional framework.

- **Margin Accounts/** under discussion at the European Parliament level is the transfer of this service from the ancillary part to the Investment services and activities part of the Law.
- **Omnibus accounts/** under discussion at the European Parliament level. A new Directive will regulate this issue.
- **Private ICIS/** No taxation should be imposed.
- **“Closed period” in accordance with the term “close association”/** Both CySEC and CSE will re-examine the issue.
- **Suitability report/** Request not to be submitted by auditors.
- **Investors’ Compensation Scheme/** Consultation paper and AGM.
- **Imposition of administrative fines/** Re-examine the level of the fines imposed by CySEC.
- **Examinations for the certification of employees of Investment Firms/** Comments/complains regarding the examination paper content, the English translation and a requirement for the paper to be released in public, after the exams.
- **Warnings by CySEC to the investors regarding the provision of investment services by non-regulated entities/** Suggestion for publication in daily newspapers so that the general public be informed.
- **Advisory Authority for Combating Money Laundering/** request for the participation of the Association. Still a pending issue both for CySEC and the Association.

**Cyprus Stock Exchange:** During 2010, six meetings were held with the Cyprus Stock Exchange, focusing on the following issues:

- **Auxiliary Fund /** Signing of a contract with Bank of Cyprus/ introduction of a new clearing and settlement system/ risk parameters for cash market/ creation of a new share account in favour of C.S.E. Please note that before responding to the consultation paper regarding the agreement with Bank of Cyprus and providing the Association’s views, the Board of Directors sought and obtained the legal assistance of the Legal Advisors of the Association.
- **Direct clearing Members to ATHEX/** co-operation with CSE for the achievement of the goal.
- **Bonds/** suggestions for promoting the market
- **Disaster Recovery and Continuity Services/** presentation to Members
- **Mutual Funds/** attract registrations
- **Russian market/** campaign for investments in CSE
- **World financial crisis/** brainstorming on the effect for Cyprus and more specifically regarding investments in CSE
- **Common Trading Platform/** full exploitation

**Athens Exchange:** Two meetings were held with the Athens Exchange, one in Cyprus (16 April 2010) and one in Greece (22 July 2010). Both of them were held in reference with the draft version of the ATHEX Clear S.A. Rulebook and more specifically regarding the provision for obtaining the capacity of Direct Clearing Member. The Board of Directors was finally reassured that the Members of the Athens Exchange established in Cyprus, will be able to become Direct Clearing Member if they elect to do so. For this issue, a number of letters have been sent to the Athens Exchange.

**Hellenic Capital Market Commission:** During 2010, the Board of Directors visited Greece (22 July 2010) and held a meeting with the Hellenic Capital Market Commission, in reference with an invoice sent by HCMC to all Members of ASE established in Cyprus. According to HCMC, all the Members of the Association are required to pay an annual fee to the Hellenic Commission, for the supervision of their transactions at ASE. The Board of Directors sought and obtained the legal assistance of Legal Advisors in Greece. The subject is also communicated to the Cyprus Securities and Exchange Commission.

**Provident Fund Registrar:** On October 27 2010, the Board of Directors held a meeting with the Provident Fund Registrar Mr Theophanis Tryfonos and Senior Officers at his office.

**(d) Significant Correspondence:**

Three letters were sent to the Ministry of Finance re:

- (a) The proposal amending Directive 97/9/EC of the European Parliament and of the Council on investor-compensation schemes.
- (b) The proposal for a Directive on Alternative Investment Fund Managers
- (c) The proposed bill on regulating Trustees and Nominees.

The Association insisted for its participation in the Advisory Authority for Combating Money Laundering and for this purpose it sent a letter to the Unit of Combating Money Laundering (MOKAS).

Through a letter sent to the Cyprus Stock Exchange, the Association put down its views, on the proposal of CSE for introducing Joint Investor Share. The Association also sent its suggestions to CSE, in reference with the procedures of updating the clients' database in case of death or deleting legal entities.

The views of the Association on the issuing of Directive DI 144-2007-10 for the General Meeting of the members of the ICF for Clients of IFs were also sent in writing, to the Cyprus Securities and Exchange Commission.

A letter was sent to the Hellenic Capital Marker Commission, explaining the Association's negative position to the abolition of omnibus accounts.

Through a letter to the Chairman of the Parliamentary Committee on Labour and Social Insurance, Mr Pambis Kyritsis, the Board of Directors requested its representation before the Committee during the discussion of the introduced Directives re Provident Funds and Pension Funds.

**(e) Circulars**

In 2010, three Circulars were distributed to all Members of the Association, covering the following subjects:

- KYC Presentation from InfoCREDIT GROUP
- Exemptions of exposures from Russia in CRD
- Reminder re AGM of the ICF for IFs' Clients

Seven Circulars were forwarded during 2010 to the Members of the Cyprus and Athens Stock Exchanges, covering the following subjects:

- Meeting on Friday - Urgent
- Invoice from HCMC
- Briefing re invoice from HCMC and for becoming direct clearing members of ASE
- Briefing on all pending issues re HCMC and ASE
- Meeting of Tuesday – presentation from ASE on XNET services
- Re Epikouriko C.S.E
- Renewal of annual authorisation

**(f) Educational / Training Seminars – Events**

**16 April 2010: Presentation – XNET Overview and Implementation Roadmap.**

**7 May 2010: Presentation – KYC Services from InfoCREDIT GROUP.**

**14 September 2010: Presentation – XNET services (follow up).**



## 1.2 Management

In the course of the year 2010, the following articles of the Articles of Association were activated:

<p><b>Article 4 - Members</b></p> <p><b>Article 7 (a) Subscription/ Right of registration</b></p>	<p>The paragraphs of both Articles were activated for the registration of three new Members: P.I.Provident Investments Ltd, IronForex Limited and Prochoice Chrmatistiriaki Limited.</p>
<p><b>Article 11</b></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 cases of DFG Capital (Cyprus) Ltd (01/01/2010) and National Bank of Greece (Cyprus) Ltd (01/01/2010)</p>

A list of the Members of the Association for the year ended on 31 December 2010 is provided in Annex 3 of the Annual Report.

## **2. *Review of the goals set for the year 2010***

*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**

Two presentations regarding the Business Process Network X-NET from Athens Exchange took place, in April and in September 2010.

Also a presentation for the provision of KYC Services, from InfoCREDIT Group took place in May.

### **3. *Plan of actions for the year 2011***

*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 regulatory 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 Meeting for the years 2008, 2009 and 2010**

The General Meetings for the years 2008, 2009 and 2010 will be held by the end of March 2011.

#### **3.3 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.

#### **3.4 Membership Certificate**

The certification will be sent to Members by the end of March.

**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 2010, the Committee examined two proposed bills and two consultation papers issued by the Ministry of Finance, as well as one consultation paper issued by the Cyprus Securities and Exchange Commission.

2. **Educational / Training Committee**

The Committee was activated in three cases, for the organization of three presentations.

*Meetings of the Board of Directors*

*Attendance List*

Between January 2010 and December 2010, five (5) meetings of the Board of Directors took place.

Attendance to the meetings was as follows:

Yiannis Ioannou	(Chairman)	5
Andreas Koufkis	(Vice-Chairman)	5
Anna Sofroniou	(Organisational Secretary)	5
Costas Toumpouris	(Member)	3
Petros Economides	(Member)	1

**List of Members for the year ended on 31 December 2010 (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. EFG Eurobank Χρηματιστηριακή Α.Ε.Π.Ε.Υ.
9. Fenway Services Ltd
10. FXPRO Financial Services Ltd
11. Global Capital Securities & Financial Services Ltd
12. Hellenic Bank (Investments) Ltd
13. IronForex Limited (as of 17 November 2010)
14. Marfin CLR (Financial Services Ltd)
15. Mega-Equity Securities and Financial Services Ltd
16. P.I.Provident Investments Ltd (as of 26 January 2010)
17. Prochoice Chrimatistiriaki Ltd (as of 17 November 2010)
18. Renaissance Securities (Cyprus) Limited
19. Reserve Invest (Cyprus) Ltd
20. Sharelink Securities and Financial Services Ltd
21. TD Investments Limited

22. The Cyprus Investment and Securities Corporation Limited
23. UniCredit Securities International Ltd
24. United World Capital Limited
25. WS Financial and Investment Services Limited