

LEGAL UPDATES FOR JANUARY – FEBRUARY 2019

1. Calculation of Reference Rate by the Central Bank of Cyprus

Under Regulation K.Δ.Π. 22/2019 in relation to the calculation of reference rate (in accordance with section 314A of the Criminal Code Cap. 154), published in the Official Government Gazette on 25 January 2019, the Central Bank of Cyprus calculated the reference rate at 8.96%.

2. Amendments to the Cyprus Stock Exchange (the “CSE”) Corporate Governance Code

A 5th edition of the Corporate Governance Code was introduced in January 2019 (effective as of 25 January 2019) with Regulation K.Δ.Π. 21/2019. The amendments aim to adopt greater transparency, to safeguard the independence of the Board of Directors in its decision-making and to protect investors.

The following additions were made to the Code:

- (a) Paragraph A.1.12 was added under the Principle which requires every listed company to be headed by an effective Board of Directors, which should lead and control the company. In particular, it adds as to the size and composition of the Board of Directors with the aim of facilitating the effective exercise of the Directors’ responsibility and promotes the Board’s diversification.
- (b) Paragraph B.3.6 was added under the Principle of Disclosure and clarifies that the remuneration received by Independent Non-Executive Directors who do not receive or have not received from the company, during the 12 months preceding their appointment, any other material compensation besides their remuneration as a member, should withal be justified.
- (c) Paragraph C.3.1 relating to the Principle requiring the Board of Directors to establish transparent arrangements for considering how they should apply financial reporting, corporate governance and internal control principles and for maintaining an appropriate relationship with the Company’s auditors is amended by the following addition: the members but hereinafter the Chairman as well of the Audit Committee established by the Board should be independent Non-Executive Directors and should be named in the Annual Report.

3. Regulatory Decision on the Securities and Cyprus Stock Exchange (Central Securities Depository and Central Registry) Laws of 1996

Regulation K.Δ.Π. 63/2019 has been put in place in an attempt to facilitate and regulate the collection and maintenance of registers of Alternative Investment Funds (the “AIFs”) and Undertakings for Collective Investments in Transferable Securities (the “UCITs”), whose

shares are not listed on the CSE and consequently to adopt greater transparency. The Regulation, specifically, deals under the sections listed below, with the following issues:

- (a) Section 3 deals with the Collection of Registers and clarifies the following:
- (i) The point of time when the register becomes effective once the AIF or UCIT's Administrator has made an application.
 - (ii) The need to publish the register (once it has been filed) either by an electronic publication to the Cyprus Stock Exchange website or by a written publication. Particulars that one should include in such a publication are also provided by section 3.2.
 - (iii) The need to notify the Depository of any changes made to the register.
 - (iv) The conditions for the collection and maintenance of registers by the Depository.
 - (v) The conditions that will need to be satisfied by an AIF or UCIT Administrator post filing of the relevant application.
 - (vi) The need for Administrators to authorise persons if anyone is to deal with the register filed at the Depository.
- (b) Section 4 deals with the different Types of Applications, and also clarifies the particulars required to be included in each type of application. It also specifies the Administrator's right to create investor shares, for persons who do not already own any shares in the Depository or are interested in becoming beneficiaries of common shares.
- (c) Section 5 deals with the Maintenance of Registers and specifies that transfers in relation to the shares of AIFs and UCITs do not require any Request for Notification. The section further captures situations of transfers of shares which are subject to restrictions or are free and their Administrators wish to pledge or release any pledges on such shares.
- (d) Section 6 states that the Administrator shall be responsible to cover and compensate the Cyprus Stock Exchange for any claim or fine or any other consequence or cost, which has been incurred by the Stock Exchange.