



# Cyprus: Your springboard to the World's Stock Exchanges

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# Introduction

Planning and executing a listing in a Stock Exchange is a procedure that requires the relevant knowledge and skills. We are confident that we can help you cut through the complexities of the process efficiently.

## **Choosing Cyprus as your base**

Offering an attractive tax regime, a base for your company in the European Union and top quality professional and financial services support.

## **Cyprus is probably your ideal option for your corporate domicile.**

By locating your company in Cyprus, you open up alternative options for conducting your Initial Public Offering (IPO) and facilitating a listing in a stock exchange. You may either choose to proceed with a listing in one of the regulated or unregulated markets of the Cyprus Stock Exchange (CSE), or you may opt to obtain a prospectus approval from the Cyprus Securities and Exchange Commission and passport this approval to any other European Member State to carry out the IPO and listing in a foreign stock exchange. Moreover, you may choose to apply directly for the listing of your Cyprus company to the relevant authority of another country, whether an EU Member State or not.

## **Why KPMG?**

KPMG is perfectly placed to assist you in planning, structuring and executing your transaction, as we have all the ingredients for a successful process:

## **Unparalleled knowledge of the needs of a listed company.**

KPMG in Cyprus traditionally audits a dominant share of the companies listed in the regulated market of the CSE.

## **International experience and expertise.**

KPMG in Cyprus has assisted clients during their listing in various stock exchanges, such as the London Stock exchange's Main market and Alternative Investment Markets (AIM), the Toronto Stock Exchange, the Oslo Stock Exchange and the Vienna Stock Exchange. Moreover, we can draw expertise and knowledge from our KPMG international network, practically in any jurisdiction that you may choose to carry out your IPO.

## **Hands-on support through the listing.**

Our teams of professionals have unique experience in guiding you through the whole process. Our experience embraces audit of financial statements, tax planning, accounting and financial reporting assistance and preparation of Accountants' reports, Due diligence / Long form reports, Working Capital reports, Financial Reporting Procedure memorandums, and Comfort Letters to underwriters. Our specific experience relates to assistance in the listing of companies in local and international stock exchanges, through acting as auditors and/or reporting accountants and, as required, preparing the relevant financial statements for Prospectus purposes, the Long Form reports as well as the Working Capital and Financial Reporting memorandums, indebtedness statements, assessment of the internal control environment and issuance of SAS 72 style comfort letters in connection with US and International Offerings.

**“Whatever your concerns are, we are confident that we have the answers for you.”**



# Contemplating an IPO?

The simple truth is that going public may not be the right strategy for every company. This fully depends on the objective you are trying to reach and your reasons for doing business in the first place.

A public offering is a significant event in the lifecycle of a company. An IPO can improve your company's financial strength and opportunities for growth, but the IPO process will introduce a number of management, financial and process-related challenges. A public offering provides an opportunity to examine your company's internal operations, reporting processes and culture.

As you evaluate whether an IPO is the right strategic option, consider the following:

## Benefits of an IPO

Depending on your company's objectives and maturity, there might be a number of reasons why an IPO could be the right step for your company. For example, IPOs can enable companies to:

- **Access funding:** companies seeking to grow, either organically or through M&A may consider going public to access new sources of long-term capital that can be invested to execute their strategies.
- **Deliver value to existing investors:** by listing your company's equity on the public market, existing shareholders are able to 'monetize' their investment and create a viable exit strategy.
- **Build market awareness:** many companies pursue an IPO in order to build their reputation and visibility in local and foreign markets, particularly in cases where the company's main focus of operations lies outside of major markets and developed economies.
- **Incentivise employees:** corporate stock option programs are a strong vehicle for driving employee motivation and tying compensation to the financial performance of the company.
- **Broaden the governance structure:** while there are a number of ways to strengthen a company's governance, IPOs provide a strong catalyst and proven framework for revitalising the governance structure.

## Challenges of a listing

Companies considering the IPO process should be aware that their organisations may meet a number of significant challenges along the way, such as:

- **Time and resource requirements:** being a public company takes a lot of hard work, not only to ensure a successful IPO, but also to maintain your listing and uphold your stock price. In particular, most executives find it challenging to devote the necessary time to successfully manage both the IPO process and simultaneously serve their core business.
- **Transparency and reporting:** public companies are obliged to report their financial statements and future strategy to investors and analysts, which is not only time consuming, but may provide competitors with valuable insight into proprietary business plans and strategies.
- **Regulation and compliance:** publicly traded companies face an exponential increase in the level of regulatory scrutiny and compliance that must be met, and – if found non compliant – they may face stiff penalties or suffer from depressed share prices as a result.
- **Cost:** private companies will invariably need to invest in their company in order to create the right environment within which to go public. In many cases, significant investments may be required to create and formalise processes that ensure compliance with International Financial Reporting standards (IFRSs) and other financial reporting requirements.

With the proper planning and guidance, most of these challenges can be tackled.

**“Once you choose to take the IPO road, you need to understand the challenges you will face in order to harvest its immediate and long term benefits ”**

### Roadmap to an IPO

The journey to an IPO is not a weekend pleasure trip. It takes a lot of hard work, planning and a substantial investment of time and money before you can start down the road. An IPO preparation process could usually take to six to twelve months from planning to the initial listing whereby a number of decisions have to be made and criteria to be fulfilled. Below is an indicative Roadmap to an IPO.



## A successful IPO depends on how well prepared the company is, and this is subject to a proper and diligent planning with the right advice at hand.

<b>Analysis: Consider and address key issues</b>	<ul style="list-style-type: none"> <li>• Consider financing options</li> <li>• Choice of listing location</li> <li>• Identify critical issues</li> <li>• Management and Board issues</li> <li>• Preliminary tax planning</li> </ul>
<b>Pre- IPO readiness test and general planning</b>	<ul style="list-style-type: none"> <li>• Identify key risks and value drivers</li> <li>• Readiness test (internal capital market readiness check) with agreed measures</li> <li>• Determine detailed timetable</li> <li>• Capital structure identification of resources</li> </ul>
<b>Preparation</b>	<ul style="list-style-type: none"> <li>• Corporate, tax and organisational restructuring</li> <li>• Establish international accounting standards</li> <li>• Develop general offer structure, equity story and financial model</li> <li>• Preliminary valuation</li> <li>• Fact book and bank selection</li> </ul>
<b>Detailed due diligence</b>	<ul style="list-style-type: none"> <li>• Financial Due Diligence</li> <li>• Legal Due Diligence</li> <li>• Commercial Due Diligence</li> <li>• Corporate governance</li> </ul>
<b>Prospectus</b>	<ul style="list-style-type: none"> <li>• Drafting prospectus</li> <li>• Drafting underwriting agreement and other ancillary documents</li> <li>• Preparation of analyst research</li> <li>• Preparation of presentations to institutions</li> </ul>
<b>Marketing to prospective investors</b>	<ul style="list-style-type: none"> <li>• Roadshow to institutional investors</li> <li>• Meeting with press and analysts</li> <li>• Definition of investor base for free float</li> </ul>
<b>Pricing the issue</b>	<ul style="list-style-type: none"> <li>• Assessing level of demand that will help optimise price, the quality of shareholder base and the 'after market'</li> </ul>
<b>Floatation</b>	<ul style="list-style-type: none"> <li>• Documentation preparation and approval</li> <li>• Shares admitted</li> <li>• Funds received</li> </ul>



# Preparing for the IPO

In order to start the IPO process, a good step plan will need to be in place.

Below we present ten important steps you should keep in mind during the pre-IPO stage.

<b>1</b>	<b>Set your strategy</b>	Know whether an IPO is the right choice for your company at this time
<b>2</b>	<b>Formulate your 'equity story'</b>	A strong equity story highlights the past success and future growth potential of an IPO candidate and helps achieve a higher valuation
<b>3</b>	<b>Identify and select an IPO</b>	Make sure you have extensive experience and a holistic approach
<b>4</b>	<b>Choose the right exchange</b>	Make sure you are listing on the most appropriate market for your company and strategy
<b>5</b>	<b>Conduct a pre-IPO readiness</b>	Find out what systems and processes must change before you can start the formal IPO process
<b>6</b>	<b>Develop a plan and timeline</b>	Set a reasonable pace and consider bringing in experienced external support to augment your team and ensure business continuity
<b>7</b>	<b>Close the gap</b>	Create and execute a plan that brings systems and processes in line with market requirements and norms
<b>8</b>	<b>Select your professional advisors</b>	From accountants, auditors, lawyers and underwriters - these suppliers must be highly experienced with capital markets
<b>9</b>	<b>Create Investor Relations function</b>	This will be your channel to the investors and analysts
<b>10</b>	<b>Prepare your financials</b>	You will need to go back three to four years to achieve the requirements for most markets

## What securities?

Whilst an IPO often refers to issue and listing of equity, one of the decisions that the company will have to take early in the process is the actual type of securities that it would float. Often this is a decision between issuing shares or Depositary Receipts (DRs), but the options could extend to issuing of debt securities, depending on the circumstances.

DRs are certificates issued by depositary banks which represent ownership of a company's shares. DRs can be listed and traded independently from the underlying shares and are often used by companies from emerging markets; that is jurisdictions where global investors may not be well acquainted with. Moreover, these instruments may be used to access more than one market concurrently. The most common form of DRs is the Global Depositary Receipts (GDRs).

Bonds can also be listed in various stock exchanges, and in many instances the basic procedures are similar. However bonds are generally less flexible for the issuer as they bear specific annual cost and payment schedules.

Deciding on the instrument to issue is a decision which is interlinked with the company's options for different stock exchanges. Depending on the stock exchange and the investment audience at the anticipated time of the listing, the company –with the support of its advisors– shall make the decision as to the most appropriate instrument to issue.

## Which stock exchange?

One of the most important decisions IPO candidates will make is which stock exchange to list their shares on. Indeed, this decision will largely determine what the IPO roadmap will look like and what the company needs to prepare in order to reach its destination.

There is no formula for selecting the right exchange. Rather, executives must consider the pros and cons of each market to determine the best path forward to achieve their unique goals.

It is not a decision to be taken lightly. The choice of market will likely have deep implications on organisational structure and processes and may require some heavy lifting to meet the expectations of the market. When selecting an exchange, IPO candidates must remember that listing on a public

market is a long-term strategy that has implications long after the IPO.

In addition, while achieving the highest valuation for your IPO is certainly a core consideration, there are also a number of other key factors that – in our experience – must also be taken into account, like:

- **Market regulations** - Regulation generally has a direct impact on investor confidence and often results in a more transparent set of rules for market participants. However, there is a general trend amongst regulators around the world towards aligning their market regulations to provide a more consistent set of rules and reduce the temptation for private companies to list on less transparent or poorly regulated exchanges. As a result, the influence of regulation on the choice of market may eventually become less important for IPO candidates as markets align.
- **Capital market liquidity** - The liquidity of a capital market will have a direct impact on the initial valuation of a company. Companies that conduct their initial offering in markets with low levels of trading volume also tend to see lower initial valuations than what it may be expected in more active markets. IPO candidates will therefore want to examine the historical data of the various exchanges to identify long-term volume and liquidity trends for both their industry group and the wider market, as well as the strength of the market's recovery in recent years.

**“The decisions of what to list and where are interrelated. They are both important decisions and need the support of the right advisors with proper awareness of the markets and the objectives of the company”**

#### Choosing your advisors

Identifying and retaining the right advisors can be a challenge for those new to the process. To start, IPO candidates may talk with their peers and existing advisors to identify an IPO Advisory team that fits their needs and culture. In our firm's experience, it is also important to select advisors with a global network, a multi-disciplinary team and a strong reputation for successfully advising IPO candidates.

Across the board, a high level of experience dealing with your chosen market is a must. Regulators are becoming increasingly vigilant about mistakes or inconsistencies in filings and prospectus paperwork, which can cause unexpected delays and create a knock-on effect on investor confidence. What's more, experienced IPO partners are often able to help their clients achieve a higher valuation by leveraging their experience and contacts to remove misconceptions and prepare their client for the rigors of the IPO process.



The key advisors often called upon to support the whole IPO process are:

Player	Role
<b>IPO Advisors</b>	To conduct a pre-IPO readiness test, IPO candidates will generally want to retain experienced IPO advisors with a robust understanding of the standards required for public companies and a holistic viewpoint that includes financial systems and reporting, governance structures, business processes and controls, human resources and management.
<b>Lawyers</b>	Conducting an IPO will require a team of lawyers with experience in developing prospectuses and structuring capital market contracts. In cases where the candidate's in-house counsel has prior experience with capital markets, they will often lead the legal work stream. During the process, other lawyers will also be involved on behalf of underwriters, banks or auditors.
<b>Accountants</b>	From the pre-IPO preparations through to the post-IPO period, accountants will be a key partner for the finance department. The restatement of past financial reports and the creation of controls and processes to ensure a strong reporting function are vital, so it is important to select a firm with experience in both accounting and system design.
<b>Auditors</b>	All regulated capital markets require public companies to employ an independent auditing firm that can review and attest to the consistency of their financial records. While it is not necessarily a requirement, many IPO candidates choose to retain one of the Big Four audit firms as their reputation and independence is generally acknowledged around the world. However, in all markets, audit firms are forbidden to also perform accounting services for the same client.
<b>Investment bankers / Underwriters</b>	Underwriters perform a variety of different functions depending on the market and jurisdiction. In all markets, the investment bank is responsible for disbursing the shares to the market, promoting the IPO and communicating with institutional investors.
<b>Investor Relations (IR) Professionals</b>	All public companies will need to maintain an IR function, and this person or team of people should be brought into the pre-IPO process as early as possible. Part Public Relations professional, part capital markets guru, the IR professional manages the day to day shareholder communications and the regular investor and analyst requirements.
<b>Business Advisory and IT Integration</b>	The pre-IPO readiness check will likely highlight areas where companies will require the outside support of business analysts, strategists and integrators to create everything from a compelling go-to-market story through to back-end technology integrations.

### Doing the pre-IPO readiness assessment

Indeed, any company considering an IPO would be well advised to make sure they are in proper shape to take the journey. This involves conducting a thorough pre-IPO readiness assessment that compares critical processes and controls to the standards required of a listed company. And much like a visit to the doctor’s office, you may not always like what you find out.

Investors expect IPO candidates to be ‘market ready’. From systems and controls to accounting standards and governance models, everything will come under scrutiny as soon as you reach the formal IPO process. For most, a rigorous pre-IPO readiness assessment is a vital first step on the journey ahead.

Pre-IPO readiness assessments are designed to identify the gaps between market expectations and the current reality of the organisation. It is not easy. It requires executives to root out potential weaknesses and turn a critical eye towards the status quo in order to develop a clear picture of their organisation’s capabilities.

But in return, executives will gain important insight into the steps that may be required to achieve a successful IPO

and – with that – a detailed roadmap of their journey that includes timelines, expected costs and milestones that must be achieved along the way and that can be achieved within the timeframe allotted.

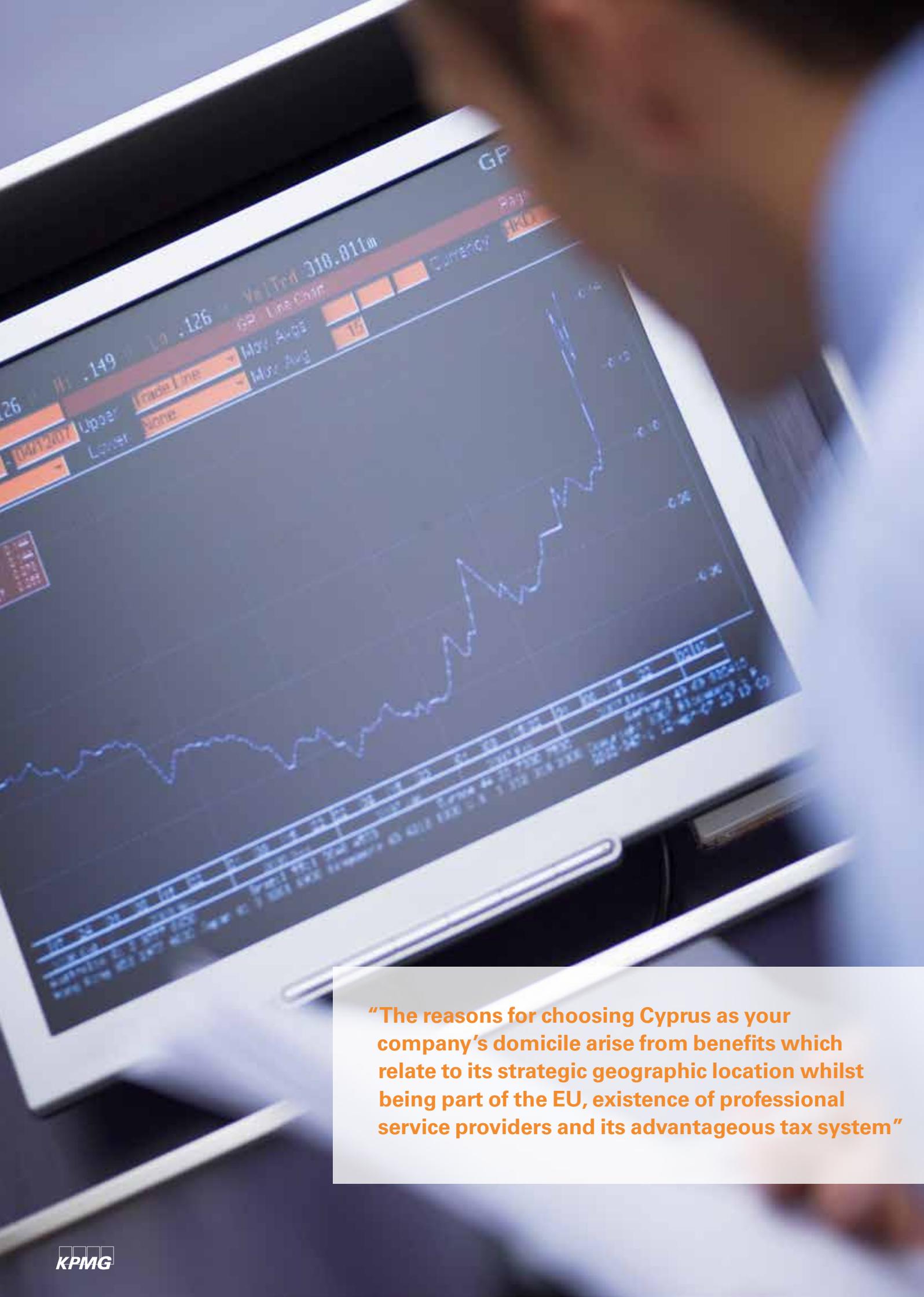
While the pre-IPO readiness assessment itself rarely takes more than a few weeks to complete, many companies find that the issues that the assessment identifies often take six to twelve months to address. Therefore, pre-IPO readiness assessments should begin as early as possible in the process.

However, clearly, each market is unique and expectations will vary from exchange to exchange and from industry to industry. So, while the pre-IPO readiness assessment will be different for each company, there are a number of key areas that – universally – must be addressed.

**“Becoming “market ready” is a process which, for some companies, may take 6-12 months”**

Financial Standards	Internal Controls	Corporate Governance	Risk Management
<ul style="list-style-type: none"> <li>Meeting the standards</li> <li>Integrated Reporting</li> <li>Informing the Management</li> <li>Creating a history</li> <li>Understanding the trends</li> <li>Equity story</li> <li>Testing the systems</li> </ul>	<ul style="list-style-type: none"> <li>Complying with Regulation</li> <li>Information Technology</li> </ul>	<ul style="list-style-type: none"> <li>Composition of the Board</li> <li>Selecting Board Members</li> <li>Management Structure</li> </ul>	<ul style="list-style-type: none"> <li>Identifying the risks</li> <li>Communicating with the Board</li> </ul>





**“The reasons for choosing Cyprus as your company’s domicile arise from benefits which relate to its strategic geographic location whilst being part of the EU, existence of professional service providers and its advantageous tax system”**

# Cyprus as your base to the World's stock markets

Cyprus has been a full member of the European Union since 2004 and a member of the Eurozone since 2008. The strategic position of Cyprus, connecting Europe, Middle East and Asia make the island a natural hub for business and trade.

Cyprus' economic memberships encompass the following:

- The World Trade Organization (1995)
- The International Bank for Reconstruction & Development (1961)
- The World Bank (1962)
- The International Development Agency (1962)
- The International Monetary Fund (1962)
- The International Centre for settlement of Investment Disputes (1966).

Cyprus has, in the last decades, established itself as a reputable and trust worthy financial centre complemented by an advanced legal, accounting and banking system, with highly skilled and multilingual workforce, excellent telecommunications, infrastructure and convenient round flight connections.

Cyprus is a small yet open economy with the largest sector being the provision of services (i.e. tourism, financial services and real estate), which represents approximately 60% of the distribution of GDP by activity, as per the 2015 provisional figures published by the Statistical Service of Cyprus (Cyprus in Figures – 2016 Edition).

## Why do business in / through Cyprus

Apart from its geographical position, Cyprus exhibits a number of advantages and has, hence, over the years attracted businesses to establish locations or even headquarters in Cyprus. These advantages include:

- More than 30 years experience as an International Business Centre
- Highly skilled labour force
- Low set up costs
- Business Centre for investments both within Europe and non-EU countries, and classified in 2001 by the IMF among the world's 39 most advanced economies
- One of the lowest corporate tax rates in the EU at 12,5%
- A legal system which is essentially based on English Law, which many businesses and investors are familiar with
- Financial reporting system based on IFRS

- Ideal location for: Holding companies, Shipping companies, Finance companies, Investment Funds, IP holding companies, Family Office Trust arrangements, Regional headquarters, Financial Services companies
- Stock exchange operating based on EU regulation
- Robust Securities and Exchange Commission
- A tradition of confidentiality with legal support
- A well represented accounting profession.

## Cyprus Holding company

More specifically, many companies choose to base their group's domicile in Cyprus in order to be able to enjoy the benefits of an advantageous tax framework.

The Cyprus tax legislation is fully compliant with the EU Acquis Communautaire and all EU tax Directives. It is in full compliance with the Code of Conduct for Business Taxation and against harmful tax competition. Cyprus has a double tax treaty network covering over 55 countries, and has been recently rated as "largely compliant" by the Organisation for Economic Co-operation and Development (OECD) – hosted Global Forum on transparency and exchange of information for tax purposes.

## Significant tax benefits offered by the Cyprus tax legislation:

- Corporation tax at 12,5%
- Notional Interest Deduction up to 80% of taxable profit arising as a result of equity introduced in the business on or after January 1st, 2015
- Group relief availability (75% holding)
- Tax free Re-organisations (cross border permitted)
- Tax free corporate Re-domiciliation in and out of Cyprus is permitted
- Exemption from tax on foreign dividends received (subject to certain conditions)
- Exemption from tax on profit from sale and/or revaluation of qualified securities
- No capital gains tax on disposal of shares/units, even if immovable property is situated in Cyprus
- No withholding tax on dividend, interest and royalty payments to non-resident shareholders
- Possibility for establishing one European Company for operations throughout Europe
- Capital duty on new issue of share capital of 0,6% (no capital duty on share premium).

# How KPMG can help

With deep experience in the IPO process, from pre-IPO readiness tests through to post-IPO strategies, KPMG firms' professionals offer valuable and insightful advice that cuts through the complexity of the IPO process. Below is a number of the areas in which we can offer our assistance.

## **Readiness Assessment**

We perform a comprehensive IPO readiness assessment to identify your needs and any gaps, and provide actionable recommendations to support the IPO process efficiently and cost effectively. KPMG's IPO-readiness assessment framework will help you assess your company's readiness for IPO and help prioritise actions in the run-up to your IPO.

## **Strategy**

We will help you clarify your thoughts on when and where to list and identify strategic and structural issues to be resolved pre-IPO and understand the risks to the transaction itself.

## **Equity Story**

A robust equity story is critical to a successful IPO; we will help you define and collect the information you will need for the due diligence process.

## **Financial Reporting**

Listed companies face new challenges in financial reporting. We can help you plan for the changes and work with you to identify areas where improvements are needed pre-IPO.

## **Corporate governance**

Regardless of where you plan to list, you will need to comply with corporate governance requirements. We can help you understand how your organisation measures up against leading practice.

## **Risk Management and Internal Control**

We will advise on areas where you may need to take actions to improve the management processes on internal control. This will include IT, treasury and financial controls.

## **Human Resources**

Establish clear and transparent remuneration and incentive structures that are critical for a listed company. We can help

you to identify areas where changes would be beneficial to you pre-IPO.

## **IT**

Investors will look for assurance that the IT governance and infrastructure actively support the organisation in meeting its strategy and objectives rather than be a burden on its operations and maintain a secure and reliable environment for the organisation. We can help you identify areas where changes would be potentially beneficial to you, pre-IPO.

## **Treasury**

Investors will seek to help ensure that any organisation they invest in has an appropriate treasury strategy supported by appropriate processes, systems and controls. We can help you identify areas where changes would be potentially beneficial to you, pre-IPO.

## **Tax**

We can analyse your tax structure and advise on changes which may be necessary pre-IPO.

## **Support in the process**

From the beginning of the IPO readiness assessment, during the commencement of the IPO process once the company has been assessed as "IPO ready" and until the floatation, we can offer our unparalleled knowledge and support.

Our local professionals, complemented with knowledge and expertise of international KPMG teams as necessary, have assisted Cyprus based companies to carry out their IPOs and float their shares in markets such as: London Stock Exchange, Hong Kong Stock Exchange, Warsaw Stock Exchange, Vienna Stock Exchange, Oslo Stock Exchange and Toronto Stock Exchange.

We are confident that our multi-skilled teams have the solutions to all of your issues. Below, we give some examples of how we can assist:

## **Audit and Advisory**

### **Accountants'/Auditors' Report**

One of the basic constituents of a Prospectus that will have to be prepared for the IPO is the Accountants'/Auditors' Report, which is prepared based on the underlying financial statements of the entity.



Our professionals have excellent practicing knowledge of the application of the **International Financial Reporting Standards (IFRSs) and International Standards on Auditing (ISAs)**, which are key requirements for the preparation of the Accountants'/Auditors' Report, by most stock exchanges, globally. In addition, through our network we can help in the preparation of Accountants'/Auditors' Reports under local accounting and auditing standards that are specifically required by a stock exchange. Moreover, our professionals can assist in the Review of **Interim Financial Statements**, based also on the application of the relevant standards, and also on the issue of compilation reports on **Pro-forma Financial Statements**, where such requirement exists.

#### **Consents, Comfort letters and other reporting requirements**

Based on our role as auditors/reporting accountants (as relevant), we shall be required to issue **consent letters**, which are based on the work we have performed.

Other Comfort letters that may be sought from auditors/reporting accountants, will vary depending on the stock exchange, the market of that stock exchange to which listing is applied for, the jurisdictions in which the investors to be addressed come from, the instruments to be listed and the requirements of the bankers / sponsors / bookrunners / underwriters.

Under the different circumstances we can prepare and submit various **comfort letters**, including those referring to: SAS 72 type, significant change, capitalisation and indebtedness, working capital and others.

Moreover, depending on the various circumstances we may be required to produce private reports to the company and bankers, including:

- **Long form report and Financial Reporting Procedures report** providing key analyses and information on the issuer. This report will usually cover issues of trading performance, corporate governance and internal procedures to control business risk and assessing information technology and adequacy of financial reporting procedures.

- **Working capital report** This report provides an analysis of forecasted working capital requirements in order to assist the Directors of the Company, and the bankers if applicable, for making the required statement in the Prospectus that the company has sufficient working capital for its present requirements.

Our professionals can liaise with the entity's sponsors, legal counsellors and other IPO advisors and review the whole prospectus and comment on responses to questions or other requests from the stock exchange.

#### **Tax**

Our local and international tax advisors can assist in identifying possible tax exposures of the company so as to enable protection for future investors. This may be effected either by a tax due diligence exercise or in the form of a structural review of the company's income flows and ownership structure.

Moreover, our professionals can assist in **optimising the tax structure** of the company or group, even before the IPO has started, by providing their insight as to the most efficient structuring of the company.

During the IPO process, our tax professionals can produce the **relevant tax consents and comfort letters**, as required, by assisting or reviewing the Prospectus to ensure tax efficiency in the transaction.

**“Our knowledge and international reach will be your solution to addressing and resolving the issues as they arise, no matter where you have decided to carry out your IPO”**

# The Cyprus Stock Exchange

Whilst our assistance and support is not limited to the IPOs in the CSE, the information of this section is aimed to provide a first acquaintance with the CSE.

The CSE started its operations as a legal entity in the form of a public corporate body on the 29<sup>th</sup> of March of 1996 by virtue of The Cyprus Stock Exchange Laws and Regulations which had been passed by the House of Representatives in 1993 and 1995 respectively.

The CSE is a regulated exchange where all transactions concerning corporate and public securities are carried out. Such securities include stocks, bonds, warrants and rights. In 2009, the CSE also introduced its own non-regulated market, a Multilateral Trading Facility based on the framework of other similar European non-regulated markets. Currently, CSE operates the following organised share markets:

- Regulated <sup>(1)</sup>
  - Main
  - Alternative
- Non-regulated
  - Emerging Companies Market (ECM) <sup>(2)</sup>

The organised markets of bonds or other similar bonds are the following:

- Regulated
  - Corporate Bonds Market
  - Government Bonds Market
- Non-Regulated
  - Emerging Companies Bonds Market <sup>(2)</sup>

The Collective Investments Scheme Markets are the following:

- Tradable Collective Investments Schemes Market
- Non-tradable Collective Investments Schemes Market

Given the nature of the unregulated markets where there is no requirement for an IPO and hence no need for a Prospectus, the procedure is simplified. KPMG in Cyprus, as an approved Nominated Advisor (Nomad) of the ECM, may assist you before and during the listing.

The tables below summarise the listing requirements and the continuous obligations for the Main Market, the Alternative Market as well as the ECM of the CSE.

Notes:

- (1) The Council of the CSE, has the power to transfer an issuer of the Main Market to the Alternative Market or to the Surveillance Market and an issuer of the Alternative Market to the Surveillance Market, if it is verified that the issuer does not keep the continuous obligations of the market it is listed, or if it is verified that it has committed serious or repeated violations of the Stock Exchange legislation
- (2) The ECM and the Emerging Companies Bonds Market are also provided for issuers whose registry is not maintained by the Central Registry/Depository.

# Listing requirements of the ECM compared to other markets of the CSE

Markets Requirements	Regulated		Non-Regulated
	Main Market	Alternative Market	ECM
<b>Audited Accounts</b>	The issuer has prepared audited accounts and operated normally at least 3 years prior to its listing with a positive net worth for the year prior to its listing  Exemption may be given by the CSE Council to accept audited accounts for the last two years.	The issuer has operated normally and had audited accounts for the 2 years prior to the listing  Exception for introducing a newly formed issuer.	The issuer has prepared audited accounts, it operated regularly and had relevant activities for at least 2 financial years prior to listing, unless it is a newly established company which provides satisfactory information to evaluate the value of its titles
<b>NOMAD</b>	Not applicable	Not applicable	Obtained and maintains the services of a Nomad
<b>Free Float</b>	Given the issuer's market capitalisation, specific free float listing requirements are applicable.*	At least 10% of the listed shares are held by the public, from at least 100 physical or legal persons and no shareholder controls directly or indirectly more than 75%	No minimum free float requirements. The securities shall be held by a satisfactory number of investors (at least 10)
<b>Market Capitalization</b>	At least €3.500.000	Not less than €1.000.000	Not applicable
<b>Or Equity Capital</b>	For each one of the two years prior to listing an equity capital exceeding €3.000.000	Not applicable	Not applicable
<b>Profit after Tax</b>	According to the audited accounts for at least two of the last three years	Not applicable	Not applicable
<b>Qualified Auditors' Report</b>	Must not contain any reservation for the year before the listing	Not applicable	Not applicable
<b>Corporate Governance Code of the CSE</b>	Full adoption	Not applicable	Not applicable
<b>Binding Statement</b>	Submission of a binding statement of shareholders holding >5% of the share capital	Not applicable	Not applicable

In addition to the above listing requirements, for all the markets, the general listing requirements of the CSE also apply.

\*For issuers with market capitalisation lower than €700.000.000, at least 25% of the listed shares are held by the public, from at least 300 physical or legal persons who do not hold a stake exceeding 5% of the total shares and no shareholder on its own and all the other major shareholders together directly or indirectly control a rate equal to or greater than 75%

For issuers with market capitalisation equal to or greater than €700.000.000, at least 15% of the shares proposed for listing are held by the general public and from at least 1.000 physical or legal persons, of which none holds shares that exceed 5% of total shares and no shareholder itself and all other major shareholders together directly or indirectly control a rate equal to or greater than 75%.

# Continuous obligations of the ECM compared to other markets of the CSE

	Regulated		Non-Regulated
Markets Requirements	Main Market	Alternative Market	ECM
<b>Financial Results</b>	<ul style="list-style-type: none"> <li>• Annual audited accounts</li> <li>• Semi – annual accounts</li> <li>• Profit warnings</li> </ul>	<ul style="list-style-type: none"> <li>• Annual audited accounts</li> <li>• Semi – annual accounts</li> <li>• Profit warnings</li> </ul>	<ul style="list-style-type: none"> <li>• Annual audited accounts</li> <li>• Semi – annual accounts</li> </ul>
<b>Information for important changes in the percentage of the main shareholders</b>	<ul style="list-style-type: none"> <li>• The information concerns every percentage change of: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%</li> <li>• Free float statement every quarter</li> <li>• Any changes concerning the transactions of the BoD and the main shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• The information concerns every percentage change of: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%</li> <li>• Free float statement every quarter</li> <li>• Any changes concerning the transactions of the BoD and the main shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Publication and submission to the CSE of the dispersion statement of the share capital of the last business day of the calendar year</li> </ul>
<b>NOMAD</b>	Not applicable	Not applicable	Inform forthwith the investing public in case of interruption, change or renewal of their cooperation with the Nominated Advisor
<b>Listed Companies have the obligation to announce, if possible, at least one hour before the commencement of trading any decision of the Board of Directors</b>	<ul style="list-style-type: none"> <li>• Every decision of the BoD relating to the payment or not of a dividend, the distribution of profits or the payment of interest concerning listed securities</li> <li>• Every decision for the approval of financial results and their statements as well as the manner of their publication</li> <li>• In the case of listed debt securities, every decision taken for a new issue</li> <li>• Every information concerning a takeover or liquidation of its material assets</li> <li>• Every major change in the activities or business of the issuer or of the group to which it belongs</li> <li>• Every change, appointment, election and resignation in the positions of Chairman or member of the BoD, the General Manager, the Financial Controller, the Auditor, the Head of the Accounting Department and the Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• Every decision of the BoD relating to the payment or not of a dividend, the distribution of profits or the payment of interest concerning listed securities</li> <li>• Every decision for the approval of financial results and their statements as well as the manner of their publication</li> <li>• In the case of listed debt securities, every decision taken for a new issue</li> <li>• Every information concerning a takeover or liquidation of its material assets</li> <li>• Every major change in the activities or business of the issuer or of the group to which it belongs</li> <li>• Every change, appointment, election and resignation in the positions of Chairman or member of the BoD, the General Manager, the Financial Controller, the Auditor, the Head of the Accounting Department and the Secretary</li> </ul>	<ul style="list-style-type: none"> <li>• Every decision of the BoD relating to the payment or not of a dividend, the distribution of profits or the payment of interest concerning listed securities</li> <li>• Every decision for the approval of financial results and their statements as well as the manner of their publication</li> <li>• In the case of listed debt securities, every decision taken for a new issue</li> <li>• Every information concerning a takeover or liquidation of its material assets</li> <li>• Every major change in the activities or business of the issuer or of the group to which it belongs</li> <li>• Every change, appointment, election and resignation in the positions of Chairman or member of the BoD, the General Manager, the Financial Controller, the Auditor, the Head of the Accounting Department and the Secretary</li> </ul>
<b>Listed companies have the obligation to announce ten days before the date on which its BoD convenes</b>	Listed companies have the obligation to announce the date in which the BoD will meet to decide for any subject relating to the capital structure of the company, ten days prior to the meeting	Listed companies have the obligation to announce the date in which the BoD will meet to decide for any subject relating to the capital structure of the company, ten days prior to the meeting	Not applicable

It is noted that, from time to time, the Council of the CSE amends the Regulatory Decisions of the CSE on the Stock Exchange Markets and/or issues Circulars, resulting in changes to abovementioned Stock Exchange Markets requirements. The listing requirements and the continuous obligations presented in the tables above are based on the most recent Regulatory Decisions of the CSE and the relevant Circulars, issued by both the CSE and CySEC as at the date of the publication of this brochure.

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