



ΕΠΙΤΡΟΠΗ  
ΚΕΦΑΛΑΙΑΓΟΡΑΣ  
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

# Financial Services Legal Framework: Advanced Examination

Prepared by



CYPRUS  
INTERNATIONAL  
INSTITUTE OF  
MANAGEMENT

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Cyprus International Institute of Management, Chartered Institute  
for Securities & Investment







## Objective of the examination

The objective of the examination is 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).

## Syllabus structure

The unit is divided into **elements**. These are broken down into a series of **learning objectives**.

Each learning objective begins with one of the following prefixes: **know** or **understand**. These words indicate the different levels of skill to be tested.

- **know** requires the candidate to recall information such as facts, rules and principles
- **understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle

Where a learning objective refers to **main, basic or general requirements**, 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.



## 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 two.

<b>Examination specification</b>		
<b>70 multiple choice questions</b>		
<b>Element number</b>	<b>Element</b>	<b>Questions</b>
1	Investment Services and Activities and Regulated Markets Laws (MiFID II) (2017) Scope / Powers / Offences	4
2	Cypriot Investment Firms (CIFs) Investment Services and Activities and Regulated Markets Laws (MiFiD II) (2017)	8
3	Investment Services and Activities and Regulated Markets Laws Cypriot Investment Firms (CIFs) and Banks	8
4	Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)	6
5	Alternative Investments	6
6	The Business of Credit Institutions Laws of 1997 to 2016	2
7	The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)	5

8	Markets in Financial Instruments Regulation (2014) (MiFiR)	4
9	Capital Adequacy requirements	8
10	European Market Infrastructure Regulation (EMIR)	4
11	Recovery and Resolution laws	5
12	Prospectus law (2012-2016)	2
13	Transparency law	3
14	Insider dealing and Market Manipulation Regulation (2016)	5
<b>Total</b>		<b>70</b>

## Assessment Structure

Assessment is a 90-minute examination of 70 multiple choice questions.

Candidates sitting the exam by Computer Based Testing may have, in addition, up to 10% 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.



## Summary Syllabus

### **Element 1 Investment Services and Activities and Regulated Markets Laws (MiFiD II) (2017) Scope / Powers / Offences**

- 1.1 Scope and application
- 1.2 The Cyprus Securities and Exchange Commission
- 1.3 Offences

### **Element 2 Cypriot Investment Firms (CIFs) Investment Services and Activities and Regulated Markets Laws (MiFiD II) (2017)**

- 2.1 Authorisation
- 2.2 Governance
- 2.3 General CIF obligations
- 2.4 SME growth markets
- 2.5 Regulated markets of the Republic
- 2.6 Data Reporting Service Providers (DRSPs)

### **Element 3 Investment Services and Activities and Regulated Markets Laws Cypriot Investment Firms (CIFs) and Banks**

- 3.1 Organisational requirements
- 3.2 Specific requirements
- 3.3 Conflicts of interest
- 3.4 Provisions to ensure investor protection
- 3.5 Investment advice
- 3.6 Suitability
- 3.7 Best execution

### **Element 4 Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)**

- 4.1 Undertakings for collective investment in transferable securities (UCITS)
- 4.2 Obligations of UCITS
- 4.3 UCITS structures
- 4.4 Management companies

**Element 5 Alternative Investments**

- 5.1 The Alternative Investment Funds Law (2014)
- 5.2 The Alternative Investment Fund Managers (AIFM) Law (2013)
- 5.3 Organisational requirements
- 5.4 Investors

**Element 6 The Business of Credit Institutions Laws of 1997 to 2016**

- 6.1 General
- 6.2 Liquidity and capital
- 6.3 Returns and accounts

**Element 7 The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)**

- 7.1 Special provisions in respect of financial and other business activities
- 7.2 Financial organisations' responsibilities

**Element 8 Markets in Financial Instruments Regulation (2014) (MiFiR)**

- 8.1 Scope
- 8.2 Transparency requirements
- 8.3 Reporting requirements
- 8.4 Derivatives

**Element 9 Capital Adequacy Requirements**

- 9.1 Directive DI144-2014-15 arising from EU575/2013
- 9.2 Directive DI144-2014-14 and Directive DI144-2014-14(A)
- 9.3 Governance
- 9.4 Supervisory review and evaluation process (SREP)
- 9.5 The internal capital adequacy assessment process (ICAAP)

**Element 10 European market infrastructure regulation (EMIR)**

- 10.1 EMIR
- 10.2 General requirements

**Element 11 Recovery and resolution laws**

- 11.1 Recovery planning
- 11.2 Intra-group financial support
- 11.3 Early intervention
- 11.4 Resolution
- 11.5 Procedural obligations
- 11.6 Cross-border group resolution

**Element 12 Prospectus law (2012 – 2016)**

- 12.1 Prospectus law

**Element 13 Transparency Law**

- 13.1 Information reporting requirements for issuers
- 13.2 Framework of communication for issuers and holders of securities
- 13.3 Shareholder obligations

**Element 14 Insider Dealing and Market Manipulation Regulation (2016)**

- 14.1 Inside information
- 14.2 Provisions relating to issuers of financial instruments
- 14.3 Market manipulation
- 14.4 Disseminating information
- 14.5 Administrative Measures and Sanctions

**Element 1 Investment Services and Activities and Regulated Markets Laws  
(MiFID II) (2017) Scope / Powers / Offences**

**1.1 Scope and application**

On completion, the candidate should:

- 1.1.1 *know* the scope and application of the law
- 1.1.2 *know* exemptions from the scope of the laws application
- 1.1.3 *know* the regulatory structure in the Republic

**1.2 The Cyprus Securities and Exchange Commission**

On completion, the candidate should:

- 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 competent authorities
- 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

**1.3 Offences**

On completion, the candidate should:

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

## **Element 2    Cypriot Investment Firms (CIFs) Investment Services and Activities and Regulated Markets Laws (MiFID II) (2017)**

### **2.1    Authorisation**

On completion, the candidate should:

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

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 withdrawn

### **2.2    Governance**

On completion, the candidate should:

2.2.1 *know* requirements relating to:

- Management body
- Governance arrangements
- Responsibility of senior management

### **2.3    General CIF obligations**

On completion, the candidate should:

2.3.1 *understand* the obligations relating to the appointment and use of Tied Agents:

- Public register
- Responsibility and monitoring

2.3.2 *know* the rules relating to Eligible Counterparties:

- Relevance of conduct of business obligations
- Scope and express confirmation

## **2.4 SME growth markets**

On completion, the candidate should:

2.4.1 *know* regulations relating to the operation of SME growth markets

## **2.5 Regulated markets of the Republic**

On completion, the candidate should:

2.5.1 *know* how the obligations apply to regulated markets

- Application and authorisation process
- Senior management requirements
- Organisational requirements

2.5.2 *know* obligations relating to:

- Direct electronic access
- Algorithmic trading systems

2.5.3 *understand* rules relating to the admission of financial instruments to trading

2.5.4 *understand* the obligation of a regulated market to maintain transparent and non-discriminatory rules

2.5.5 *know* how regulated markets monitor compliance

2.5.6 *know* how transparency requirements apply to regulated markets

## **2.6 Data Reporting Service Providers (DRSPs)**

2.6.1 *know* requirements for DRSPs

- Approved publication arrangements (APAs)
- Approved reporting mechanisms (ARMs)
- Consolidated tape providers (CTPs)

**Element 3 Investment Services and Activities and Regulated Markets Laws  
Cypriot Investment Firms (CIFs) and Banks**

**3.1 Organisational requirements**

On completion, the candidate should:

3.1.1 *know* the organisational requirements for CIFs and Banks

**3.2 Specific requirements**

On completion, the candidate should:

3.2.1 *know* the requirements relating to compliance

3.2.2 *understand* the requirements relating to telephone recordings and electronic communications

3.2.3 *understand* the requirements regarding outsourcing

3.2.4 *know* the requirements regarding the safeguarding of client assets

3.2.5 *know* requirements relating to:

risk management

internal audit

**3.3 Conflicts of interest**

On completion, the candidate should:

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 Provisions to ensure investor protection**

On completion, the candidate should:

3.4.1 *know* the general principles regarding information to clients:

- Information about the CIF

- Information about the client
- Client categorisation and Professional clients

3.4.2 *know* requirements regarding information about financial instruments

3.4.3 *know* information requirements relating to:

- Costs and associated charges

### **3.5 Investment advice**

On completion, the candidate should:

3.5.1 *know* requirements regarding investment advice:

- Information about investment advice
- Investment advice on an independent basis

### **3.6 Suitability**

On completion, the candidate should:

3.6.1 *know* requirements regarding investment advice:

- Assessment of suitability and suitability reports
- Common assessment provisions
- Assessment of appropriateness and related record keeping obligation

3.6.2 *know* the obligations for CIFs who provide services through the medium of another IF

### **3.7 Best execution**

On completion, the candidate should:

3.7.1 *understand* best execution criteria

3.7.2 *know* the obligations regarding best execution

3.7.3 *understand* how client order handling rules are applied



**Element 4 Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)**

**4.1 Undertakings for collective investment in transferable securities (UCITS)**

On completion, the candidate should:

4.1.1 *know* the definition and types of UCITS

4.1.2 *know* provisions applicable to the operation of UCITS

- Common funds
- Variable capital investment companies

4.1.3 *know* the duties and requirements applicable to Depositories

**4.2 Obligations of UCITS**

On completion, the candidate should:

4.2.1 *know* the obligations of UCITS:

- investment policy
- standing obligations
- investor information

4.2.2 *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

**4.3 UCITS structures**

On completion, the candidate should:

4.3.1 *know* the main obligations that apply to Master-Feeder UCITS structures:

- Investment policy
- General operating obligations

- Specific obligations of the feeder UCITS
- Specific obligations of the master UCITS

#### **4.4 Management companies**

On completion, the candidate should:

##### **4.4.1** *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

##### **4.4.2** *know* the obligations that apply to the cross-border provision of services by a management company

### **Element 5 Alternative Investments**

#### **5.1 The Alternative Investment Funds Law (2014)**

On completion, the candidate should:

##### **5.1.1** *know* common provisions regarding the organisation and operation of Alternative Investment Funds (AIF):

- initial capital
- investment policy
- risk management

- management and administration

5.1.2 *know* the AIF requirements regarding valuation

5.1.3 *know* the AIF requirements regarding transactions

## **5.2 The Alternative Investment Fund Managers (AIFM) Law (2013)**

On completion, the candidate should:

5.2.1 *know* the conditions and process of authorisation for AIFM

5.2.2 *know* the “general principles” for AIFM

5.2.3 *know* the AIFM requirements regarding remuneration

5.2.4 *know* the AIFM requirements regarding conflicts of interest

5.2.5 *know* the AIFM requirements regarding risk management

5.2.6 *know* the AIFM requirements regarding liquidity management

5.2.7 *understand* the transparency requirements for AIFM

## **5.3 Organisational requirements**

On completion, the candidate should:

5.3.1 *know* the procedures, arrangements and mechanisms that AIFM must implement

## **5.4 Investors**

On completion, the candidate should:

5.4.1 *understand* the rules regarding the marketing of AIFs to retail investors in the Republic

## **Element 6 The Business of Credit Institutions Laws of 1997 to 2016**

### **6.1 General**

On completion, the candidate should:

6.1.1 *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

### **6.2 Liquidity and capital**

On completion, the candidate should:

6.2.1 *know* the following capital requirements:

- Minimum capital
- Capital adequacy

### **6.3 Returns and accounts**

On completion, the candidate should:

6.3.1 *know* the basic responsibilities ACIs must meet with respect to submitting returns and accounts

## **Element 7 The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)**

### **7.1 Special provisions in respect of financial and other business activities**

On completion, the candidate should:

7.1.1 *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
- Transaction analysis
- Employee training
- Penalties for non-compliance

7.1.2 *know* when simple or enhanced customer due diligence measures may be applied

## **7.2 Financial organisations' responsibilities**

On completion, the candidate should:

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

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

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

7.2.4 *know* examples of:

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

## **Element 8 Markets in Financial Instruments Regulation (2014) (MiFIR)**

### **8.1 Scope**

On completion, the candidate should:

8.1.1 *know* the scope of MiFIR

## **8.2 Transparency requirements**

On completion, the candidate should:

### 8.2.1 *know* transparency requirements for equity instruments

- Pre-trade
- Waivers
- Volume cap mechanism
- Post trade
- Deferred publication

### 8.2.2 *know* transparency requirements for non-equity instruments

- Pre-trade
- Waivers
- Post trade
- Deferred publication

### 8.2.3 *know* transparency requirements applicable to systematic internalisers and investment firms trading OTC

## **8.3 Reporting requirements**

On completion, the candidate should:

### 8.3.1 *know* record keeping requirements for investment firms

### 8.3.2 *know* record keeping requirements for trading venues

### 8.3.3 *know* transaction reporting requirements

### 8.3.4 *know* obligations relating to the supply of reference data for financial instruments

## 8.4 Derivatives

On completion, the candidate should:

8.4.1 *know* the obligation to trade derivatives on:

- Regulated markets
- MTFs
- OTFs
- Third-country trading venues

8.4.2 *know* obligations relating to the clearing and indirect clearing of derivatives

8.4.3 *know* the obligations relating to portfolio compression

## Element 9 Capital Adequacy Requirements

### 9.1 Directive DI144-2014-15 arising from EU575/2013

On completion, the candidate should:

9.1.1 *know* prudential consolidation requirements

9.1.2 *know* own funds requirements

9.1.3 *know* capital requirements:

- general requirements, valuation and reporting
- capital requirements for credit risk
- own funds requirements for market risk

9.1.4 *know* requirements relating to large exposures:

- limits
- exemptions

9.1.5 *know* transitional provisions

## 9.2 Directive DI144-2014-14 and Directive DI144-2014-14(A)

On completion, the candidate should:

9.2.1 *know* the arrangements, processes and mechanisms CIF's should have in place for:

- Recovery and resolution
- Remuneration
- Treatment of risks
- Calculating and benchmarking own funds requirements

9.2.2 *know* the arrangements, processes and mechanisms CIFs should have in place for:

- Credit and counterparty risk
- Residual risk
- Concentration risk
- Securitisation risk
- Market risk
- Interest risk arising from non-trading activities
- Operational risk
- Liquidity risk
- Risk of excessive leverage

## 9.3 Governance

On completion, the candidate should:

9.3.1 *know* governance requirements relating to:

- Country-by-country reporting
- Public disclosure of return on assets

9.3.2 *know* governance requirements relating to remuneration:

- remuneration policies



- variable elements of remuneration
- remuneration committee

#### **9.4 Supervisory review and evaluation process (SREP)**

On completion, the candidate should:

9.4.1 *understand* the purpose of SREP

9.4.2 *understand* the 5 key stages of the SREP:

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

9.4.3 *understand* SREP outcomes

#### **9.5 The internal capital adequacy assessment process (ICAAP)**

On completion, the candidate should:

9.5.1 *understand* the purpose of the ICAAP process

9.5.2 *understand* the principles for the implementation of an ICAAP

9.5.3 *understand* types of Pillar 1 risk

9.5.4 *understand* risk typologies not fully covered in Pillar 1:

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

9.5.5 *understand* types of Pillar 2 risk

9.5.6 understand the following risk management tools:

- Risk register
- Stress testing

## **Element 10 European market infrastructure regulation (EMIR)**

### **10.1 EMIR**

On completion, the candidate should:

10.1.1 *understand* the main provisions of EMIR

### **10.2 General requirements**

On completion, the candidate should:

10.2.1 *know* general requirements relating to own funds

10.2.2 *know* EMIR regulation relating to capital requirements

10.2.3 *know* general requirements relating to:

- large exposures
- exposures to transferred credit risk

10.2.4 *know* general requirements relating to liquidity

10.2.5 *know* general requirements relating to leverage

10.2.6 *know* general disclosure requirements

## **Element 11 Recovery and resolution laws**

### **11.1 Recovery planning**

On completion, the candidate should:

11.1.1 *know* recovery planning obligations and the assessment and relevant provisions for:

- CIF that are not part of a group subject to consolidated supervision
- Group recovery

## **11.2 Intra-group financial support**

On completion, the candidate should:

11.2.1 *know* requirements relating to intra-group financial support

## **11.3 Early intervention**

On completion, the candidate should:

11.3.1 *know* measures for early intervention

11.3.2 *understand* the appointment of:

- Special administrators
- Temporary administrators

## **11.4 Resolution**

On completion, the candidate should:

11.4.1 *know* resolution tools:

- the sale of business tool
- the asset separation tool

11.4.2 *know* requirements for the write down or conversion of capital instruments and the treatment of shareholders when a bail-in, write down or conversion occurs

## **11.5 Procedural obligations**

On completion, the candidate should:

11.5.1 *know* the notification requirements pertaining to the expected and actual failure of a CIF

## **11.6 Cross-border group resolution**

On completion, the candidate should:

11.6.1 *know* how the law facilitates cross-border resolution

- resolution colleges

- cooperation with third-country authorities
- exchange of confidential information

## **Element 12 Prospectus law (2012 – 2016)**

### **12.1 Prospectus law**

On completion, the candidate should:

12.1.1 *know* the purpose and scope of the law

12.1.2 *know* the types of offer that require the publication of a prospectus

12.1.3 *know* the obligation and exceptions to publish a prospectus when securities are admitted to trading on a regulated market

12.1.4 *know* the purpose and content of the prospectus

12.1.5 *know* when a supplement to the prospectus needs to be provided

## **Element 13 Transparency Law**

### **13.1 Information reporting requirements for issuers**

On completion, the candidate should:

13.1.1 *know* issuer reporting requirements for periodic information

13.1.2 *know* issuer reporting requirements for ongoing information

### **13.2 Framework of communication for issuers and holders of securities**

On completion, the candidate should:

13.2.1 *know* issuer obligations relating to shares

13.2.2 *know* issuer obligations relating to debt securities

### **13.3 Shareholder obligations**

On completion, the candidate should:

13.3.1 *know* shareholder threshold notification requirements

13.3.2 *understand* exemptions to shareholder notification requirements

13.3.3 *know* how the obligations extend to holders of financial instruments

## **Element 14 Insider Dealing and Market Manipulation Regulation (2016)**

### **14.1 Inside information**

On completion, the candidate should:

14.1.1 *know* the definition of inside information (Article 8 EU 596/2014)

14.1.2 *know* which persons are in possession of inside information (Article 8 EU 596/2014)

14.1.3 *know* the obligations for those in possession of inside information

- Prohibitions (Article 14 EU 596/2014)
- Legitimate behaviour (Article 9 EU 596/2014)
- Unlawful disclosure (Article 10 EU 596/2014)
- Market soundings (Article 11 EU 596/2014)

### **14.2 Provisions relating to issuers of financial instruments**

On completion, the candidate should:

14.2.1 *know* how issuers of financial instruments should manage inside information (Article 17 EU 596/2014)

14.2.2 *understand* the circumstances in which publication of inside information might be justifiably delayed (Article 17 EU 596/2014)

14.2.3 *know* the importance of keeping an updated insiders list (Article 18 EU 596/2014)

14.2.4 *know* the reasons and circumstances when a manager must report his / her transactions (Article 19 EU 596/2014)

### **14.3 Market manipulation**

On completion, the candidate should:

14.3.1 *know* which acts are considered to constitute market manipulation

14.3.2 *understand* how market operators help to detect and prevent market manipulation

14.3.3 *know* accepted market practices

### **14.4 Disseminating information**

On completion, the candidate should:

14.4.1 *know* provisions relating to persons and institutions who:

- produce or disseminate investment recommendations (Article 20 EU 596/2014)
- disseminate statistics and forecasts (Article 20 EU 596/2014)
- disclose or disseminate information to the media (Article 21 EU 596/2014)

### **14.5 Administrative Measures and Sanctions**

On completion, the candidate should:

14.5.1 *know* the administrative measures and sanctions in relation to market abuse