



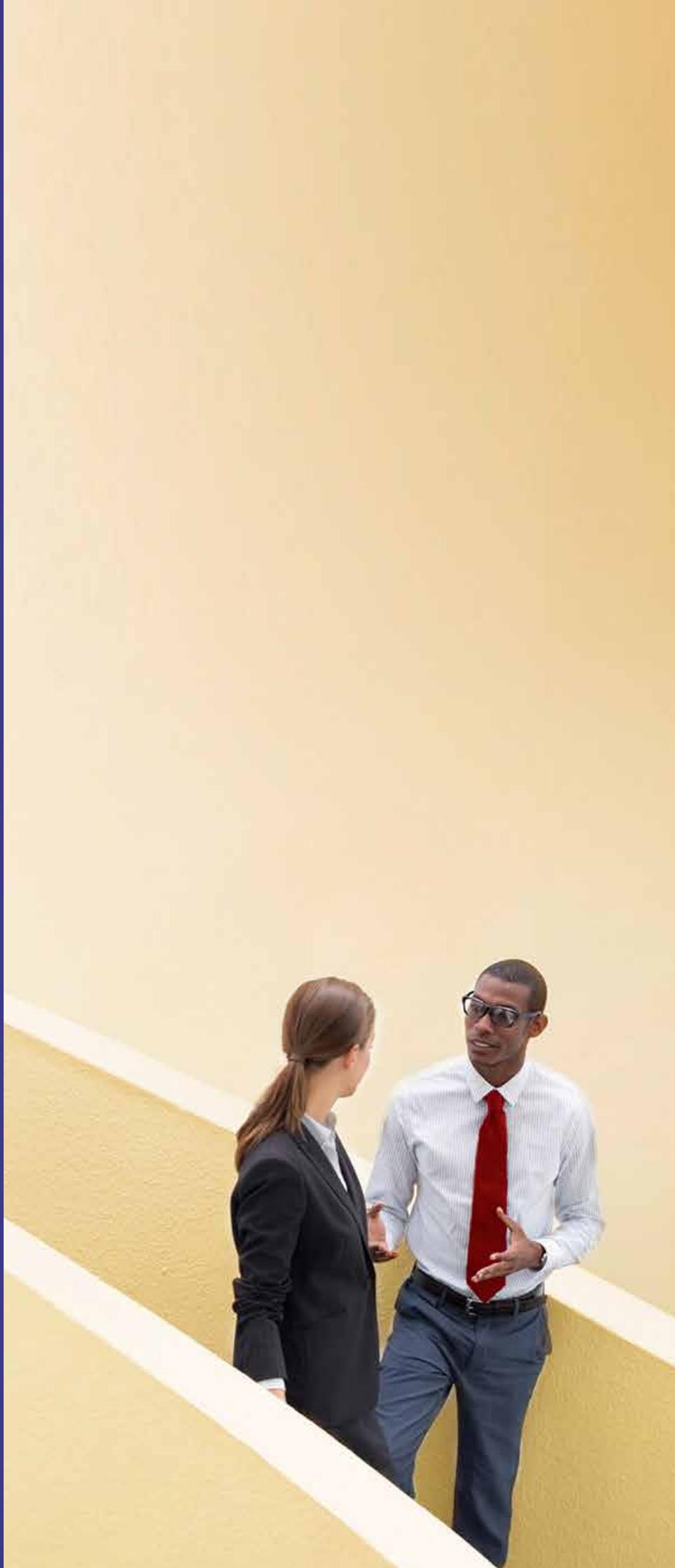
The Emerging Companies Market (ECM)

**Powering your listing
through our NOMAD
role**

Advisory Services

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kpmg.com.cy



A stack of books with various colored covers (yellow, red, white) is visible on the left side of the page. A silver pen lies horizontally across the bottom of the page. The background is a light-colored wooden surface.

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Introduction

The Emerging Companies Market (“ECM”) is the unregulated market of the Cyprus Stock Exchange (“CSE”) launched in 2009.

Companies wishing to list their securities on the ECM are not required to comply with the mandatory provisions of regulated markets in regards to both listing requirements, (such as minimum market capitalisation, minimum free float), and continuous obligations.

The market is not regulated by the Cyprus Securities and Exchange Commission (“CySEC”). However, throughout the flotation procedure, the issuer must obtain and maintain the services of an approved Nominated Advisor (“NOMAD”), who assesses the issuer and presents it to the Stock Exchange certifying that the listing requirements are met, and contributing to the fulfilment of all requirements up until the commencement of trading.

Thereafter, the NOMAD takes care for the observance of the issuer’s continuous obligations and assists for its smooth operation in the stock market environment.

Shares, corporate bonds and their derivatives such as Warrants, Rights, and Convertible/Non-Convertible Bonds are traded in the ECM. Corporate Bonds are traded in their own market which is called “Emerging Companies Bonds Market”. Moreover, since September 2015, the CSE created two new markets under the ECM umbrella, the Shares Market and Bonds Market for issuers whose Registry is not kept with the Central Depository/Registry. The securities on the aforementioned markets are traded in Pounds (Sterling) and Euro.

If you are contemplating a transaction on the ECM, we have all the answers to facilitate your proper listing and maximise your listing value.

ECM is an attractive alternative in raising capital and a strategic option that is, besides all other benefits, a strong signal to potential investors that the company is active and forward looking and any transaction with it will be transparent.

To whom is the ECM addressed to?

The simplified regulated environment of the ECM has been designed to address the needs of:

- Unlisted companies seeking finance and easy access to a secondary market, thus improving the liquidity of their shares, and offering an exit route to existing or future investors;
- Investors seeking new ways of investment, with awareness of the high risk of the market;
- Listed companies that are not able or willing to undertake the higher costs of remaining in a regulated market (subject to first delisting from the regulated market following an acquisition);
- Companies seeking to float their securities to a recognised secondary market of an EU member state.

What are the ways of getting a listing?

Floatation in the ECM can be achieved in one of the following methods:

- By public offer, which requires a Prospectus, pursuant to the European Prospectus Directive, and an approval by CySEC (unless the offering is less than €5 million and is addressed to less than 150 natural or legal persons per member state, which are not qualified investors); or
- By private placement for securities that will be issued to a limited number of institutional investors (strategic or other), which requires only an Admission Document to be submitted to the CSE; or
- By private placement of securities already issued, which requires an Admission Document to be submitted to the CSE; or
- A combination of the abovementioned methods.

It should be noted, that as per the provisions of the Prospectus Law (“PL”), whenever the threshold of the size of a new issue and/or the number of persons apply, a full Prospectus is required instead of an Admission Document, that has to be prepared and approved according to the legal provisions (i.e. approved by the CySEC, if in Cyprus). Once the Prospectus is approved, an issuer listed in the ECM will only have the obligations of that market.

Contemplating a listing

Advantages of listing in the ECM

- Lower cost of listing compared to the regulated markets;
- Easiness of raising capital;
- Shares and bonds are more attractive to investors as listing provides an exit strategy;
- Lower cost of continuous obligations compared to regulated markets;
- The status of a listed company may assist in attracting investors;
- Serves as preparation for listing in the regulated markets of the CSE;
- Offers an alternative for companies delisted from the regulated markets of the CSE.

Are there any tax considerations?

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.

In addition to the above advantages, there are significant tax benefits offered by the Cyprus tax legislation such as:

- One of the lowest corporate tax rates in EU 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 where the listed entity owns immovable property 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).

Is it possible for an issuer to transfer from the regulated market to the ECM?

An issuer cannot be transferred from the regulated market to the ECM unless it first delists from the regulated market (if for example, he is unwilling or unable to cope with the cost of maintaining the increased obligations of the regulated market). After delisting from the regulated market, the issuer can be listed to the ECM with simplified procedures within 12 months from the date of obtaining an initial approval by the CSE’s Council.

Is it possible for an issuer to transfer from the ECM to the regulated market?

An issuer can be transferred from the ECM to the regulated markets after an application is made by the issuer and if the issuer ensures that it:

- Fulfills the listing requirements of the market in which it seeks to transfer
- Obtains the approval from CySEC according to the Law 114(I)/ 2005.

Preparation for listing and continuous obligations

What are the main listing requirements of the ECM?

A company must meet the below main listing requirements in order to be admitted to the ECM:

- The issuer must have published audited accounts, normal operations and related activities for at least two years preceding the application. Newly established companies will be able to be listed, if the Council of the CSE is satisfied that potential investors are given satisfactory information that would allow them to assess properly the value of the issuer's titles, as this would be initially evaluated by the NOMAD
- Throughout the flotation procedure, (and for as long as the securities are listed in the ECM) the issuer must have a NOMAD, who will ensure that the company meets the admission criteria and that the relevant rules are complied with during and subsequent to the listing
- No minimum share capital must be dispersed among the general public. The issuer must be a public company with a satisfactory number of investors. There is no official definition of "satisfactory number of investors", but it has been indicated by the CSE that if the issuer's securities are held by ten 'unconnected' investors, this requirement is satisfied
- The issuer must prepare and submit to the CSE an Admission Document, which must include, as a minimum, the following:
 - History of the business;
 - Information on the directors and key shareholders;
 - Information about the placing or offer of the subscription;
 - Intended use of the listing proceeds;
 - Audited financial statements, prepared under International Financial Reporting Standards ("IFRS"), for the two years prior to the listing (if applicable);
 - Business plan (short and long term, but not financial forecasts) and
 - Risk factors.

In addition to the above listing requirements on the ECM, the general listing requirements of the CSE will also apply.

It is noted that there are no listing requirements regarding the following:

- Market capitalisation;
- Equity Capital;
- Profitability;
- Adoption of the Corporate Governance Code;
- Qualified Auditors' Report and
- Binding Statement of shareholders' holding.

What are the continuing obligations after a listing in the ECM?

Once listed, a company's main continuing obligations and financial reporting requirements are the following:

- Publish annual audited financial statements, prepared under IFRS, within four months after the end of the financial year
- Publish semi – annual unaudited financial statements within three months after the end of the half-year period
- Any changes regarding the NOMAD must be announced
- In order to ensure the early notification to the investors, listed companies have the obligation to announce to the CSE immediately and if possible, at least one hour before the commencement of trading:
 - Every decision of the Board of Directors ("BoD") relating to the payment or not of a dividend, the distribution of profits or the payment of interest;
 - Every decision for the approval of financial results and their statements as well as the manner of their publication ;
 - In the case of listed debt securities, every decision taken for a new issue;
 - Every information concerning a takeover or liquidation of its material assets;
 - Every major change in the activities or business of the issuer or of the group to which it belongs;
 - Any changes in the positions of Chairman, Member of the BoD, the General Manager, the Financial Controller, the Auditor, the Head of the Accounting Department and the Secretary;
- Publication and submission to the CSE of the dispersion statement of the share capital of the last business day of the calendar year within ten working days from the day to which it pertains.



KPMG as your NOMAD

What is the role of the NOMAD?

The NOMAD will advise the issuer in terms of its compliance with the rules and regulations of the ECM. In particular the NOMAD:

- Evaluates and presents the issuer to the CSE ensuring that the listing requirements are fulfilled;
- Represents the issuer at the CSE at the stage of the approval of its application up until the commencement of trading;
- Advises the issuer in respect to the compliance with the continuous obligations and assists for its smooth operation in the stock market environment;
- Monitors and assists the issuer according to the rules and regulations of the ECM in fulfilling its continuous obligations;
- If the issuer does not comply with its obligations, the NOMAD takes all necessary actions in order to remedy any failure, while informing the CSE on the nature of the failure and the measures that the issuer has taken.

How can KPMG help?

KPMG is a registered NOMAD, approved by the CSE, with strong reputation and significant experience in listings in the exchanges around the world.

KPMG can assist by providing services both during the admission process and after the floatation as described below:

- Advice and project management throughout the admission process;
- Undertake the role of the NOMAD and sign the relevant declaration of the CSE as to the company's appropriateness for admission to the ECM;
- Advice on the company's compliance to the ECM rules during the admission process;
- Assisting and drafting of the Admission Document;
- Act as NOMAD, subsequent to listing, and advise the company on its ongoing obligations and financial reporting requirements as a listed company.

KPMG has the knowledge and expertise to understand any special conditions and assist with the listing specifics and more. Choosing KPMG as your advisor will help you analyse your fund-raising options and determine your strategy.

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

Markets Requirements	Regulated		Non-Regulated
	Main Market	Alternative Market	ECM
Audited Accounts	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
NOMAD	Not applicable	Not applicable	Obtained and maintains the services of a Nomad
Free Float	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)
Market Capitalization	At least €3.500.000	Not less than €1.000.000	Not applicable
Or Equity Capital	For each one of the two years prior to listing an equity capital exceeding €3.000.000	Not applicable	Not applicable
Profit after Tax	According to the audited accounts for at least two of the last three years	Not applicable	Not applicable
Qualified Auditors' Report	Must not contain any reservation for the year before the listing	Not applicable	Not applicable
Corporate Governance Code of the CSE	Full adoption	Not applicable	Not applicable
Binding Statement	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
Financial Results	<ul style="list-style-type: none"> Annual audited accounts Semi – annual accounts Profit warnings 	<ul style="list-style-type: none"> Annual audited accounts Semi – annual accounts Profit warnings 	<ul style="list-style-type: none"> Annual audited accounts Semi – annual accounts
Information for important changes in the percentage of the main shareholders	<ul style="list-style-type: none"> The information concerns every percentage change of: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% Free float statement every quarter Any changes concerning the transactions of the BoD and the main shareholders 	<ul style="list-style-type: none"> The information concerns every percentage change of: 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% Free float statement every quarter Any changes concerning the transactions of the BoD and the main shareholders 	<ul style="list-style-type: none"> Publication and submission to the CSE of the dispersion statement of the share capital of the last business day of the calendar year
NOMAD	Not applicable	Not applicable	Inform forthwith the investing public in case of interruption, change or renewal of their cooperation with the Nominated Advisor
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	<ul style="list-style-type: none"> 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 Every decision for the approval of financial results and their statements as well as the manner of their publication In the case of listed debt securities, every decision taken for a new issue Every information concerning a takeover or liquidation of its material assets Every major change in the activities or business of the issuer or of the group to which it belongs 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 	<ul style="list-style-type: none"> 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 Every decision for the approval of financial results and their statements as well as the manner of their publication In the case of listed debt securities, every decision taken for a new issue Every information concerning a takeover or liquidation of its material assets Every major change in the activities or business of the issuer or of the group to which it belongs 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 	<ul style="list-style-type: none"> 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 Every decision for the approval of financial results and their statements as well as the manner of their publication In the case of listed debt securities, every decision taken for a new issue Every information concerning a takeover or liquidation of its material assets Every major change in the activities or business of the issuer or of the group to which it belongs 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
Listed companies have the obligation to announce ten days before the date on which its BoD convenes	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.

Main contacts

Christos Vasiliou

Deputy Managing Director

Head of Advisory

T: +357 22 209 113

E: cvasiliou@kpmg.com

Christophoros Anayiotos

Board Member

Head of Deal Advisory

T: +357 22 209 292

E: canayiotos@kpmg.com

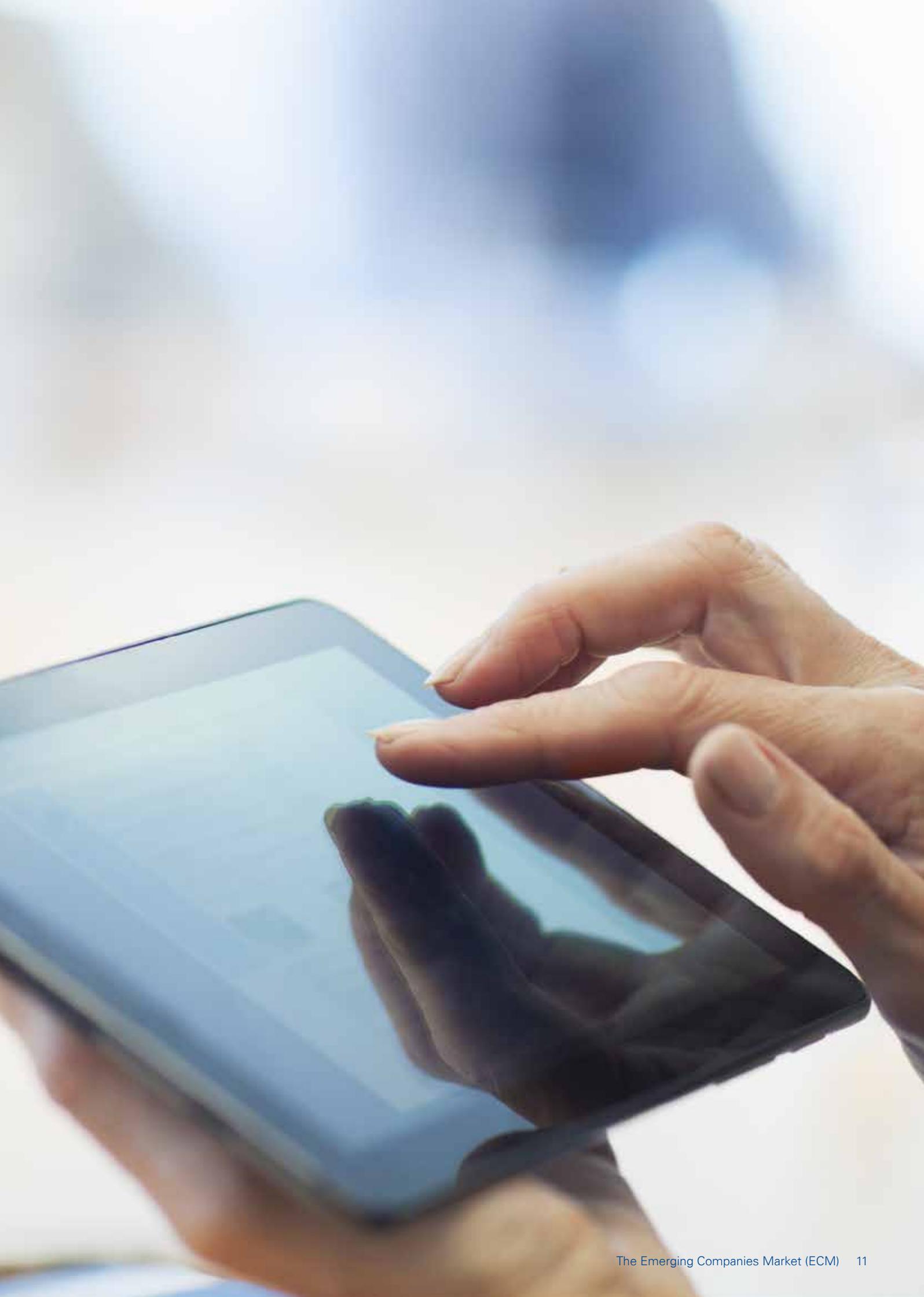
Callia Michaelides

Principal

Deal Advisory

T: +357 22 209 299

E: cmichaelides@kpmg.com



Contact us

Nicosia

T: +357 22 209 000

F: +357 22 678 200

E: nicosia@kpmg.com.cy

Limassol

T: +357 25 869 000

F: +357 25 363 842

E: limassol@kpmg.com.cy

Larnaca

T: +357 24 200 000

F: +357 24 200 200

E: larnaca@kpmg.com.cy

Paralimni

T: +357 23 820 080

F: +357 23 820 084

E: paralimni@kpmg.com.cy

Paphos

T: +357 26 943 050

F: +357 26 943 062

E: paphos@kpmg.com.cy

Polis Chrysochous

T: +357 26 322 098

F: +357 26 322 722

E: paphos@kpmg.com.cy

www.kpmg.com.cy



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