

Your gateway to the Emerging  
Companies Market of the  
Cyprus stock exchange

# The Emerging Companies Market and its advantages



The launch of the Emerging Companies Market ('ECM') on 30 September 2010 by the Cyprus Stock Exchange ('CSE') introduced a much needed new market with a simplified regulatory environment designed to address the needs of:

- ▶ Companies seeking finance at competitive cost with simplified and quick procedures
- ▶ Companies seeking easy access to a recognised secondary market of an EU member state
- ▶ Companies which wish to promote their recognition and reputation through a listing
- ▶ Listed Companies that do not want to undertake the high costs of remaining in a regulated market
- ▶ Investors seeking new ways of investment

The ECM is considered a Multilateral Trading Facility ('MTF') under the Markets in Financial Instruments Directive ('MiFID') and operates in accordance with the Regulatory Decisions adopted by the CSE.

The market is characterised as unregulated and therefore does not come under the mandatory provisions for regulated markets which impose strict listing requirements and continuing obligations.

The CSE is exclusively responsible for setting the listing requirements and continuous obligations of the Issuers and Directors, as well as for any sanctions to be imposed for any violation of the rules.

The Cyprus Securities and Exchange Commission ('CySEC') supervise the issuers regarding the publication of a prospectus, if this is required. In addition, CySEC supervise the CSE as a market operator which operates a MTF.

## Main conditions for listing on the ECM

- ▶ Existence of published audited financial statements for at least two years preceding application
- ▶ Newly established companies can be admitted if the CSE council judges that potential shareholders are given satisfactory information to help them properly assess the value of the titles
- ▶ The Issuer is a public company with a satisfactory number of investors
- ▶ Production of the Admission Document
- ▶ Appointment of a Nominated Advisor ('NOMAD') who will ensure that the company meets the admission criteria and that the relevant rules are complied with during and subsequent to the flotation.

There are no minimum market capitalisation criteria and no minimum amount of shareholders' equity.

## Methods for Listing

Listing can be achieved in the following ways:

1. By public offering: If the offering is public, is greater than €2,5 million and is addressed to over 100 persons, a Prospectus is required, pursuant to the European Prospectus Directive, and this must be approved by CySEC. In addition, the Admission Document must be submitted to the CSE.
2. By private placement: If the offer is addressed only to institutional investors (strategic or other) or to fewer than 100 persons and less than €2,5 million will be raised, an Admission Document must be submitted for approval by the CSE; there is no requirement for approval by CySEC
3. A combination of (1) and (2) above
4. By listing of existing shares: An Admission Document must be submitted for approval only by the CSE.

## Admission Document

The Admission Document must include:

- ▶ A history of the business
- ▶ Information on the directors and key shareholders
- ▶ Audited financial statements for the two years prior to the listing (if applicable)
- ▶ Business plan (short and long term, but not financial forecasts)
- ▶ Information about the placing or offer of the subscription
- ▶ Intended use of the listing proceeds
- ▶ Risk factors

## Continuing obligations of an Issuer

Once listed, the company's main requirements are:

- ▶ Publish annual audited IFRS financial statements, within four months of the year-end
- ▶ Publish unaudited half-yearly accounts within two months from the period end
- ▶ Announce to CSE immediately and at least one hour prior to the commencement of trading any decision relating to the following matters:
  - Any board of directors decision relating to the payment of a dividend, the distribution of profits or the payment of interest concerning listed securities
  - Approval of financial results and accounts
  - Any significant changes in the operations of the company (e.g. acquisition or liquidation of assets)
  - Any decision relating to changes in the capital structure of the company
  - In the case of bonds, any decision taken for a new issue
  - Any changes in the position of chairman, members of the board of directors, senior management or any other executive
- ▶ Announce any changes relating to the NOMAD retained by the company
- ▶ Publish and submit to the CSE the dispersion of shares, on the last day of the calendar year.

## Tax considerations

In addition to the business advantages offered by a listing on the ECM, there are also tax advantages available. For example, any gain arising on sale of shares listed on the ECM is exempt from any tax in Cyprus even if the assets of the company which shares are sold include real estate situated in Cyprus.

International business companies resident in Cyprus also benefit from the many advantages available from the Cyprus tax laws, including inter-alia:

- ▶ Cyprus offers the lowest (corporate) income tax rate (10%) within EU
- ▶ Exemption from (corporate) income tax on sale and revaluation of securities (whether the gain is of trading or capital nature)
- ▶ There are no withholding taxes on dividend, interest and royalty payments (under certain conditions) to non-resident shareholders
- ▶ The Cypriot tax system is in full compliance with EU and OECD rules. No significant changes expected in the foreseeable future
- ▶ EU perspective: Cyprus resident companies are able to apply the EU directives on direct taxation
- ▶ Cyprus has a double tax treaty network with over 40 countries with some treaties having most favoured nation clauses
- ▶ EU approved shipping legislation offering a favourable tonnage tax regime.

## Ernst & Young Cyprus as your Nominated Advisor

The role of the NOMAD is to firstly ensure that your company meets all listing requirements and that the relevant rules are complied with on flotation. Following listing, a NOMAD must be retained to advise the company and to ensure that it complies with the relevant ECM rules on an ongoing basis.

Ernst & Young Cyprus is approved by CSE to act as a NOMAD. The services we can provide as NOMAD include:

- ▶ Assistance, guidance and project management throughout the entire listing process
- ▶ Confirming the appropriateness of the company for admission to ECM (sponsoring)
- ▶ Ensuring and advising your company regarding compliance with the ECM rules
- ▶ Assisting and overlooking the preparation of the admission document/prospectus
- ▶ Subsequent to admission, we will continue to advise the company on its ongoing obligations as a listed company.

At Ernst & Young Cyprus we believe that choosing your advisors is crucial. We take commitment very seriously and we like to see things through. Count on us to draw upon our local expertise, global and area network, market leadership, industry knowledge and insight to guide you during and beyond the admission process and to help your business achieve its potential.

**As independent financial advisor we will also be by your side throughout all aspects of your strategic options, plans and decisions, including corporate, financing, tax and accounting.**

#### About Ernst & Young

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