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DIRECTIVE 4/2005
OF THE CYPRUS SECURITIES AND EXCHANGE COMMISSION
ON ACCEPTED MARKET PRACTICES

The Cyprus Securities and Exchange Commission, in accordance with the powers vested in it by virtue of section 25 of the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, issues the following Directive:

Short Title **1.** This Directive shall be referred to as the Accepted Market Practices Directive of 2005.

Definition **2.** In this Directive, unless the context shall prescribe otherwise:

“Law” means the Insider Dealing and Market Manipulation (Market Abuse) Law of 2005, as in force.

“member state” means the member states of the European Union

Terms used in this Directive that are not interpreted differently have the meaning given to them by Law.

Where in this Directive, reference is made to the Law, this includes the Regulations issued thereof.

Scope **3.** The purpose of this Directive is for the Cyprus Securities and Exchange Commission to determine, specify and clarify the factors that it takes into account when assessing whether it can accept a particular market practice.

Factors to take into account regarding accepted practices

4. The Cyprus Securities and Exchange Commission takes into account the following factors when assessing whether it can accept a particular market practice:

(a) the level of transparency of the relevant market practice to the whole market;

(b) the need to safeguard the operation of market forces and the proper interplay of the forces of supply and demand;

Provided that when applying the present paragraph, the Commission shall in particular analyse the impact of the relevant market practice against the main market parameters, such as the

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specific market conditions before carrying out the relevant market practice, the weighted average price of a single session or the daily closing price.

- (c) the degree to which the relevant market practice has an impact on market liquidity and efficiency;
- (d) the degree to which the relevant practice takes into account the trading mechanism of the relevant market and enables market participants to react properly and in a timely manner to the new market situation created by that practice;
- (e) the risk inherent in the relevant practice for the integrity of, directly, or indirectly, related markets, whether regulated or not, in the relevant financial instruments within the member states;
- (f) the outcome of any investigation of the relevant market practice by the Commission or any other competent authority or any other person authorised for this purpose by virtue of the powers vested in the Commission deriving from the Law of the Commission, in particular whether the relevant market practice breached rules or regulations or provisions designed to prevent market abuse or codes of conduct, be it on the market in question or on directly or indirectly related markets within the member states;
- (g) the structural characteristics of the relevant market including whether it is regulated or not, the types of financial instruments traded and the type of market participants, including the extent of retail investors participation in the relevant market.

Negotiating
with
interested
participants

- 5.** The Cyprus Securities and Exchange Commission, before accepting or rejecting a market practice, negotiates with interested participants at the time and in particular with representatives of issuers, persons providing investment services, investors, market operators, other authorities and market participants.

Provided that the negotiation process also applies in the case of the review, amendment or abolishment of a certain practice that has been accepted by the Cyprus Securities and Exchange Commission.

Publication of
Commission's
decision

- 6.** The Cyprus Securities and Exchange Commission makes public its decision to accept a market practice, which it publishes with an appropriate description of the practice. The information published includes a description of the factors that were taken into account when deciding whether a practice is acceptable, particularly

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whether there are refutable conclusions regarding the acceptance
of the same practice within the member states.

Postponement
of the
negotiation
process

- 7.** When investigations have already commenced in specific cases, the negotiation process mentioned in paragraph 5 of this Directive may be postponed until the investigations are complete and any possible sanctions are imposed.

Entry into
Force

- 8.** This Directive shall enter into force on the day of its publication in the Official Gazette of the Republic.