

# The Cyprus Stock Exchange - IPO Overview

## 1. Regulatory Background

### 1.1 Overview of Regulatory Background

The Cyprus Stock Exchange (CSE) of the Republic of Cyprus (Cyprus) commenced operations as a legal entity in the form of a public corporation body on 29 March 1996 by virtue of The Cyprus Stock Exchange Laws and Regulations that were initially passed by the House of Representatives in 1993 and 1995 (as thereafter amended), respectively.

The CSE is a regulated market where all transactions concerning corporate and public securities are carried out (including inter alias, transactions involving securities such as stocks, bonds and warrants). The main participants in the market are the Members of the Stock Exchange (stock brokerage firms), the listed promoters and the investors.

The listing prerequisites are laid out in the Regulatory Administrative Act 326/2009 (Statutory Instrument) known under the short title of “The Listing of Securities on the CSE, Continuous Obligations of the Stock Exchange Issuers, Rights / Fees of the Stock Exchange etc”.

In 2005, the Council of the CSE, with the agreement of the Cyprus Securities and Exchange Commission (CySEC), decided to separate listed companies into different markets based on certain prerequisites. The basic listing prerequisites for each market are determined in the Council of the CSE Regulatory Administrative Act 326/2009 (as amended from time to time).

There are ten (10) regulated markets on the CSE (each a Market<sup>1</sup>); these are:

1. Main Market
2. Parallel Market
3. Alternative Market
4. Investment Firm / Companies Market
5. Large Project Market
6. Ocean-going Shipping Market
7. Special Category Market<sup>2</sup>
8. Corporate Bonds Market

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<sup>1</sup> Since 1 October 2009 a new market “Emerging Companies Market” is in operation by CSE. Please refer to paragraph 13 for further information.

<sup>2</sup> The Special Category Market (SCM) operates only within the CSE where, by a decision of the Council of the CSE, a company may be moved into this category if it is considered not to comply with the obligations of the market to which it is classified. The company remains in the SCM until it becomes compliant.

## 9. Government Bonds Market

## 10. Organisations of Collective Investment Funds Market

In addition, on 30 October 2006, the ATHEX (Athens Stock Exchange: Market Greece) and CSE Common Platform commenced operations. The Common Platform established a homogeneous, effective and efficient environment for trading, clearing / settlement and registry services in ATHEX and CSE securities markets, compliant with the standards set by the European Union and the developed capital markets worldwide.

This "Common Platform" environment enables direct market participants (trading & clearing members) of one exchange market to easily become active in the other market, through the aforementioned systems and the connection established between the two regulated markets. Thus, all types of investors (Greek, Cypriot or international) will be able to decide and implement their investment strategy on equities / bonds traded in ATHEX and / or CSE markets, through the market participants of their choice, enjoying the same speed, reliability and safety in the execution of their orders, regarding the technological infrastructure and services provided by the two regulated markets.

### 1.2 Regulatory Entities

The regulatory entities involved in a listing are:

- the Cyprus Securities and Exchange Commission (CySEC);
- the Cyprus Stock Exchange (CSE);
- the Central Bank of Cyprus (where the listed company is a banking institution); and
- the Ministry of Finance (for Government Bonds).

### 1.3 Required Approvals

All securities, with the exception of bonds issued by the Government of Cyprus, obtain a listing following the approval of the Council of the CSE, with the consent of CySEC. Bonds issued by the Government of Cyprus are quoted following a decision taken by the Minister of Finance, which is announced to the Council of the CSE.

## 2. Listing Criteria

### 2.1 Suitability / Eligibility of Listing Applicant

For a company to be listed on the CSE it must fulfill the General Conditions for Listing and the Special Conditions for Listing of the market that it intends to be listed on.

The general conditions for listing are set out below:

- The company must be incorporated and operating as a public company authorised to issue shares to the public.
- The company must be authorised to issue specific securities pursuant to its memorandum of association and articles of association or any other instrument.
- The listing must concern all the securities of the same category that have or will be issued.
- It must propose the listing of freely negotiable securities.
- It must satisfy the Council of the CSE that it possesses adequate working capital.
- It must not undertake any commitments in a way that are incompatible with the interests of its other shareholders.
- It must secure equal treatment to all beneficiaries of securities of the same category.
- It must provide every necessary guarantee for the protection of investors.
- It must ensure that any future issue will be offered first to existing shareholders, pro rata according to the amount of the promoter's capital held by each.
- It must propose the listing of fully paid securities.
- It must be ready and able to deliver its register in electronic form, in accordance with CSE specifications to the Central Securities Depository and Register.
- The major part of its revenues or assets must not come from or be connected with ocean-going shipping activities, unless the application relates to the Ocean-Going Shipping Market.
- In the case of an investment firm or company, the application must relate to the Investment Firm / Companies Market.

In addition, depending upon which market the promoter intends the Company to be listed on, there are special listing conditions, as shown in the table below in summary form:

<b>SPECIAL LISTING CONDITIONS</b>						
<b>Special Listing Conditions</b>	<b>Main Market</b>	<b>Parallel Market</b>	<b>Alternative Market</b>	<b>Investment Firm Market</b>	<b>Large Project Market</b>	<b>Ocean-going Shipping Market</b>
<b>Stock Exchange Value (and)</b>	€ 15 m	€ 3.5 m	€ 1 m	€ 1 m	€ 15 m	€ 17 m
<b>Equity Capital (or)</b>	€ 8.5 m (previous	€ 3 m (previous		Over 90% of	20% < of nominal	€ 8.5 m (previous

<b>SPECIAL LISTING CONDITIONS</b>						
<b>Special Listing Conditions</b>	<b>Main Market</b>	<b>Parallel Market</b>	<b>Alternative Market</b>	<b>Investment Firm Market</b>	<b>Large Project Market</b>	<b>Ocean-going Shipping Market</b>
	year)	year)		estimated stock exchange value (previous year)	value of its capital (previous year)	year)
<b>Equity Capital</b>	€ 13.6 m (2 previous years)	€ 5 m (2 previous years)	€ 1 m (2 years before listing)	-	€ 12 m and the nominal value of its share capital 20% < of the amount of own equity	€13.6 m (2 previous years)
<b>Dispersion</b>	25% or 1000 persons (hold <2%) (no shareholder controls more than 70%)	20% or 300 persons (no shareholder controls more than 5%) <sup>3</sup>	10% or 100 persons (no shareholder controls more than 75%) <sup>4</sup>	25% or 100 persons (hold <2%) (no shareholder controls more than 70%)	25% or 300 persons (hold <2%) (no shareholder controls more than 70%) <sup>5</sup>	25% or 300 persons (no shareholder controls more than 70%)
<b>Profitability</b>	2 of 3 or 3 of 5	-	-	-	-	-
<b>Audited Financial Results</b>	"4, with net positive position" <sup>6</sup>	"3, with net positive position"	2	3	-	"5, with net positive position" (previous 5 years)
<b>Quarterly Results</b>	Yes	-	-	-	-	-
<b>Qualified Auditor's Report</b>	NO	-	-	-	NO	NO
<b>Corporate Governance Code</b>	Fully	Partly (C3)	-	-	Fully	Fully

<sup>3</sup> In case if a newly established issuer or of an existing issuer for which a public offer has been made CSE may allow 80% to be held by a shareholder.

<sup>4</sup> In case if a newly established issuer or of an existing issuer for which a public offer has been made CSE may allow 90% to be held by a shareholder.

<sup>5</sup> CSE may approve lesser percentage of dispersion if it considers that that will not impair the operation of the market.

<sup>6</sup> CSE may accept that the issuer provides only two (2) year audited financial statements if it considers that will not impair the ability of the investors to assess the value of the issuer's securities.

<b>SPECIAL LISTING CONDITIONS</b>						
<b>Special Listing Conditions</b>	<b>Main Market</b>	<b>Parallel Market</b>	<b>Alternative Market</b>	<b>Investment Firm Market</b>	<b>Large Project Market</b>	<b>Ocean-going Shipping Market</b>
<b>Issue Price</b>	>€0.26	-	-	-	-	>€0.26
<b>Web Site</b>	Yes	-	-	-	Yes	Yes
<b>Marketability</b>	5%	2%	1%	1%	5%	5%

## 2.2 Track Record Requirement

The number of years for which the company must have been trading depends on which market the company intends to list its shares on. The requirements are as follows:

- Main Market: at least four (4) years and to have submitted to the authorities its audited accounts.
- Parallel Market: at least three (3) years and to have submitted to the authorities its audited accounts. CSE may accept the listing of a newly established issuer, if it considers that the information provided to the investors enables the investors to appreciate the status of the issuer's securities.
- Alternative Market: at least two (2) years and to have submitted to the authorities its audited accounts. CSE may accept the listing of a newly established issuer, if it considers that the information provided to the investors, enables the investors to appreciate the status of the issuer's securities.
- Investment Firms / Companies Market: at least three (3) years and to have submitted to the authorities its audited accounts. A newly formed investment firm / company may apply for listing provided that its investment policy may not be altered in the three years following the date of listing.
- Large Project Market: Not applicable.
- Ocean-going Shipping Market: at least five (5) years and to have submitted to the authorities its audited accounts. A newly incorporated company may be listed in this market if the Council of the CSE is satisfied that satisfactory information has been provided to the investors to allow them to form a correct appreciation of such company.
- Corporate Bonds Market: at least three (3) years and to have submitted to the authorities its audited accounts.
- Government Bonds Market: where the promoter is a government or a legal entity in the form of a public corporation body, the Council of the CSE reserves the right to exempt such body from any general or special listing requirements.
- Organisations of Collective Investment Funds Market: this market is not operating at this time.

### **2.3 Minimum Market Capitalisation**

The table shown above, Special Listing Conditions, sets out the minimum market capitalisation requirements for listing on different Markets.

### **2.4 Sufficiency of Working Capital**

For a public listed company, the minimum issued share capital required by the Companies Law Cap. 113 is €26,000. The company should also comply with the requirements of the CSE relating to the market on which it is listed.

Under the Companies Law Cap. 113, specific measures must be taken in the event of a significant loss of a company's issued share capital (accumulated losses).

The prospectus must contain a statement of capitalisation and indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured, and indirect and contingent indebtedness) as of a date no earlier than ninety (90) days prior to the date of the prospectus. The promoter, offeror or person asking for the admission of securities to trading on a regulated market, as the case may be, must sign the prospectus. The prospectus must also be signed by at least three executive members of the board of directors of the promoter or the person asking for the admission of securities to trading, and the president of the board of directors and the managing director or managing directors and also the persons stated in the prospectus as responsible for providing the information presented in it (i.e. the underwriter / sponsor / broker).

### **2.5 Eligibility for Electronic Settlement**

It is a general condition that the company must be ready and able to deliver its register in electronic form, in accordance with CSE specifications to the Central Securities Depository and Register.

## **3. Overseas Companies**

A foreign company may be listed on CSE provided that it complies with all regulations and conditions of the CSE and CySEC.

Additionally, the Council of the CSE has the power to accept the listing of securities which have not been listed on the stock exchange of either the country of their origin or the country in which they are mainly circulated, provided that it is satisfied that the reason that such securities have not been listed on the stock exchange of such country does not represent a hazard to investors.

A company listed on a foreign market may apply for a parallel listing on the CSE.

If a company is already listed elsewhere, the time frame for listing will depend on whether, at the preliminary stage, the company has satisfied the Council of the CSE that it complies with the prerequisites for listing. Provided that all applications have been filed and all conditions have been satisfied, the listing may be completed within three (3) months.

If the company is already listed on a foreign exchange, it must submit a preliminary application for listing to the CSE along with confirmation from the foreign exchange as to the status of the company and compliance with its regulations, a suitability questionnaire, a copy of its latest prospectus, and certified copies of its corporate documents or other documents evidencing its legal status. In cases where there will be an offer of new securities to the public for additional listing, the company will also have to submit a prospectus that will have to be approved by the CySEC.

## **4. Shareholding Requirements**

### **4.1 Public Float**

The general and special listing conditions continue to operate as "continuous obligations" of a promoter following admission. There are restrictions on substantial shareholders controlling, either directly or indirectly, a certain percentage of the share capital which percentages differ depending on the Market to which the promoter is classified. The public float requirements for each Market are set out below.

Main Market: At least 25% of the shares of the issuer must be held by the public and by at least 1000 natural or legal persons provided that a major shareholder may not directly or indirectly control more than 70% of the share capital.

Parallel Market: At least 20% of the shares of the issuer must be held by the public and by at least 300 natural or legal persons provided that a major shareholder may not directly or indirectly control more than 70% of the share capital. This percentage may be raised to 80% by a special decision of the Council of the CSE.

Alternative Market: At least 10% of the shares of the issuer must be held by the public and by at least 100 natural or legal persons provided that a major shareholder may not directly or indirectly control more than 70% of the share capital. This percentage may be raised to 90% by a special decision of the Council of the CSE.

Investment Firms / Companies Market: At least 25% of the shares of the issuer must be held by the public and by at least 100 natural or legal persons provided that a major shareholder will not directly or indirectly control more than 70% of the share capital.

Large Project Market: At least 25% of the shares of the issuer must be held by the public and by at least 1000 natural or legal persons provided that a major shareholder may not directly or indirectly control more than 70% of the share capital.

Ocean-going Shipping Market: At least 25% of the shares of the issuer must be held by the public and by at least 1000 natural or legal persons provided that a major shareholder may not directly or indirectly control more than 70% of the share capital.

Corporate Bonds Market: Not applicable.

Government Bonds Market: Not applicable.

There is no legal definition of the term "public", but it is considered to refer to the public in general and all potential investors.

#### **4.2 Restrictions on Major Shareholders**

For the purpose of harmonisation with European Communities (Takeover Bids (Directive 2004/24/EC)) Regulation 2006, Cyprus has implemented the Takeover Bids Law for the acquisition of securities on regulated markets 2007 (Law No. 41 (I)/2007). In general terms, it provides that where a person, as a result of his / her own acquisition or the acquisition by persons acting in concert with him / her, holds securities of a company which, added to his/her existing holdings of those securities (if any) and the holdings of those securities of persons acting in concert with him / her, directly or indirectly give him / her thirty per cent (30%) or more of the existing voting rights in that company at the date of the acquisition, such a person is required to make a bid at the earliest opportunity to all the holders of those securities for all their holdings at an equitable price.

The law provides for specific exemptions to these restrictions that may be granted following a special application and permission of the CySEC.

#### **4.3 Post IPO Lock-up**

The regulatory authorities, upon approving the listing of shares of a company on the CSE and the prospectus of the company, have the discretionary power to impose lock-up restrictions on "majority shareholders" taking into consideration the special characteristics of each promoter, if the regulatory authorities consider this to be for the benefit of the other investors. However, in general the regulatory authorities exercise this power only in special cases.

### **5. Listing Procedure and Timetable**

The flotation procedure is divided into three stages:

- pre-approval / preliminary stage;
- prospectus stage (CySEC); and
- approval stage.

At the pre-approval stage, the promoter submits to the CSE an application form that includes a Declaration/Questionnaire by the members of the board of directors of the promoter and its memorandum and articles of association (or bylaws). The Council of the CSE may request clarifications or further information and, if it is satisfied that the promoter complies with the prerequisites for listing the CSE will issue a preliminary approval of the listing. Upon the issuance of the preliminary approval the CSE proceeds with an announcement to the public and notifies the CySEC. It is provided that listing and flotation of securities have to be completed within one year from the date of the preliminary approval, unless otherwise approved by the Council of the CSE.

Within thirty (30) days of the preliminary approval, the promoter is required to submit its corporate profile and a declaration by the board of directors of the promoter (including information for the members of the board of directors). Provided that the CSE is satisfied, it will proceed to issue a "pre- approval of listing" setting out any conditions precedents; usually the primary condition being the publication of a prospectus.

The first and second stage can run in parallel in order to save time and costs.

Cyprus has implemented in its domestic legislation Law No. 114(I)/2005 (Law Providing for the Conditions for Making an Offer to the Public of Securities, on the Prospectus to be Published when Securities are Offered to the Public), the Prospectus Directive 2003/71/EC and the Commission's Regulation on Prospectuses (EC 809/2004) which became effective on 1 July 2005. Law No.114(I)/2005 lays down the conditions for drawing up, approval and distribution, as well as the content of the prospectus to be published when securities are offered to the public or admitted to trading on (i) the CSE or on another regulated market operating in the Cyprus; and (ii) every other regulated market outside Cyprus, provided that the home Member State is Cyprus.

In the event that the publication of a prospectus<sup>7</sup> is a prerequisite requirement for the admission of securities to trading, such a prospectus has to be approved by the CySEC, and once approved the promoter may proceed with an offer to the public. The decision of the CySEC regarding the approval or rejection of the prospectus is notified to the promoter, the offeror, or the person applying for admission of securities to trading on a regulated market, as the case may be, within twenty (20) working days of the submission of the draft prospectus. If the CySEC fails to make a decision on the prospectus within the time limits, this will not be deemed to constitute approval of the application. Furthermore, if the CySEC finds that the documents submitted to it are incomplete, it will notify the promoter within ten (10) working days of the submission of the application and, taking into account the need to enhance investor protection and the smooth operation of the capital market, the CySEC may require reasonable adjustments or corrections to be made to the prospectus, which it considers necessary in order to secure transparency in the capital market. In such an event, the time limit shall apply only from the date on which such information is provided by the promoter, the offeror or the person asking for admission to trading on a regulated market.

Once the procedure of the public offer for the allotment and allocation of securities is complete, the promoter proceeds with the filing of applications to the CSE for the listing of its securities on the CSE (approval stage). Such applications include a revised corporate profile accompanied by the prospectus, a list of shareholders / allotment of securities and a declaration of the members of the board of directors.

## **5.1 Marketing the Offer**

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<sup>7</sup> The obligation to publish a prospectus does not apply to the following types of offer: (a) an offer of securities addressed solely to qualified investors; (b) an offer of securities addressed to a limited number of persons; (c) an offer of securities addressed to investors who acquire securities for a consideration of at least fifty thousand EUR (€ 50000) per investor, for each separate offer; (d) an offer of securities whose denomination per unit amounts to at least fifty thousand EUR (€ 50000), provided that the same unit cannot be acquired by more than one investor; or (e) an offer of securities whose total consideration does not exceed one hundred thousand EUR (€ 100.000), which limit shall be calculated over a period of 12 months.

The sponsor / broker, in cooperation with the promoter, undertake the marketing process. Any advertisement or announcement relating either to an offer of securities to the public or to an admission to trading on the CSE or another regulated market, must state that a prospectus has been or will be published and indicate where investors are or will be able to obtain it, or how investors will be able to have access to its full text.

The approved prospectus, which is issued in relation to a public offer taking place in Cyprus or for the admission of securities to trading on a regulated market operating in Cyprus, should be published in at least one of the following forms:

- by insertion in one or more newspapers circulated throughout Cyprus;
- in a printed form to be made available, free of charge, to the public at the offices of the CSE or at the registered office of the promoter and at the registered offices of the underwriters and the investment firms placing, by sale or registration, the securities, including all those that have been authorised to accept the moneys of investors deposited for the acquisition of the securities;
- in electronic form, on the website of the promoter and the website of the underwriters of the issue, placing or offering to the public, including the investment firms placing or selling the securities, as well as those that have been authorised to accept the moneys of investors deposited for the acquisition of the securities, if they exist;
- in electronic form, on the website of the CSE or other regulated market on which the securities are sought to be admitted to trading; or
- in electronic form, on the website of the CySEC.

The CySEC has the power to examine whether the advertising activity and the announcements regarding the offer of securities to the public or the admission to trading on the CSE or other regulated market comply with the applicable legislation and that no misleading or inaccurate information is published to the investors.

Where no publication and approval of a prospectus is required, material information provided by a promoter or an offeror and addressed to qualified investors or special categories of investors, including information disclosed in the context of meetings relating to offers of securities, must be disclosed to all qualified investors or special categories of investors to whom the offer is exclusively addressed.

## **6. Documentary Requirements**

### **6.1 Contents of the Main Listing Document**

The principal listing documents are considered to be:

- Declaration / Questionnaire of Members of the Board of Directors (including the promoter's corporate profile); and

- the prospectus.

In summary, both documents include detailed information in relation to the following:

- the identity of directors, senior management, advisers and auditors of the promoter;
- offer statistics and expected timetable;
- key information concerning selected financial data including capitalisation and indebtedness, reasons for the offer, the use of proceeds drawn from the offer, and the risk factors;
- information concerning the promoter, including his history and his development, accompanied by a business overview of the promoter;
- operating and financial review and prospects, mainly research and development, patents, licenses and trends;
- information regarding directors, senior management and employees;
- information regarding major shareholders of the promoter, any of their transactions with the promoter, and related-party transactions; and
- key financial information including consolidated statements and other financial information and significant changes to those including details about the offer and admission of securities to trading, the plan for distribution, the markets, the selling shareholders, the dilution for the equity securities only and the expenses of the issue.

It should be noted that the prospectus may be drawn up as a single document or may be comprised of separate documents to assist potential investors to make an assessment on the asset value, the financial state, the track record and the prospects of the company that seeks a listing, as well as of the rights associated with the ownership of the titles concerned, in the best possible manner. In any case the contents of the prospectus should comply with Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as it may at times be amended.

As noted above, the CySEC reserves the right upon submission of the prospectus to request any further information, clarifications or details to be included in the prospectus.

## **6.2 Other Documents**

The underwriter of a prospectus may request the preparation of legal / financial due diligence. Such reports are filed with the CySEC and information contained therein may be required to be included in the prospectus.

### **6.3 Articles / Constitutional Documents**

The memorandum and articles of association should not include any restrictions on the offering of securities to the public and the promoter must safeguard the right of existing shareholders to enjoy preemption rights on every subsequent issue, unless the shareholders decide otherwise by a special resolution of the members of the promoter.

## **7. Financial Information**

### **7.1 Audited Financial Statements**

Each company, under Cyprus Companies Law Cap. 113, has to prepare annual audited financial statements. Publicly listed companies are required to announce and submit to the CSE and CySEC their audited accounts for the financial year ended 31 December of the previous year, including their directors report, by 30 April.

### **7.2 Applicable Accounting Statements**

The annual audited financial statements must be in full compliance with International Accounting Standards and where there is a requirement for the publication of "6 or 3 -monthly interim results", the report must be in compliance with the International Accounting Standards 34: Interim Financial Reporting.

### **7.3 Period Covered by the Accounts**

Audited accounts for the required trading record period (as set out under 2.2 above) are required to be included in the prospectus.

### **7.4 Overseas Companies**

An overseas company, in addition to its home country requirements, must also comply with the regulations of CSE and CySEC and if there are any substantive differences, CSE and CySEC may provide for special conditions at their discretion.

### **7.5 Pro Forma Financial Information**

A company may be required to include pro forma financial information in its prospectus if, in the opinion of CySEC, the entire business undertaking at the time of the prospectus is not accurately represented in the historical financial information to be included therein. In general, pro forma information will be required in the case of a significant gross change, with a description of how the transaction might have affected the assets, liabilities and earnings of the promoter had the transaction been undertaken at the commencement of the period being reported on or at the date reported. The legislation anticipates the fact that there might be certain circumstances where the inclusion of pro forma information in the prospectus is not feasible or might not be a fair way to describe the effect of the transaction, and in such cases the company may be required to provide relevant information in other approved narrative descriptions.

Following flotation, all companies are required to publish / announce, by 28 February of each year, an indication (preliminary) of their annual results for the financial year ended 31 December of the previous year.

In addition, during their financial year, all listed companies must publish a 6-monthly report and companies listed on the Main Market are also required to publish a quarterly/monthly report. Investment companies listed on the Investment Firms/ Companies Market need to also publish three month reports presenting the major investments held in their portfolio and on a 15 day basis their Net Asset Value ( NAV) per share.

## **7.6 Interim Financial Information**

If the promoter has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the flotation document.

In cases where the promoter has not yet produced financial statements under the applicable legislation, the flotation documentation should include audited financial statements for the current period (from the date of incorporation to the most recent practicable date before publication of the prospectus) prepared for the purpose of the prospectus. If no such information has been prepared, CySEC may issue a request to include pro forma information (in the case of a first prospectus) or, subject to the special characteristics of the promoter and upon examination of the prospectus and / or any supplemental information requested, if the CySEC considers there to be any significant change in the financial or trading position, it may request that the promoter prepare and include half yearly and / or quarterly financial information.

## **8. Parties Involved**

### **8.1 Sponsor**

There is a general requirement to appoint a sponsor, especially as any transactions on the CSE or any underwriting may only be carried out by authorised Members licensed by the CySEC and the CSE.

A sponsor has to be a licensed investment firm as provided by the Investment Services and Activities and Regulated Markets Law of 2007 (Law n. 144(I)/2007) that implemented Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (MiFID) and Directive 2006/31/EC of the European Parliament and of the Council of 5 April 2006.

### **8.2 Other Advisers**

Brokers / Underwriters / Sponsors: This role is entrusted to an investment firm that is licensed by the CySEC to provide:

- all investment services, which include without limitation:
  - portfolio management;

- investment advice;
- underwriting of financial instruments and / or placing of financial instruments on a firm commitment basis;
- placing of financial instruments without a firm commitment basis; and
- operation of multilateral trading facilities; and
- ancillary core services, which include without limitation:
  - advice to undertakings on capital structure;
  - investment strategy and related matters;
  - advice and services relating to mergers and the purchase of undertakings;
  - foreign exchange services where these are connected to the provision of investment services;
  - investment research and financial analysis or other forms;
  - services related to underwriting;
  - investment services and activities; and
  - ancillary services where these are connected to the provision of investment or ancillary services.

Any transactions carried out on the CSE should be undertaken by a member of the CSE on behalf of the company.

If a company is an investment company (i.e. a company whose major business operations comprise investment in listed securities, bank deposits or other financial instruments), it must appoint a licensed investment firm to act as a portfolio fund manager.

Lawyers / Auditors: Lawyers and auditors provide advice on strategic planning and implementation of all procedures that have to be undertaken to prepare a company for flotation. Furthermore, when a prospectus is required to be issued prior to the offering and listing of securities, the need may arise for the submission of a legal / financial due diligence report.

At the drawing up of the prospectus in every public offer and the first admittance to trading on a regulated market, an underwriter responsible for the drawing up of the prospectus participates and signs the prospectus. Subject to the provisions of the Investment Firms Law, the underwriter responsible for the drawing up of the prospectus is required to exercise due care in the drawing up of the prospectus, so as to ensure the accuracy, completeness, clarity and correctness of the prospectus in order to

provide investors with true, fair and objective information. The underwriter is also responsible for ensuring the legality of the prospectus publishing procedure and of the public offer of securities. However, there is a refutable presumption as to the lack of liability of the underwriter, provided that the content of the prospectus was the subject of a legal and financial due diligence examination undertaken at the request of the underwriter, through independent legal advisers and auditors, as may be specified and defined in directives issued by the CySEC.

## **9. Listing Costs**

### **9.1 Listing Fees**

The fees for a listing vary depending on which market a company proposes to be listed on and the services to be provided by the CSE. The CSE has published a price list that is available on its website: <http://www.cse.com.cy>. An indicative range of fees (as of the date hereof) is approximately €7,000 to €15,000 (initially) and €3,000 to €17,000<sup>8</sup> (annually).

In addition there are CySEC fees covering the requirement that a prospectus must be examined and approved by the CySEC prior to publication. These fees are approximately €3,500 to €5,000.

### **9.2 Sponsor's Fees**

The sponsor's fees are negotiable depending on the services provided, such as drafting, submission of the prospectus, underwriting, or administration services. An estimated range for such costs is approximately €25,000 to €5,000.

### **9.3 Lawyers' and Accountants' Fees**

Lawyers' and accountants' fees are negotiable subject to the services provided. An estimated range for such costs is approximately €18,000 to €35,000.

## **10. Corporate Governance Requirements**

In September 2002, the Council of the CSE issued the Code of Corporate Governance (Code) for the companies listed on CSE, which was further amended. The aim of the Code is to strengthen the monitoring role of the board of directors, to protect small shareholders, to adopt greater transparency, to provide timely information, and to sufficiently safeguard the independence of the board of directors in its decision making.

Listed companies have an obligation to include in their annual report a report by the board of directors on corporate governance as follows:

- in the first part of the report, the company must report whether it complies with the Code and the extent to which it implements its principles; and

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<sup>8</sup> This figure may be increased as promoters with securities listed on the CSE will pay an annual subscription for each listed title separately, based on the stock market value, which will be calculated quarterly.

- in the second part of the report, the company should confirm that it has complied with the Code provisions and, in the event that it has not, it must give an adequate explanation.

Please refer also to the table of Special Listing Conditions for the corporate governance requirements for each Market.

## 11. Continuing Obligations

The general and special listing conditions are considered to be "continuous obligations". In addition, there are further continuing obligations as provided in the Regulatory Administrative Act 326/2009 and the applicable legislation, which provide for continuing obligations related to insider dealing and manipulation (market abuse), transparency the provision of investment services, the exercise of investment activities, and the operation of regulated markets (applicable for the Investment Companies / Firms Market).

The most significant continuing obligations are the following<sup>9</sup>:

- During their financial year, all listed companies must publish a 6-monthly report, an indication of the annual results and a fully audited annual report and accounts. Investment companies must also publish quarterly reports on their investments. The annual report and accounts must be in full compliance with International Accounting Standards and the 6-monthly report must be in compliance with the International Accounting Standards 34: Interim Financial Reporting. If a company is listed on the Main Market, it must also publish a quarterly accounting report.
- Listed companies are required to announce to the CSE in advance (at least 10 days before), the date on which the board of directors is to decide on, announce or suggest the payment, or not, of a dividend, to approve the announcement of profits or losses for the year or any other period, and to discuss any matter relating to listed securities.
- In order to ensure the early notification of investors, listed companies are obliged to announce to the CSE immediately, and at least one hour before trading begins, any decision relating to the following matters:
  - any decision of the board of directors relating to the payment, or not, of a dividend and the distribution of profits or the payment of interest concerning listed securities;
  - any preliminary statement of accounts for the financial year or any other period. In the case of bonds, any decision taken for a new issue and especially any matters associated with indemnities or collateral;
  - any decision taken concerning changes in the capital structure of the company, or the order of subordination in the case of debentures;

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<sup>9</sup> The list is only indicative.

- any redemption of bonds; and
- any decision to amend the memorandum or articles of association or any other document that relates to the operation of the organisation.
- The promoter is required to announce to the CSE without delay, any information pertaining to the purchase or sale of significant assets that will have a significant effect on its financial statements or any decisions or agreements for entering into or the discontinuance of material agreements or business alliances, mergers, takeovers, and every material international initiative on his part to change its business operations.
- Any transaction with a related party must be announced.
- Promoters whose securities are admitted to trading on a regulated market and whose prospectus has been approved by the CySEC must publish, at least annually, a bulletin that contains or refers to all information that they have published or made available to the public over the preceding twelve months in one or more European Union Member States or in third countries, in compliance with their obligations under the state's laws and rules dealing with the regulation and supervision of securities, promoters of securities and securities markets, in the markets where their securities have been admitted to.
- The promoter is obligated to publicise, as soon as possible, inside information that directly concerns it and must ensure that such information is posted on its website, provided that the promoter maintains a website, for at least five years.
- The persons discharging managerial responsibilities for the promoter, and persons closely related to them, are obliged to publicise every transaction made on their account and related to the financial instruments issued by the promoter and traded on a regulated market.

## **12. Other Information**

### **12.1 New Market: Emerging Companies Market<sup>10</sup>**

Since 1 October 2009, CSE has operated the Emerging Companies Market (CSE Council Decision 326/2009) as a semi – regulated market.

The general characteristics of the Emerging Companies Market are as follows:

- the market is characterised as unregulated and therefore it does not come under the mandatory provisions for regulated markets which impose strict listing requirements and continuous obligations;
- it is considered to be a Multilateral Trading Facility (MTF) and will operate in accordance with the Regulative Decisions adopted by the CSE;

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<sup>10</sup> Information published by CSE.

- the CSE will be exclusively responsible for setting the listing requirements and continuous obligations of the issuers and their directors, as well as for any sanctions to be imposed for any violation of the rules; and
- the CySEC will supervise the issuers regarding the publication of a prospectus, if this is required. In addition, the CySEC will supervise the CSE as a market operator which operates a Multilateral Trading Facility (MTF).

The Emerging Companies Market is aimed at:

- unlisted companies seeking finance and easy access to a secondary market;
- investors seeking new ways of investment, with awareness of the high risk of the market; and
- listed companies that are not able or willing to undertake the higher costs of remaining on a regulated market: they are now offered an opportunity to be listed on this particular market with simplified procedures, subject to first delisting from the regulated market following an acquisition.

### **12.2 Listing requirements of the Emerging Companies Market:**

- The issuer must have published audited accounts and had normal operations and related activities for at least the two years preceding the application. Newly established companies will be able to be listed if the board of directors of the issuer judges that potential shareholders are given satisfactory information that would allow them to access properly the value of the titles, from the nominated advisor of the issuer.
- Throughout the flotation procedure, the issuer must have a nominated advisor.
- The issuer must be a public company with a satisfactory number of investors. No minimum share capital must be dispersed among the general public.

### **12.3 Listing Procedure for Emerging Companies Market:**

- Either by public offer, which requires a prospectus and an approval from CySEC or by private placement, which requires only an admission document to be submitted to the CSE. A combination of both methods is possible.
- If the offer is public, greater than €2.5 million and is addressed to over 100 shareholders, a prospectus and an approval from the CySEC will be required.
- In a different case (by private placement), where the offer is addressed to institutional investors (strategic or other) or to fewer than 100 shareholders and is less than €2.5 million, an admission document should be submitted to the CSE but there is no requirement for approval by the CySEC.

### **12.4 Continuous Obligations for issuers in Emerging Companies Market:**

- Listed companies must publish annual audited accounts four months after the end of the financial year and also semi-annual accounts two months after the end of the half-year period.
- Any changes regarding the nominated advisors must be announced.
- In order to ensure the early notification of investors, listed companies have an obligation to announce to the CSE immediately and at least one hour before trading begins any decision relating to the following matters:
  - Any decision of the board of directors of the issuer relating to the payment or not of a dividend, the distribution of profits or the payment of interest concerning listed securities.
  - Audited accounts, including the notes to the accounts.
  - In the case of bonds, any decision taken for a new issue.
  - Any decision taken concerning acquisition or liquidation of assets.
  - Any decision taken concerning changes in the capital structure of the company.
  - Any changes in the positions of chairman, member of the board of directors, senior management, the auditors or any other executive.
- Publication and submission to the CSE of the dispersion statement of the share capital on the last working day of the year.

### **13. Our Office**

Our firm's qualified and experienced staff will be pleased to provide any legal advice and assistance for any listing or offering of securities in Cyprus or parallel listing in European Union member states. In addition, our firm has been authorised by CSE as a nominated advisor on the Emerging Companies Market of the CSE.

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**Disclaimer: The above information is provided ONLY for information purposes and does not constitute legal or other advice. Specialised legal advice should be sought on the merits and characteristics of each case.**

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