



ΕΠΙΤΡΟΠΗ
ΚΕΦΑΛΑΙΑΓΟΡΑΣ
ΚΥΠΡΟΥ

CYPRUS SECURITIES AND EXCHANGE COMMISSION

Financial Services Legal Framework: Basic Examination

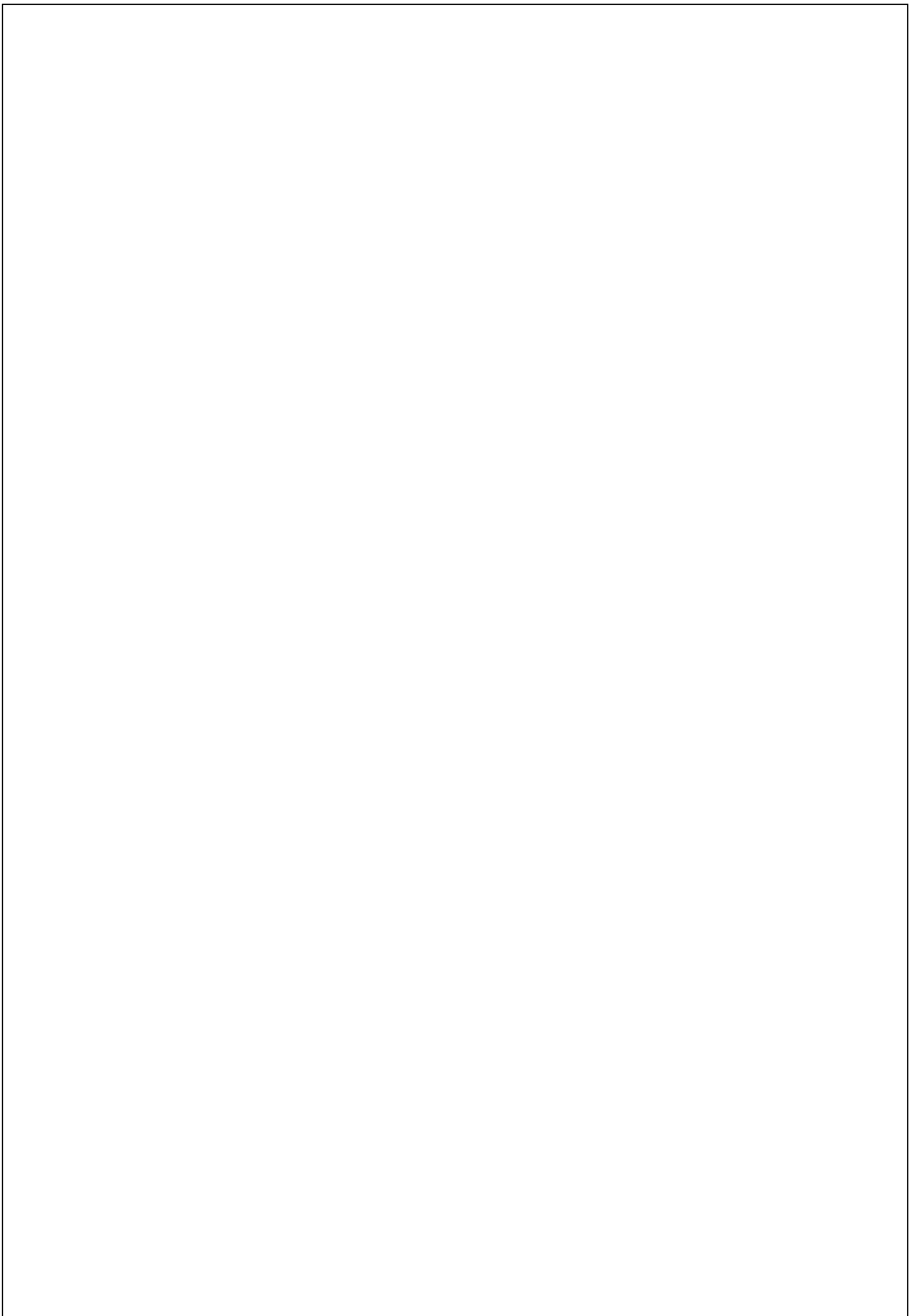
Prepared by



CYPRUS
INTERNATIONAL
INSTITUTE OF
MANAGEMENT

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Objective of the examination

The objective of the examination is 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 in the marketing of Collective Investment Schemes.

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** 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.

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.

Examination specification		
50 multiple choice questions		
Element number	Element	Questions
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)	12
3	Investment Services and Activities and Regulated Markets Laws CIFs and Banks	8
4	Markets in Financial Instruments Regulation (2014) (MiFIR)	5
5	Insider Dealing and Market Manipulation Regulation (2016)	8
6	Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)	5
7	Alternative Investments	6
8	The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)	2
Total		50

Assessment Structure

Assessment is a 1 hour examination of 50 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 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 Best execution

Element 4 Markets in Financial Instruments Regulation (2014) (MiFiR)

- 4.1 Scope
- 4.2 Transparency requirements
- 4.3 Reporting requirements
- 4.4 Derivatives

Element 5 Insider Dealing and Market Manipulation Regulation (2016)

- 5.1 Inside information
- 5.2 Provisions relating to issuers of financial instruments
- 5.3 Market manipulation
- 5.4 Disseminating information
- 5.5 Administrative measures and sanctions

Element 6 Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)

- 6.1 Undertakings for collective investment in transferable securities (UCITS)
- 6.2 Obligations of UCITS
- 6.3 UCITS structures
- 6.4 Management companies

Element 7 Alternative Investments

- 7.1 The Alternative Investment Funds Law (2014)
- 7.2 The Alternative Investment Fund Managers (AIFM) Law (2013)
- 7.3 Organisational requirements
- 7.4 Investors

Element 8 The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)

- 8.1 Special provisions in respect of financial and other business activities
- 8.2 Financial organisations' responsibilities

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 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 instrument

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* suitability requirements regarding investment advice:

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

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 Markets in Financial Instruments Regulation (2014) (MiFIR)

4.1 Scope

On completion, the candidate should:

4.1.1 *know* the scope of MiFIR

4.2 Transparency requirements

On completion, the candidate should:

4.2.1 *know* transparency requirements for equity instruments:

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

4.2.2 *know* transparency requirements for non-equity instruments:

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

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

4.3 Reporting requirements

On completion, the candidate should:

4.3.1 *know* record keeping requirements for investment firms

4.3.2 *know* record keeping requirements for trading venues

4.3.3 *know* transaction reporting requirements

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

4.4 Derivatives

On completion, the candidate should:

4.4.1 *know* the obligation to trade derivatives on:

- Regulated markets

- MTFs
- OTFs
- Third-country trading venues

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

4.4.3 *know* the obligations relating to portfolio compression

Element 5 Insider Dealing and Market Manipulation Regulation (2016)

5.1 Inside information

On completion, the candidate should:

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

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

5.1.3 *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)

5.2 Provisions relating to issuers of financial instruments

On completion, the candidate should:

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

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

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

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

5.3 Market manipulation

On completion, the candidate should:

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

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

5.3.3 *know* accepted market practices

5.4 Disseminating information

On completion, the candidate should:

5.4.1 *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)

5.5 Administrative Measures and Sanctions

On completion, the candidate should:

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

Element 6 Open-ended Undertakings for Collective Investment (UCI) Laws (2012 to 2016)

6.1 Undertakings for collective investment in transferable securities (UCITS)

On completion, the candidate should:

6.1.1 *know* the definition and types of UCITS

6.1.2 *know* provisions applicable to the operation of UCITS

- Common funds
- Variable capital investment companies

6.1.3 *know* the duties and requirements applicable to Depositories

6.2 Obligations of UCITS

On completion, the candidate should:

6.2.1 *know* the obligations of UCITS relating to:

- investment policy
- standing obligations
- investor information

6.2.2 *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

6.3 UCITS structures

On completion, the candidate should:

6.3.1 *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

6.4 Management companies

On completion, the candidate should:

6.4.1 *know* the obligations that apply to the operation of management companies

- Permitted activities
- Share capital

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- 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

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

Element 7 Alternative Investments

7.1 The Alternative Investment Funds Law (2014)

On completion, the candidate should:

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

- initial capital
- investment policy
- risk management
- management and administration

7.1.2 *know* the AIF requirements regarding valuation

7.1.3 *know* the AIF requirements regarding transactions

7.2 The Alternative Investment Fund Managers (AIFM) Law (2013)

On completion, the candidate should:

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

7.2.2 *know* the “general principles” for AIFM

7.2.3 *know* the AIFM requirements regarding remuneration

7.2.4 *know* the AIFM requirements regarding conflicts of interest

7.2.5 *know* the AIFM requirements regarding risk management

7.2.6 *know* the AIFM requirements regarding liquidity management

7.2.7 *understand* the transparency requirements for AIFM

7.3 Organisational requirements

On completion, the candidate should:

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

7.4 Investors

On completion, the candidate should:

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

Element 8 The Prevention and Suppression of Money Laundering and Terrorist Financing Laws (2007 to 2017)

8.1 Special provisions in respect of financial and other business activities

On completion, the candidate should:

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
- 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

On completion, the candidate should:

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