



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

FINANCIAL SERVICES LEGAL FRAMEWORK:
ADVANCED EXAMINATION

PREPARED BY



CYPRUS
INTERNATIONAL
INSTITUTE OF
MANAGEMENT

AIM OF THE EXAMINATION

To provide (I) a test to ensure candidates can apply a level of knowledge and understanding appropriate for individuals engaged in the reception, transmission and execution of client orders and those engaged in the marketing of collective investment schemes and (II) a higher level test for those individuals: dealing on a proprietary basis; managing portfolios; offering investment advice or underwriting financial instruments; and performing the activities of collective portfolio management and risk management for collective investment schemes (either UCITS or AIFs).

ASSESSMENT STRUCTURE

A 90 minute examination consisting of 70 multiple choice questions.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% of additional questions as trial questions that will not be separately identified and do not contribute to the result. Candidates will be given proportionately more time to complete the test.

SYLLABUS STRUCTURE

The syllabus is divided into **elements** and the elements are made up of **learning objectives**.

Where a learning objective refers to main or basic, this signifies that the candidate needs to be aware of the topic's key principles rather than possessing an in-depth grasp of the topic.

CLASSIFICATION OF LEARNING OBJECTIVES

Each learning objective is prefixed with a verb that indicates the different levels of skill to be tested.

Learning objectives prefixed:

- 'Know'** - require candidates to recall information such as facts, rules and principles.
- 'Understand'** - require candidates to demonstrate comprehension of an issue, fact, rule or principle.
- 'Apply'** - requires the candidate to be able to apply their knowledge to a given set of circumstances in order to present a clear and detailed explanation of a situation, rule or principle
- 'Assess'** - requires the candidate to review the information content and to make an informed Judgement
- 'Evaluate'** - requires the candidate to judge the significance, worth, or quality of information

EXAMINATION SPECIFICATION

Each examination paper is constructed from a specification that determines the weightings that will be given to each element. The specification is given below.

It is important to note that the numbers quoted may vary slightly from examination to examination as there is some flexibility to ensure that each examination has a consistent level of difficulty. However, the number of questions tested in each element should not change by more than plus or minus 2.

EXAMINATION SPECIFICATION		Questions
	INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012)	
ELEMENT 1	SCOPE/POWERS/OFFENCES	2
ELEMENT 2	CYPRIOT INVESTMENT FIRMS	5
ELEMENT 3	CIFs AND BANKS	5
ELEMENT 4	INSIDER DEALING AND MARKET MANIPULATION (MARKET ABUSE) LAW (2005 to 2012)	5
ELEMENT 5	OPEN-ENDED UNDERTAKINGS FOR COLLECTIVE INVESTMENT LAW (2012)	5
ELEMENT 6	THE ALTERNATIVE INVESTMENT FUND MANAGERS LAW (2013)	5
ELEMENT 7	THE BUSINESS OF CREDIT INSTITUTIONS LAWS OF 1997 TO 2013	2
ELEMENT 8	THE PREVENTION AND SUPPRESSION OF MONEY LAUNDERING AND TERRORIST FINANCING LAWS 2007 AND 2010	5
ELEMENT 9	EUROPEAN UNION	6
ELEMENT 10	GUIDELINES FOR INVESTMENT FIRMS	15
ELEMENT 11	APPLIED RISK MANAGEMENT	15
TOTAL		70

SUMMARY SYLLABUS

ELEMENT 1 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) SCOPE/POWERS/OFFENCES

- 1.1 SCOPE AND APPLICATION
- 1.2 THE CYPRUS SECURITIES AND EXCHANGE COMMISSION
- 1.3 OFFENCES

ELEMENT 2 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) CYPRIOT INVESTMENT FIRMS (CIFs)

- 2.1 AUTHORISATION
- 2.2 CONDUCT OF BUSINESS OBLIGATIONS
- 2.3 BEST EXECUTION
- 2.4 GENERAL CIF OBLIGATIONS
- 2.5 MARKET TRANSPARENCY AND INTEGRITY
- 2.6 CAPITAL ADEQUACY REQUIREMENTS
- 2.7 REGULATED MARKETS

ELEMENT 3 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) CIFs AND BANKS

- 3.1 ORGANISATIONAL REQUIREMENTS
- 3.2 SPECIFIC REQUIREMENTS
- 3.3 CONFLICTS OF INTEREST
- 3.4 CONDUCT OF BUSINESS REQUIREMENTS
- 3.5 INVESTOR COMPENSATION FUNDS

ELEMENT 4 INSIDER DEALING AND MARKET MANIPULATION (MARKET ABUSE) LAW (2005 to 2012)

- 4.1 INSIDE INFORMATION
- 4.2 PROVISIONS RELATING TO ISSUERS OF FINANCIAL INSTRUMENTS
- 4.3 MARKET MANIPULATION
- 4.4 PROVISIONS IN RELATION TO PERSONS WHO PROFESSIONALLY ARRANGE
TRANSACTIONS

ELEMENT 5 OPEN-ENDED UNDERTAKINGS FOR COLLECTIVE INVESTMENT LAW (2012)

- 5.1 UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES
(UCITS)
- 5.2 OBLIGATIONS OF UCITS
- 5.3 UCITS STRUCTURES
- 5.4 MANAGEMENT COMPANIES

ELEMENT 6 THE ALTERNATIVE INVESTMENT FUND MANAGERS LAW (2013)

- 6.1 GENERAL REQUIREMENTS
- 6.2 ORGANISATIONAL REQUIREMENTS
- 6.3 MANAGING SPECIFIC TYPES OF AIF

ELEMENT 7 THE BUSINESS OF CREDIT INSTITUTIONS LAWS OF 1997 TO 2013

- 7.1 GENERAL
- 7.2 CAPITAL
- 7.3 RETURNS AND ACCOUNTS

**ELEMENT 8 THE PREVENTION AND SUPPRESSION OF MONEY LAUNDERING ACTIVITIES
AND TERRORIST FINANCING LAWS 2007 AND 2010**

- 8.1 SPECIAL PROVISIONS IN RESPECT OF FINANCIAL AND OTHER BUSINESS ACTIVITIES
- 8.2 FINANCIAL ORGANISATIONS' RESPONSIBILITIES

ELEMENT 9 EUROPEAN UNION

- 9.1 EUROPEAN COMMISSION (EC) REGULATIONS
- 9.2 EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

ELEMENT 10 GUIDELINES FOR INVESTMENT FIRMS

- 10.1 PROFESSIONAL STANDARDS
- 10.2 COMPLIANCE FUNCTION
- 10.3 SYSTEMS AND CONTROLS IN AN AUTOMATED TRADING ENVIRONMENT
- 10.4 SUITABILITY REQUIREMENTS

ELEMENT 11 APPLIED RISK MANAGEMENT

- 11.1 SUPERVISORY REVIEW AND EVALUATION PROCESS (SREP)
- 11.2 THE INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

ELEMENT 1 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) SCOPE/POWERS/OFFENCES

On completion, the candidate should:

1.1 Scope and application

1.1.1 *Know* the scope and application of Law 144(I) 2007

- Regulated markets and activities
- Cypriot Investment Firms (CIF)
- Banks
- Co-operative credit institutions
- Persons providing investment services

1.1.2 *Know* the regulatory structure in the Republic

- Cyprus Securities and Exchange Commission (the Commission)
- Central Bank of Cyprus (the Central Bank)
- Obligation of co-operation with other member states and the Commission's right to refuse
- Obligations relevant to ESMA

1.2 The Cyprus Securities and Exchange Commission

1.2.1 *Know* the responsibilities of the Cyprus Securities and Exchange Commission (the Commission)

1.2.2 *Know* how the Commission co-operates with other authorities

- Eligible authorities
- Conducting investigations on behalf of other authorities
- Exchanging information
- Circumstances where inside information may be shared

1.2.3 *Know* the extent of the Commission's power to collect information and carry out inspections and investigations

1.2.4 *Know* the extent of the Commission's power to impose sanctions for non-compliance with a request from the Commission to:

- Submit information
- Co-operate in an onsite inspection/investigation

1.2.5 *Know* the powers and duties of an investigating officer

1.3 Offences

1.3.1 *Know* which violation constitutes both a criminal and an administrative offence

ELEMENT 2 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) CYPRIOT INVESTMENT FIRMS (CIFs)

2.1 Authorisation

2.1.1 *Know* the conditions and procedures for granting CIF authorisation

- General provisions
- Capital requirements
- Directors, shareholders and close links
- Organisational requirements
- Overseas branches
- Establishment of a branch in the Republic by a member state investment firm (IF)
- Establishment of a branch in the Republic by a third country IF
- Freedom for CIFs to provide investment and ancillary services abroad

2.1.2 *Know* the continuous CIF obligations

- Regular internal review
- Conflicts of interest

2.1.3 *Know* the circumstances under which CIF authorisation may be suspended or terminated

- Lapsed usage
- Renouncement
- Commission withdrawal
- Suspension

2.1.4 *Know* the rules relating to the amendment of CIF details

- Reduction of share capital
- Change of Directors
- Major shareowners and change of ownership

2.2 Conduct of business obligations

2.2.1 *Understand* how CIF should address the information requirements of potential and existing clients

- Information about the CIF, its services, proposed strategies, execution venues and cost
- Information about the client
- Professional client

2.2.2 *Know* the correct procedure for dealing with clients who have not communicated sufficient levels of knowledge and experience to the CIF

2.2.3 *Understand* how the provisions relating to client information are applied by CIF solely receiving and transmitting client orders

2.2.4 *Know* which party is responsible for the information requirements of clients when instructions are received via an authorised third party

2.3 Best execution

2.3.1 *Know* the obligations regarding best execution

2.3.2 *Understand* how client order handling rules are applied

2.4 General CIF obligations

2.4.1 *Understand* the obligations relating to the appointment and use of Tied Agents

- Public register
- Responsibility and monitoring

2.4.2 *Know* the rules relating to Eligible Counterparties

- Relevance of conduct of business obligations
- Scope
- Express confirmation

2.4.3 *Know* the purpose and scope of CIF employee certification

2.5 Market transparency and integrity

2.5.1 *Know* the CIF record keeping requirements

2.5.2 *Know* the CIF transaction reporting requirements

2.5.3 *Understand* compliance monitoring requirements relating to the operation of a Multilateral Trading Facility (MTF)

2.5.4 *Understand* obligations related to Systematic Internalisers

- Liquid and illiquid markets
- Pre-trade transparency requirements
- Quotation size
- Price obligations to retail and professional clients
- Withdrawing and restricting quotes

2.5.5 *Know* post trade reporting requirements for MTFs

2.6 Capital adequacy requirements

2.6.1 *Know* how the main capital adequacy requirements are applied

- CIF own funds
- CIF capital adequacy ratio
- CIF large exposures limits for institutions, persons, directors

2.7 Regulated markets

2.7.1 *Know* how the obligations apply to regulated markets

- Application and authorisation process
- Capital requirements

- Senior management requirements
- Organisational requirements
- Lapse, suspension and withdrawal of regulated market authorisation

2.7.2 *Understand* rules relating to the admission of financial instruments to trading

2.7.3 *Understand* the obligation of a regulated market to maintain transparent and non-discriminatory rules

2.7.4 *Know* how regulated markets monitor compliance

2.7.5 *Know* how transparency requirements apply to regulated markets

- Pre-trade
- Post-trade

ELEMENT 3 INVESTMENT SERVICES AND ACTIVITIES AND REGULATED MARKETS LAWS (2007 to 2012) CIFs AND BANKS

3.1 Organisational requirements

3.1.1 *Know* the general organisational requirements for CIFs and Banks

- Clear operating structure
- Control mechanisms
- Personnel
- Internal reporting
- Record keeping
- Apportionment of responsibilities
- Information safeguards
- Business continuity
- Accounting policies and procedures
- Complaints handling
- Internal operation manual

3.1.2 *Know* the requirements relating to the Compliance function

3.1.3 *Know* the requirements relating to risk management

3.2 Specific requirements

3.2.1 *Understand* the requirements relating to personal transactions

3.2.2 *Understand* the requirements regarding outsourcing

3.2.3 *Know* the requirements regarding the safeguarding of client assets

3.3 Conflicts of interest

3.3.1 *Know* examples where a conflict of interest may occur

3.3.2 *Know* the requirements relating to conflicts of interest

3.4 Conduct of business requirements

- 3.4.1 *Understand* the requirements regarding inducements
- 3.4.2 *Know* the requirements regarding the provision of fair and clear information
- 3.4.3 *Know* the following requirements regarding the provision of information:
 - Client categorisation
 - Current and prospective clients
 - Services provided
 - Financial instruments
 - Safeguarding retail client assets
 - Costs and associated charges
 - UCITS law
- 3.4.4 *Understand* how CIFs and Banks should assess the suitability and appropriateness of a course of action
- 3.4.5 *Understand* best execution criteria
- 3.4.6 *Know* the general principles relating to the execution of client orders
- 3.4.7 *Know* the reporting obligations in respect of executed orders

3.5 Investor compensation funds

- 3.5.1 *Know* the object, scope and application of the Investor Compensation Funds
- 3.5.2 *Know* what information is provided to investors by members of the Investor Compensation Funds

ELEMENT 4 INSIDER DEALING AND MARKET MANIPULATION (MARKET ABUSE) LAW (2005)

4.1 Inside information

- 4.1.1 *Understand* the definition of inside information
- 4.1.2 *Know* which persons are in possession of inside information
- 4.1.3 *Know* when information may be considered to be “public”
- 4.1.4 *Understand* the prohibitions for those in possession of inside information

4.2 Provisions relating to issuers of financial instruments

- 4.2.1 *Know* how issuers of financial instruments should manage inside information
- 4.2.2 *Understand* the circumstances in which publication of inside information might be justifiably delayed
- 4.2.3 *Know* the importance of keeping an updated insiders list

4.2.4 Know the reasons and circumstances when a manager must report his/her transactions

4.3 Market manipulation

4.3.1 *Know* which acts are considered to constitute market manipulation

4.3.2 *Understand* how market operators help to detect and prevent market manipulation

4.3.3 *Know* accepted market practices

4.4 Provisions in relation to persons who professionally arrange transactions

4.4.1 *Know* how a suspicious transaction should be reported

- Obligations
- Content and manner of report
- Liability and professional secrecy

ELEMENT 5 OPEN-ENDED UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI) LAW (2012)

5.1 Undertakings for collective investment in transferable securities (UCITS)

5.1.1 *Know* the definition and types of UCITS

5.1.2 *Know* provisions commonly applicable to the operation of UCITS

5.1.3 *Know* provisions applicable to specific types of UCITS

- Common funds
- Variable capital investment companies

5.2 Obligations of UCITS

5.2.1 *Know* the obligations concerning the investment policy of UCITS

- Permitted investments
- Risk management
- Permitted investment limits
- Specific deviations
- UCITS that replicate the composition of a stock or debt securities index
- Exchange traded UCITS
- Investing in other UCITS' units
- Guaranteed assets or performance
- Prohibition to acquire control
- Violation of investment limits

5.2.2 *Know* the standing obligations of UCITS in relation to:

- Borrowing
- Valuation
- Distribution of profits and income
- Prohibition of credits, guarantees and uncovered sales
- Free of charge unit distribution

- 5.2.3 *Know* the obligations of UCITS concerning investor information
- Prospectus, periodical reports and summarised statements
 - Key investor information
 - UCITS communications
- 5.2.4 *Know* the special provisions applicable to UCITS that market their units abroad
- UCITS established in the Republic marketing units to other member states
 - UCITS from other member states marketing units in the Republic
- 5.2.5 *Know* the rules and obligations relating to foreign undertakings for collective investment

5.3 UCITS structures

- 5.3.1 *Know* the obligations that apply to Master-Feeder UCITS structures
- Investment policy
 - General operating obligations
 - Dissolution
 - Depositary
 - Auditors
 - Compulsory information and marketing communications
 - Specific obligations of the feeder UCITS
 - Specific obligations of the master UCITS

5.4 Management companies

- 5.4.1 *Know* the obligations that apply to the operation of management companies
- Permitted activities
 - Share capital
 - Conditions for granting an operation licence
 - Conditions for the exercise of activities
 - Financial submissions
 - Delegation arrangements
 - Changes to the management company including revocation of operating licence
 - Code of conduct
 - Complaints handling
- 5.4.2 *Know* the obligations that apply to the cross border provision of services by a management company

ELEMENT 6 THE ALTERNATIVE INVESTMENT FUND MANAGERS LAW (2013)

6.1 General requirements

- 6.1.1 *Know* the conditions and process of authorisation for Alternative Investment Fund Managers (AIFM)
- 6.1.2 *Know* the “General principles” for AIFM
- 6.1.3 *Know* the AIFM requirements regarding remuneration
- 6.1.4 *Know* the AIFM requirements regarding conflicts of interest
- 6.1.5 *Know* the AIFM requirements regarding risk management
- 6.1.6 *Know* the AIFM requirements regarding liquidity management

6.1.7 *Understand* the transparency requirements for AIFM

6.2 Organisational requirements

6.2.1 *Know* the procedures, arrangements and mechanisms that AIFM must implement

6.2.2 *Know* the conditions AIFMs must meet in order to delegate functions to a third party

- Delegation
- Sub-delegation
- Liability

6.3 Managing specific types of AIF

6.3.1 *Know* how the requirements apply to specific types of AIF

- AIFM managing leveraged AIFs
- AIFM managing AIFs which acquire control of non-listed companies and issuers
- Rights of AIFM to manage and market EU AIFs in the union
- Rules in relation to third countries

6.3.2 *Understand* the rules regarding the marketing of AIFs to retail investors in the Republic

ELEMENT 7 THE BUSINESS OF CREDIT INSTITUTIONS LAWS OF 1997 TO 2013

7.1 General

7.1.1 *Understand* how the Central Bank of Cyprus supervises banks

- Ownership and management
- Supervision and inspection
- Disclosure of information
- Co-operation with other competent authorities
- Powers of the Central Bank of Cyprus

7.2 Capital

7.2.1 *Know* the following capital requirements:

- Minimum capital
- Capital adequacy

7.3 Returns and accounts

7.3.1 *Know* the basic responsibilities Banks must meet with respect to submitting returns and accounts

ELEMENT 8 THE PREVENTION AND SUPPRESSION OF MONEY LAUNDERING AND TERRORIST FINANCING LAWS 2007 AND 2012

8.1 Special provisions in respect of financial and other business activities

8.1.1 *Understand* the provision for financial services companies to apply adequate and appropriate systems and procedures

- Customer identification and due diligence
- Record keeping
- Reporting procedures
- Internal control and risk management

© Cyprus Securities and Exchange Commission,

- Transaction analysis
- Employee training
- Penalties for non-compliance

8.1.2 *Know* when simple or enhanced customer due diligence measures may be applied

8.2 Financial organisations' responsibilities

8.2.1 *Understand* the responsibilities of the board of directors of a financial organisation with respect to the prevention of money laundering and terrorist financing

8.2.2 *Know* the minimum duties a Compliance Officer should exercise with respect to the prevention of money laundering and terrorist financing

8.2.3 *Understand* how financial organisations should adopt a risk-based approach to prevent money laundering and terrorist financing

8.2.4 *Know* examples of:

- Suspicious transactions
- Activities related to money laundering and terrorist financing

ELEMENT 9 EUROPEAN UNION

9.1 European Commission (EC) regulations

9.1.1 *Understand* the main provisions of Commission regulation (EC) No 1287/2006

9.1.2 *Understand* the main provisions of Commission regulation (EC) No 231/2013

9.1.3 *Understand* the main provisions of directive 2013/36/EU of the European Parliament

9.1.4 *Understand* the main provisions of regulation 575/2013 of the European Parliament

9.1.5 *Understand* the main provisions of regulation (EU) No 648/2012 of the European Parliament and of the Council.

9.2 European Securities and Markets Authority (ESMA)

9.2.1 *Understand* the main provisions of Commission regulation (EU) No 231/2013 and Directive 2011/61/EU

9.2.2 *Understand* the main provisions for the calculation of synthetic risk and reward indicators in Key Investor Information documents

ELEMENT 10 GUIDELINES FOR INVESTMENT FIRMS

10.1 Professional standards

10.1.1 *Understand* how CIFs ascertain the integrity, morals and credibility of employees

10.1.2 *Understand* the academic and professional requirements for CIF employees

- Documentary submissions
- Public register (Article 53)
- Language ability

10.2 Compliance function

10.2.1 *Understand* the 10 general guidelines on the legal requirements of a Compliance function

10.2.2 *Understand* the role Compliance has in training and maintaining competence and awareness

10.3 Systems and controls in an automated trading environment

10.3.1 *Understand* the 8 general guidelines on systems and controls in an automated trading environment for trading platforms and CIFs

10.3.2 *Assess* the effectiveness of Business Continuity arrangements

10.3.3 *Apply* suitable testing methodologies for a compliance monitoring programme

10.3.4 *Assess* trading scenarios to determine the likelihood of market manipulation

- Ping orders
- Quote stuffing
- Momentum ignition
- Layering and Spoofing

10.4 Suitability requirements

10.4.1 *Understand* the 9 guidelines relating to aspects of the suitability requirements

10.4.2 *Evaluate* the effectiveness of a suitability assessment

10.4.3 *Apply* appropriate information gathering techniques for the following financial instruments:

- Complex
- Risky
- Illiquid

10.4.4 *Evaluate* the reliability of client information

ELEMENT 11 APPLIED RISK MANAGEMENT

11.1 Supervisory review and evaluation process (SREP)

11.1.1 *Understand* the purpose of SREP

11.1.2 *Understand* the 5 key stages of the SREP

- Planning
- Review and assessment of ICAAP
- Review of additional information
- Supervisory measures
- SREP validation

11.1.3 *Understand* SREP outcomes

11.2 The internal capital adequacy assessment process (ICAAP)

11.2.1 *Understand* the purpose of the ICAAP process

11.2.2 *Understand* the principles for the implementation of an ICAAP

11.2.3 *Understand* the roles and responsibilities of CIF stakeholders in the ICAAP process

- Board of Directors and senior management
- Risk management function
- Finance function
- Internal audit function
- Departments
- External consultants

11.2.4 *Understand* types of Pillar 1 risk

11.2.5 *Understand* risk typologies not fully covered in Pillar 1

- Credit concentration risk
- Residual risk
- Securitisation risk
- Settlement risk
- Foreign exchange risk

11.2.6 *Understand* types of Pillar II risk

11.2.7 *Understand* the following risk management tools:

- Risk register
- Stress testing