

To the Board of Directors
Mega Equity Securities & Financial Services Public Limited
Nicosia, Cyprus

Independent Limited Assurance Report to the Cyprus Securities and Exchange Commission (the “CySEC”) on the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits of Mega Equity Securities & Financial Services Public Limited for the year ended 31 December 2023

Scope

1. We have been engaged by Mega Equity Securities & Financial Services Public Limited (hereinafter the “Company” or the “CIF”) to perform a ‘limited assurance engagement’, as defined by International Standards on Assurance Engagements, (hereinafter referred to as the “engagement”), to report on the suitability of the measures taken by the “CIF” (the “Subject Matter”) pursuant to the provisions of Part II of the CySEC Directive D187-01 of 2018 for the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits (the “Directive”, the “Subject Matter”), for the year ended 31 December 2023, regarding the organisational requirements under Sections 17(8), 17(9) and 17(10) of the Investment Services and Activities and Regulated Markets Law of 2017 (the “Law”):
 - a. A CIF must, when holding financial instruments belonging to clients, to make adequate arrangements so as to safeguard the ownership rights of clients, especially in the event of the CIF's insolvency, and to prevent the use of a client's instruments on own account except with the client's express consent;
 - b. A CIF must, when holding funds belonging to clients, make adequate arrangements to safeguard the rights of clients and prevent the use of client funds for its own account; and
 - c. A CIF shall not conclude title transfer financial collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients.

Board of Directors’ responsibilities

2. The CIF’s Board of Directors is responsible for maintaining adequate arrangements to enable the CIF to comply with the requirements of the Directive.
3. This responsibility includes designing, implementing and maintaining internal control ensuring that the CIF complies with the provisions of the Directive; designing, implementing and effectively operating controls to achieve the stated control objectives; selecting and applying policies; and maintaining adequate records in relation to the measures taken pursuant to the provision of the Directive.

EY's responsibilities

4. Our responsibility is to examine the measures taken by the CIF pursuant to the provisions of the Directive and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the measures taken by the CIF pursuant to the provisions of the Directive are suitable, as the basis for our limited assurance conclusion.
5. The procedures selected depend on our understanding of the measures taken pursuant to the provisions of the Directive, of the internal control system of the CIF and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.
6. Our engagement also included: assessing the appropriateness of the measures taken by the CIF pursuant to the provisions of the Directive, the suitability of the criteria used by the CIF in applying the measures taken and evaluating the appropriateness of the methods, policies and procedures, and models used. The guidance on the procedures followed is found in Appendix 1 to this Report.
7. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our Independence and Quality Management

8. The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
9. We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the CIF did not take suitable measures to enable it to comply with the provisions of Part II of the Directive for the year ended 31 December 2023.

Restriction of Use of Our Report

Our report is solely for the purpose as set out above and for your information and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the requirements of Sections 17(8), 17(9) and 17(10) of the Law and Part II of the Directive and does not extend to any financial statements or other financial information of the CIF.

Other matter

Pursuant to the terms of the engagement, we provided a management letter to the Board of Directors of the CIF, describing observations that have come to our attention during the conduct of our work. Our conclusion is not modified in respect of these matters.

A handwritten signature in blue ink, appearing to read 'Nicolas Pavlou', enclosed within a light blue circular scribble.

Nicolas Pavlou
Partner

For and on behalf of
Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
30 April 2024

APPENDIX 1

| Paragraph | Requirement | Indicative audit procedures | Findings |
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| 4 (1) | For the purposes of safeguarding clients' rights in relation to financial instruments and funds belonging to them, a CIF is required to comply with the following requirements: | 1. Obtain the Company's client list (hereinafter "the list") extracted from the system which should contain as a minimum the following for each client: Client identification (ID) number, Client name, categorization (e.g., professional vs. retail) and closing balance at the end of the reporting period. | No issues identified. |
| (a) | It must keep such records and accounts as are necessary to enable it at any time and without delay to distinguish assets held for one client from assets held for any other client, and from its own assets. | 2. Select a random sample of clients from the list and for a specific randomly selected day obtain a snapshot extracted from the system of each client's holdings, showing client name and/or ID, amount and type of investments (where applicable), transaction date and time, opening and closing balance. In case of companies with own investments, for a specific randomly selected day, obtain a snapshot for the own equity (i.e., cash and investments) showing Company's name and/or ID, amount and type of investments, transaction date and time, opening and closing balance. | No issues identified. |
| | | 3. Inquire Management regarding the onboarding procedure of the clients for distinguishing assets held for one client from those held for another by verifying that each client is recorded in the system with a unique ID code. Confirm that no duplicate client ID codes exist in the list. | No issues identified. |

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| | | <p>4. For the sample of clients selected in Procedure 2, obtain a transaction listing for the reporting period, reconciling opening balances to closing balances including deposits, withdrawals, purchases, sales, dividends, interest etc.</p> <p>For the sample of clients selected in Procedure 2, select a random sample of transactions (money receipts and payments) and confirm that they are paid in or out of the client bank account or merchant accounts with PSPs/EMIs no later than 3 business days after they have been received/need to be paid.</p> <p>Check that the sampled receipts and payments relate to transactions with the CIF's clients only and not to clients of any other Group Entity that the CIF belongs to.</p> <p>For the sample of clients selected in Procedure 2, select a random sample of transactions (purchase or sale, where applicable) and trace to the underlying evidence (i.e., contracts for sale/ purchase, clients' orders)</p> | No issues identified. |
| | | <p>5. Obtain a sample of corporate own bank statements and scan through for any transactions that might relate to a deposit or withdrawal of a client. No such transactions should exist or if they exist inquire management how these are resolved on a timely manner, without undue delay.</p> <p>Obtain a sample of client bank statements and scan through for any abnormal transaction (i.e. payment of expenses, transfers that relate to business operations, etc.). No such transactions</p> | No issues identified. |

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| | | should exist or if they exist inquire management how these are resolved on a timely manner, without undue delay. | |
| (b) | it must maintain its records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and funds held for clients, as well as that they can be used as an audit trail. | <p>6. For the sample of clients selected in Procedure 2, for a specific randomly selected day obtain snapshot(s) extracted from the system that includes the following:</p> <ul style="list-style-type: none"> i) Daily opening and closing balances, per client. ii) List of open positions providing trade details such as trade date and time, open price, instrument type, numbers of lots/units, unrealised profit/loss, etc. iii) Information on cash movements, i.e., deposits, withdrawals, receipts, transfers, credit limits, charges, fees, etc., per client. iv) Information on interest earned, per client, indicating amounts and dates paid to each client (here, also check the Company's workings for the calculation of the interest and bonus paid to each customer <p>For the sample of clients selected above, perform the following:</p> <ul style="list-style-type: none"> i) Obtain the related client agreement ii) Confirm that statements are sent or otherwise made available to clients at the required intervals, as specified by the client agreements. | No issues identified. |
| | | 7. Obtain and read customer complaints. Inquire management for any issues concerning the accuracy of the internal records of the Company. | No issues identified. |
| (c) | it must conduct, on a regular basis, reconciliations between its internal accounts and records and those of | 8. Inquire Management regarding the client asset reconciliation procedure between its internal accounts and records and those of any third parties by whom those assets are held (including details supporting existence of segregation of duties, frequency and | No issues identified. |

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| | <p>any third parties by whom those assets are held.</p> | <p>formal approval).</p> <ul style="list-style-type: none"> - Obtain the documented policies and procedures for the reconciliation process. - Assess whether the frequency of reconciliation corresponds to the frequency of transactions (C458, p.31-33). - Select a random sample of clients' assets reconciliations (including non-month end reconciliations, where applicable): - Check that reconciliations are performed in line with the CIF's procedure and frequency, and that any reconciliation differences are promptly identified, properly explained and cleared as soon as possible (where clearance entails any shortfall to be topped up and any excess to be withdrawn). - Consider whether the necessary controls exist to ensure that all client accounts and third-party statements are reconciled properly at regular intervals. For this purpose, obtain a list of all accounts opened in third parties up to the period end, indicating the client accounts and whether they are used for holding funds or financial instruments. <p><u>Note:</u> <u>Financial instruments</u></p> <p>The reconciliation of clients' financial instruments should consist of the comparison/matching of the trading platform(s) or back-office, where applicable, with external sub-custodian statements and should take into consideration not only the client instruments held by third party custodians, but also the ones held in physical form at the Company's premises (in which case the reconciliation will consist of a physical count and comparison with internal records) or in dematerialized form by the Company.</p> | |
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| | | <p><u>Funds:</u> The reconciliation of clients' funds should consist of the comparison/matching of the (1) trading platform(s) or back-office records, where applicable, with (2) external bank statements and other third-party statements and (3) accounting records. Refer to Circular C458 for specific guidance.</p> | |
| | | 9. Inspect the reconciliations selected in Procedure 8 for evidence of review from an individual other than the one who performed the reconciliation (i.e., signature, emails, etc.) | No issues identified. |
| | | 10. Obtain evidence whether there is segregation of duties between the individual performing the reconciliations and the person(s) who maintain the records to be reconciled and are involved in the recording and moving of client assets. | No issues identified. |
| | | 11. Send year-end confirmation letters to all third parties where funds and financial instruments are kept. Investigate any differences with the year-end reconciliation upon receiving of confirmation replies. | No issues identified. |
| (d) | it must take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with paragraph 5, are identifiable separately from the financial instruments belonging to the CIF and from financial instruments belonging to that third party, by means of differently titled accounts on the books of the third party or by other equivalent | 12. Obtain all the statements of <u>client instruments</u> from third party custodians and check that the description of client accounts indicates the client ownership (i.e., it contains the term "client(s)" or "client(s) account" or something similar). | No issues identified. |

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| | measures that achieve the same level of protection. | | |
| | | <p>13. In cases where Company <u>own instruments</u> are held by the same third-party custodian as client instruments, establish that they are deposited in a different account than the account used to hold client instruments, and that the description of this account does not contain the term “client(s)” “client(s)” or “client(s) account” or something similar.</p> <p>Test this by checking a sample of randomly selected regular Company's reconciliations of its own portfolio, as well as the clients' portfolio reconciliation, for any evidence of lack of segregation (look for cases of reconciling items relating to client instruments kept in own accounts with the custodian, or vice versa).</p> <p>Where own and client instruments in third party custodian accounts are not separated due to legal reasons, the conditions of paragraph 5(3) of the Directive are applicable, and therefore the Procedures in section 2 must be performed.</p> | No issues identified. |
| | | <p>14. In cases where third party custodian records present client instruments on a pooled/aggregated basis without indicating the customer name, ensure that proper records are kept by the Company to enable it to distinguish the instruments that belong to each client separately.</p> <p>To check this, obtain from the trading platform (or other equivalent), a list of all client's instruments held by client,</p> | No issues identified. |

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| | | indicating the third-party custodian where each instrument is kept or through the client securities reconciliations. | |
| | | 15. Where the Company holds documents of title, inquire Management over the procedures to separate the clients' and company's owned assets. Obtain a random sample of titles to match with the internal records kept and verify adherence to the procedure. | No issues identified. |
| (e) | it must take the necessary steps to ensure that client funds deposited, in accordance with paragraph 6, in a central bank, a credit institution or a bank authorized in a third country or a qualifying money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the CIF. | 16. Obtain all the bank or other third-party statements of client funds and check that the description of client accounts indicates the client ownership (i.e., it contains the term "client(s)" or "client(s) account" or something similar). | No issues identified. |
| | | 17. In cases where Company <u>own funds</u> are held by the same counterparty as client funds, establish that they are deposited in a different account than the account used to hold client funds, and that the description of this account does not contain the term "client(s)" "client(s)" or "client(s) account" or something similar. Where own and client funds in counterparty accounts are not separated due to legal reasons, the conditions of paragraph 5(3) of the Directive are applicable, and therefore the Procedures in section 2 must be performed. | No issues identified. |



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| | | 18. In cases where counterparty records present client funds on a pooled/aggregated basis without indicating the customer's name, ensure that proper records are kept by the Company to enable it to distinguish the funds that belong to each client separately. | Not applicable. |
| (f) | it must introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record- keeping or negligence. | 19. Obtain policies and procedures documented and duly approved describing the organisational arrangements in place to comply with the requirements of safeguarding of client assets as per Directive 87/01. As a minimum they need to cover practical procedures (who, how, when) for the below: | No issues identified. |
| | | (a) the prompt and proper recording of client transactions in internal systems, such as trading platform, back office and accounting and the proper review of transactions recording by control functions and/or Senior Management. | No issues identified. |
| | | (b) the carrying out of client money and instruments reconciliations on a regular basis (i.e., daily) and as soon as practically possible after the date to which the reconciliation refers (i.e., not later than 5 business days after the reconciliation reference date). | No issues identified. |
| | | (c) the allocation of responsibility, and segregation of duties, for the client funds and instruments reconciliations and the escalating of reconciling items. | No issues identified. |
| | | (d) the assignment of proper signatories rights to at least two responsible individuals, who are not involved in the preparation | No issues identified. |

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| | | of clients' reconciliations or are the shareholders of the CIF if they do not have executive duties within the CIF. | |
| | | (e) the record-keeping of client information, considering both physical and IT security issues (back up servers, hard files, access to systems etc.). | No issues identified. |
| | | (f) the safekeeping of clients' documents of title and any other client assets held in physical form (this can be achieved through safe boxes, fire-proof rooms and safes, restricted access via password-controlled doors or limited access to keys). | No issues identified. |
| | | (g) the carrying out of proper and continuing risk assessments of all third parties holding client money and client instruments. | No issues identified. |
| | | (h) the consideration for diversification of client funds when amounts are of sufficient size, buffer policy and provisions for TTCA. | No issues identified. |
| 4(2) | If, for reasons related to the applicable law, including in particular the law relating to property or insolvency, the CIF cannot comply with the requirements of sub-paragraph 1 for the safeguarding of clients' rights regarding compliance with sections 17(8) and (9) of the Law, then the CIF shall put in place arrangements to ensure that clients' assets are safeguarded, in order to meet the objectives of sub-paragraph 1. | <p>20. Inquire Management, Compliance officer, Internal auditor and person responsible for client assets (and review their reports) regarding any breaches of the point 4(1) of the Directive, identified through the year.</p> <p>If any, obtain evidence that these were reported to the Board of Directors (in line with par.35 of C458), without delay, including the action plan to mitigate the risk. Review the action plan to ensure clients' assets are safeguarded.</p> | No issues identified. |



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| <p>4(3)</p> | <p>If the applicable law of the jurisdiction in which the client funds or financial instruments are held prevents the CIF from complying with points (d) or (e) of subparagraph 1, the Commission shall prescribe requirements with equivalent effect in terms of safeguarding clients' rights.</p> <p>The CIF, when relying on such equivalent requirements under subparagraph 1(d) or (e), shall inform its clients that in such instances they do not benefit from the provisions envisaged under the Law and this Directive.</p> | <p>21. Obtain and read relevant correspondence with the Commission and check that the prescribed requirements of the Commission that have an equivalent effect in terms of safeguarding clients' rights, are in place.</p> <p>Refer to Circular C458 paragraph 6.</p> | <p>No issues identified.</p> |
| | | <p>22. For affected clients obtain sample client agreements, or other form of disclosure to client informing them they do not benefit from the provisions envisaged under the Law and this Directive.</p> | <p>Not applicable.</p> |
| <p>4(4)</p> | <p>it shall ensure that security interests, liens or rights of set-off over client financial instruments or funds which enable third parties to dispose of the client's financial instruments or funds in order to recover debts that do not relate to the client or provision of services to the client are not permitted except where this is required by the</p> | <p>23. Inquire the Management as to whether the Company has made any such arrangements relating to security interests, liens or rights of set-off over client financial instruments or funds which enable third parties to dispose of the client's financial instruments or funds in order to recover debts that do not relate to the client or provision of services with any third parties and to provide a list of these.</p> | <p>Not applicable.</p> |

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| | <p>applicable law in a third country jurisdiction in which the client funds or financial instruments are held.</p> <p>The CIF must, when entering into agreements that create such security interests, liens or rights of set-off, disclose that information to clients indicating to them the risks associated with those arrangements.</p> <p>Where security interests, liens or rights of set-off are provided by the CIF over client financial instruments or funds, or where the CIF has been informed that they have been provided, then these must be recorded in client contracts and to the CIF's own accounts in order to make the ownership status of the client's assets clear, such as in the event of an insolvency.</p> | | |
| | | 24. Verify that relevant clauses do not exist in bank or custodian agreements on a sample basis. | Not applicable. |
| | | 25. If such arrangements were made, inspect the relevant communication with clients to verify that the relevant disclosures about the risks associated with those arrangements were made. | No issues identified |
| 4(5) | it must make information pertaining to clients' financial instruments and | 26. Inquire Management that the information as required by point 4(5), pertaining to clients' financial instruments and funds | No issues identified. |



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| | <p>funds readily available to the competent authorities, appointed insolvency practitioners and those responsible for the resolution of failed institutions. The information to be made available shall include the following:</p> | <p>is properly kept, updated regularly, readily available, can be easily retrieved from the Company's systems and/or records and its availability at any point time is regularly monitored, so that the Company is in a position to provide it to the indicated bodies immediately upon request.</p> | |
| (a) | <p>related internal accounts and records that readily identify the balances of funds and financial instruments held for each client;</p> | | |
| (b) | <p>where client funds are held by the CIF in accordance with paragraph 6, details on the accounts in which client funds are held and on the relevant agreements with those firms;</p> | | |
| (c) | <p>where financial instruments are held by the CIF in accordance with paragraph 5, details on the accounts opened with third parties and on the relevant agreements with those third parties, as well as details on the relevant agreements with the CIF;</p> | | |
| (d) | <p>details of third parties carrying out any related (outsourced) tasks and details of any outsourced tasks;</p> | | |



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| (e) | key individuals of the CIF which are involved in related processes, including those responsible for the oversight of the firm's requirements in relation to the safeguarding of client assets; | | |
| (f) | agreements relevant to the establishment of client ownership over the assets. | | |
| 5(1) | <p>The CIF may deposit financial instruments held by the CIF on behalf of its clients into an account or accounts opened with a third party provided that the CIF exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of the arrangements for the holding and safekeeping of those financial instruments.</p> <p>In particular, the CIF must take into account the expertise and market reputation of the third party, as well as any legal requirements related to the holding of those financial instruments that could adversely affect clients' rights."</p> | 1. Obtain the CIF' policy / procedures applied in the process of selecting and approving third parties where client assets are deposited. | No issues identified. |



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| 5(2) | The CIF may deposit client financial instruments with a third party, only where the third party is established in a jurisdiction where the safekeeping of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision. | <p>2. Inspect the CIF procedures in relation to the due diligence policy for custodians to determine that <u>as a minimum</u> it includes the following criteria:</p> <ul style="list-style-type: none"> i. The third party where client assets are deposited is established and duly licensed / authorised in a jurisdiction where the safekeeping of financial instruments for the account of another person is subject to specific regulation and supervision and that third party is subject to this specific regulation and supervision. ii. Whether the third party will enable segregation of client accounts from those of the CIF's to address the event of bankruptcy or other financial difficulty of the third party iii. The third party of good repute and has the expertise | No issues identified. |
| | | 3. Does the policy describe the assessment methodology i.e., how the above parameters are taken into consideration and evidenced? | No issues identified. |
| | | 4. Does the policy have a requirement for at least an annual update of the eligibility of each third party used? | No issues identified. |
| | | 5. Obtain listing of third parties which hold assets on behalf of clients. | No issues identified. |
| | | 6. Check whether a due diligence of all third parties, where assets are held was performed within the last year, taking the above criteria into consideration. For new counterparties confirm that the due diligence was performed prior to the commencement of the business relationship. | No issues identified. |
| | | 7. Check that due diligence results / assessment are / is reported to the Risk Management Committee or BoD and this is duly approved for cooperation or termination of the business | No issues identified. |

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| | | relationship, confirming the assessment of the minimum criteria is done in line with the documented procedure. | |
| 5(3)(a)-(b) | The CIF is not allowed to deposit financial instruments held on behalf of clients with a third party established in a third country that does not regulate the holding and safekeeping of financial instruments for the account of another person, unless one of the following conditions is met: a) the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party established in that third country; b) where the financial instruments are held on behalf of a professional client, that client has requested the CIF in writing to deposit them with a third party in that third country. | 8. In case of any exceptions identified in relation to point (2)(i) above, check whether one of the following conditions is met: i. the nature of the financial instruments or of the investment services connected with those instruments requires them to be deposited with a third party established in that third country ii. where the financial instruments are held on behalf of a professional client, that client has requested the CIF in writing to deposit them with a third party in that third country. | Not applicable. |
| | | 9. If point(8)(ii) applies, check that clients are correctly classified as professional and are not elective professional clients. | Not applicable. |
| 5(4) | The requirements of sub-paragraphs (2) and (3) shall also apply when the third-party has delegated any of its functions concerning the holding and | 10. Inquire as to whether any of the third party have delegated their functions concerning the holding and safekeeping of financial instruments to another third-party. | No issues identified. |

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| | safekeeping of financial instruments to another third-party. | | |
| | | 11. Inspect the custodian agreements for delegation of function clauses and confirm that the due-diligence process was applied to the end sub-custodian. | Not applicable. |
| 6(1) | A CIF must, on receiving any client funds, promptly place those funds into one or more accounts opened with any of the following: (a) central bank; (b) credit institution; (c) bank authorised in a third country; (d) qualifying money market fund. | 1. Obtain listing of third parties which hold funds on behalf of clients. | No issues identified. |
| | | 2. Verify that these parties are permissible as per the requirement 6(1). In case of a QMMF, refer to procedure 6 of section 6: "depositing client funds". | No issues identified. |
| 6(2) | Where the CIF does not deposit client funds with a central bank, the CIF shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the credit institution, bank or money market fund where the funds are placed and the arrangements for the holding of those funds and take into | 3. Obtain the CIF' policy / procedures applied in the process of selecting and approving third parties where client assets are deposited. | No issues identified. |



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| | <p>consideration the need for diversification of these funds as part of the required due diligence.</p> <p>In particular, the CIF must take into account the expertise and market reputation of such institutions or money market funds with a view to ensuring the protection of clients' rights, as well as any legal or regulatory requirements or market practices related to the holding of client funds that could adversely affect the clients' rights.</p> | | |
| <p>C458 - Section D, 15 -17</p> | <p>15. CIFs are expected on a regular basis (and no less than once in each financial year) to perform due diligence procedures of the banks where clients' funds are placed.</p> <p>16. CIFs should consider diversifying placements of client funds with more than one bank where the amounts are, for example, of sufficient size to warrant such diversification.</p> <p>17. CySEC expects CIFs to consider the following when selecting a bank where clients' funds are placed:</p> | <p>4. Inspect the CIF procedures in relation to the due diligence policy for banks to determine that that as a minimum it includes the following criteria:</p> <ul style="list-style-type: none"> i. The bank where client assets are deposited is established and duly licensed. ii. Whether the bank will enable segregation of client accounts from those of the CIF's to address the event of bankruptcy or other financial difficulty. iii. The bank is of good repute and has the expertise; iv. the capital of the bank; | <p>Not applicable.</p> |

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| | <p>a. the capital of the bank;</p> <p>b. the amount of client funds placed, as a proportion of the bank's capital and deposits;</p> <p>c. the credit rating of the bank (if available); and</p> <p>d. to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the bank and its affiliated companies.</p> | <p>v. the amount of client funds placed, as a proportion of the bank's capital and deposits;</p> <p>vi. the credit rating of the bank (if available); and</p> <p>vii. to the extent that the information is available, the level of risk in the investment and loan activities undertaken by the bank and its affiliated companies.</p> <p>viii. For banks in third countries, assessment and availability of deposit guarantee schemes to the underlying clients funds.</p> | |
| | | <p>5. In relation to diversification check the below:</p> <p>I. Obtain the duly approved diversification policy which would include methodology how they diversify the funds among the banks considering the results of the due diligence assessment and procedures for compliance with the policy on ongoing basis.</p> <p>II. Where client funds are held with bank or a QMMF of the same group as the CIF, to procedures 7 and 8 of section 6: "depositing client funds".</p> <p>II. Check the application of the diversification policy</p> | No issues identified. |
| 6(2) continued | The CIF must ensure that clients give their explicit consent to the placement of their funds in a | 6. In case the CIF deposits client funds with a QMMF: | Not applicable. |



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| | <p>qualifying money market fund. In order to ensure that this right to consent is effective, the CIF inform its clients that funds placed with a qualifying money market fund will not be held in accordance with the requirements for safeguarding client funds, which are set out in this Directive.</p> | <p>I. That there is a policy in place to ensure that it meets the minimum criteria to qualify for the purposes of the Directive, as these are defined in Par. 2 of the DI87-01:</p> <p>Definition:</p> <p>" "qualifying money market fund", means a collective investment undertaking authorised under Directive 2009/65/EC, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), or which is subject to supervision and, if applicable, authorised by an authority under the national law of the authorising Member State, and which satisfies all of the following conditions:</p> <p>a) its primary investment objective must be to maintain the net asset value of the undertaking either constant at par (net of earnings), or at the value of the investors' initial capital plus earnings;</p> <p>b) it must, with a view to achieving that primary investment objective, invest exclusively in high quality money market instruments with a maturity or residual maturity of no more than 397 days, or regular yield adjustments consistent with such a maturity, and with a weighted average maturity of 60 days. It may also achieve this objective by investing on an ancillary basis in deposits with credit institutions.</p> <p>c) it must provide liquidity through same day or next day settlement.</p> <p>For the purposes of point (b), a money market instrument shall be considered to be of high quality if the management/</p> | |
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| | | <p>investment company performs its own documented assessment of the credit quality of money market instruments that allows it to consider a money market instrument as high quality. Where one or more credit rating agencies registered and supervised by ESMA have provided a rating of the instrument, the management/investment company's internal assessment should have regard to, inter alia, those credit ratings.;"</p> <p>II. That the CIF has taken the above into consideration during its Due Diligence assessment of the QMMF;</p> <p>III. For affected clients, check whether there is evidence that the clients' explicit consent has been obtained by which they are informed that funds placed with a QMMF will not be held in accordance with the requirements for safeguarding client funds, which are set out in the Directive.</p> <p>IV. For sample of clients check whether there is evidence that the clients' express consent has been obtained (clearly separate from the provisions of any general contractual obligations).</p> <p>V. For sample of clients check that the CIF has informed its clients that funds placed with a QMMF will not be held in accordance with the requirements for safeguarding client funds, which are set out in the Directive.</p> | |
| 6 (3) | Depositing clients' funds with a bank or qualifying money market fund of the same group as the CIF: | 7. Where client funds are held with bank or a QMMF of the same group as the CIF, check that the client money held with such | Not applicable. |

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| | <p>6 (3) Where the CIF deposits client funds with a credit institution, bank or money market fund of the same group as the CIF, then the CIF must limit the funds that are deposited with any such group entity or combination of any such group entities so that the funds do not exceed 20% of all such funds.</p> <p>The CIF may not comply with this limit where it is able to demonstrate that, in view of the nature, scale and complexity of its business, and also the safety offered by the third parties referred to in above, and including in any case the small balance of client funds that the CIF holds, the requirement under the previous sub- paragraph is not proportionate. The CIF periodically reviews the assessment made in accordance with this subparagraph and notifies its initial and revised assessments to the Commission.</p> | <p>institutions do not exceed more than 20% of all the total client funds.</p> <p>In exceptional cases where the CIF does not comply with the 20% limit rule, refer to procedure 9 of section 6 "depositing client funds".</p> | |
| | | <p>8. Obtain and recalculate the percentage of deposits in each group entity and collectively as a group to the total deposited funds.</p> | <p>Not applicable.</p> |



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| <p>C458 - Section E, 19-21</p> | <p>19. The CIF may not comply with this limit where it is able to demonstrate that, in view of the nature, scale and complexity of its business, and also the safety offered by the third parties referred to in above and including in any case the small balance of client funds that the CIF holds, the requirement under the par. 6(3) of the Directive is not proportionate. The CIF periodically reviews the assessment made in accordance with this subparagraph and notifies its initial and revised assessments to CySEC.</p> <p>20. CySEC considers that a CIF in the context of complying with its obligation to periodically review its initial assessment it should undertake:</p> <p>a. a review and, where appropriate, should consider ceasing to use this exception when a change in the circumstances arises that might have led the CIF to a different conclusion on its previous assessment;</p> | <p>9. In exceptional cases where the CIF does not comply with the 20% limit rule, the assessment proving that the exception provisions as per Directive 87/01 section 6 (Depositing client funds), par 3 and par 21 of C458 are met, and was communicated to CySEC.</p> <p>This assessment should be periodically reviewed and submitted to CySEC.</p> <p>For any exceptions identified check whether the CIF has made relevant arrangements (by the end of the next day that the issue was identified) to ensure compliance (i.e., transferred client funds to another third party).</p> | <p>Not applicable.</p> |
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| | <p>b. a review at least when a year has elapsed since its previous assessment.</p> | | |
| | <p>21. CySEC considers that the amount of small balance of clients' funds with a bank or money market fund of the same group as the CIF should be, at any point of time, the lower of the:</p> <p>a. €3.000.000 b.50% of the total clients' funds held by the CIF.</p> | | |
| | <p>22. Where the threshold stated above has been exceeded due to circumstances not attributable to the CIF's actions or omissions such as a money transfer by a client, dividend, coupon or other income payments, interest payments derived from a bank account the CIF shall take immediate action to reduce the balance with bank or money market fund of the same group as the CIF within the allowable limit.</p> | <p>10. Where the threshold stated above has been exceeded due to circumstances not attributable to the CIF's actions or omissions check whether the CIF has made relevant arrangements (by the end of the next day that the issue was identified) to ensure compliance (i.e., transferred client funds to another third party).</p> | <p>Not applicable.</p> |



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| C458 - Section E, 7-13 | 7. CIFs may maintain merchant accounts with PSPs and EMIs for, among other purposes, the clearing/settlement of their clients' payment transactions (inwards and outwards payments). | 11. Check whether the CIF maintains any client balances with PSP / EMIs by examining records such as QST_CIF, reconciliations or through inquiries. | Not applicable. |
| | 8. CIFs must, at all times, ensure that clients' funds are transferred to clients' accounts held by the CIF with an entity, as defined in point 4 above, immediately after the clearing/settlement of the payment transactions. | 12. Check whether the client funds received into PSP/ EMIs are transferred into clients' designated accounts held by the CIF, immediately after the clearing/settlement of the payment transactions and no later than the next business day. | Not applicable. |
| | 9. Where it is the CIF's policy, upon accepting a deposit through electronic means and before the clearing of the funds, to credit its client trading account with the corresponding amount in order for the client to trade with immediate effect, the CIF must ensure that the corresponding amount is transferred before trading, unless part G below applies, from its own funds to client account held by the CIF with an entity, as defined in point 4 above. These funds are considered as clients' funds and are | 13. Check that the CIF compensate the client's designated accounts by using own corporate funds before trading by confirming coverage from buffer maintained or other. | Not applicable. |

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| | subject to the corresponding regulatory requirements. | | |
| | | 14. For the sample of reconciliations selected in procedure 8 of section 4 "Safeguarding of client financial instruments and funds", check whether any differences relate to funds deposited by the client(s) in merchant accounts and whether the respective amount was compensated to the clients' designated bank accounts no later than the next business day. | Not applicable. |
| | 10. Where the PSP/EMI withhold funds, as rolling reserve or fix deposit, for chargeback or other purposes, for a period of time before releasing the funds to the CIF, the CIF must ensure that the funds equal to rolling reserves or fix deposits, are transferred from the CIF's own funds in the clients account held by the CIF with an entity, as defined in par. 4 above, to ensure compliance with the provisions of par. 6(1) of Directive | 15. Obtain any agreements with PSP / EMIs and check for any provisions for rolling reserve / fix deposit requirements. | Not applicable. |
| | | 16. Check whether funds equal to rolling reserves or fix deposits, are transferred from the CIF's own funds in the clients account held by the CIF. This should be included as a receivable balance from the merchants in the CIF's statement of financial position. | Not applicable. |
| | 11. CIFs' merchant accounts must not, under any circumstances, be used by their connected persons, or | 17. Obtain agreement with the PSPs / EMIS and ensure that only the CIF is the contracting party and not any other third party or the Group entity) | Not applicable. |



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| | <p>third persons, and/or the clients of those persons, for the clearing/settlement of their payment transactions, as this does not comply with the relevant provisions of the legislation. Merchant accounts must be used only and exclusively by CIFs.</p> | | |
| | | <p>18. Obtain evidence to check that only the CIF's employees (included in organisational chart) are authorised to manage PSP/EMI accounts (where clients' funds are deposited).</p> | <p>Not applicable.</p> |
| | | <p>19. Select a random sample of deposits and withdrawals in the PSP / EMI a/cs held by the CIF and check that these can be traced to the CIF's clients' accounts, testing that these are clients of the Company only.</p> | <p>Not applicable.</p> |
| | <p>12. The CIF must exercise all due skill, care and diligence in the selection, appointment and periodic review of the PSP/EMI with whom merchant accounts are maintained. CIFs may be considered that they have taken every possible measures and introduced adequate organisational arrangements to protect their clients' funds, only if they maintain a merchant account with PSP/EMI which are licensed/regulated by a competent authority of a Member State or of a</p> | <p>20. Verify that the Company extends its Due diligence process to PSPs (Refer to Directive (EU) 2015/2366). In the absence of equivalence list, the CIF may only cooperate with EU authorised PSPs. Safeguarding of client funds with PSPs is not allowed.</p> | <p>Not applicable.</p> |

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| | third country, which it is considered that it imposes equivalent arrangements to those of the European Union and in particular, to those of the European Directives 2005/06/EC1 and 2007/64/EC2. | | |
| | 13. For purposes of transparency and full information of investors, CIFs are requested to post on their websites a list with the names of the PSP/EMI they cooperate, as well as the competent authority/country that supervise them. | 21. Access the CIF's website and check whether clients can be informed about the details of all PSPs offered by the Company (i.e., a list with the names of the PSP/EMI they cooperate, as well as the competent authority/country that supervise them) | Not applicable. |
| 7(1) (a)-(b) | <p>The CIF is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments held by the CIF on behalf of a client, or otherwise use such financial instruments for its own account or the account of any other person or client of the CIF, unless both of the following conditions are met:</p> <p>(a) the client has given his prior express consent for the use of the instruments on specified terms, as evidenced expressly and in writing and affirmatively executed by</p> | <p>1. Obtain a list of all clients who have given their express consent (clearly separate from the provisions of any general contractual obligations) to the CIF to use their financial instruments for own account or for the account of another person or client of the CIF.</p> <p>For a random sample of clients:</p> <p>i. Check that the contracts are signed by both parties (CIF and client).</p> <p>ii. Check that the contracts have specific relevant provisions (including form of compensation, collateral management, rights and responsibilities of both parties, risks entailed, measures that the Company will take in the event that the client does not have enough provision on its account on the settlement date of a specific transaction.etc.).</p> | Not applicable. |

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| | signature or in an equivalent manner, and; (b) the use of that client's financial instruments is restricted to the specified terms to which the client consents. | | |
| | | 2. Inquire management to understand the process including: i. Obtaining the client's express consent ii. Confirming that the activity is consistent with the terms of the corresponding contract(s). iii. Communicating to the clients' that such transactions are performed iv. Compensating the client for such transactions | Not applicable. |
| 7(2) | A CIF is not allowed to enter into arrangements for securities financing transactions in respect of financial instruments which are held on behalf of a client in an omnibus account maintained by a third party, or otherwise use financial instruments held in such an account for its own account or for the account of any other person unless, in addition to the conditions set out in subparagraph (1), at least one of the following conditions is met: (a) each client whose financial instruments are held together in an omnibus account must have given | 3. Inquire management to understand how the separation of financial instruments belonging to clients who have given their expressed consent are distinguished with those of clients who did not give their consent. Select a random sample of clients whose financial instruments are kept in omnibus account, obtain their expressed consent. In case this does not exist inquire management and assess the compliance with the requirement. | Not applicable. |

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| | <p>prior express consent in accordance with subparagraph (1)(a); (b) the CIF must have in place systems and controls which ensure that only financial instruments belonging to clients who have given prior express consent in accordance with subparagraph (1)(a) are so used.</p> | | |
| | <p>The records of the CIF must include details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used to belong to each client who has given his consent, so as to enable the correct allocation of any loss.</p> | <p>4. Inquire management for the record keeping arrangements which would enable to record the details of the client on whose instructions the use of the financial instruments has been effected, as well as the number of financial instruments used to belong to each client who has given his consent, so as to enable the correct allocation of any loss.</p> | <p>Not applicable.</p> |
| <p>7(3)(a)-(c)</p> | <p>The CIF takes appropriate measures to prevent the unauthorised use of client financial instruments for its own account or the account of any other person such as: (a) the conclusion of agreements with clients on measures to be taken by the CIF in case the client does not have enough provision on its account on the settlement date, such as borrowing of the</p> | <p>5. Enquire and obtain relevant evidence as to whether the Company has a documented procedure to:</p> <ul style="list-style-type: none"> i. Closely monitor the settlement date of each transaction carried out on behalf of its clients. ii. Estimate how it will be able to deliver the required cash or financial instruments to the affected clients on the scheduled settlement date. iii. Have in place remedial measures in case it is not in a position to deliver on the settlement date. iv. Follow up, immediately and without delay, on any securities that remain outstanding on the settlement day and beyond (e.g. | <p>Not applicable.</p> |

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| | <p>corresponding securities on behalf of the client or unwinding the position; (b) the close monitoring by the CIF of its projected ability to deliver on the settlement date and the putting in place of remedial measures in the event that this cannot be done; and (c) the close monitoring and prompt request of undelivered securities outstanding on the settlement day and beyond.</p> | <p>DvP failures), by contacting the third party that is responsible for delivering the cash or the financial instruments to the client, and enquiring about the delay, and informing the client accordingly.</p> | |
| 7(4) | <p>The CIF must adopt specific arrangements for all clients to ensure that the borrower of client financial instruments provides the appropriate collateral and that it monitors the continued appropriateness of such collateral and takes the necessary steps to maintain the balance with the value of client instruments.</p> | <p>6. Inquire about the CIF's specific arrangements for all clients to check that the borrower of client financial instruments provides the appropriate collateral and that it monitors the continued appropriateness of such collateral and takes the necessary steps to maintain the balance with the value of client instruments.</p> <p>For a random sample of transactions:</p> <ul style="list-style-type: none"> i. Check that the borrower of client financial instruments provided appropriate collateral to the value of client financial instruments borrowed at inception in line with the agreement. ii. Enquire and document how management monitors the value and type of the collateral given by the borrower is adequate to the financial instrument borrowed from the client and is in line with their policy. iii. Inspect communication with borrowers requesting additional collateral to maintain a secured position with the borrower (e.g., margin call) relating to the client's financial instruments being borrowed. | Not applicable. |

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| 7(5) | <p>The CIF does not enter into arrangements which are prohibited under section 17(10) of the Law (i.e., title transfer collateral arrangements with retail clients for the purpose of securing or covering present or future, actual or contingent or prospective obligations of clients)</p> | <p>7. For a sample of agreements with retail clients for use of financial instruments examine the contractual terms to verify that they do not imply a title transfer collateral arrangement.</p> | <p>Not applicable.</p> |
| 8(1)-(3) | <p>8(1) The CIF properly considers and is able to demonstrate that it has done so, the use of title transfer collateral arrangements in the context of the relationship between the client's obligation to the CIF and the client assets subjected to title transfer collateral arrangements by the CIF.</p> <p>8(2) When considering, and documenting, the appropriateness of the use of title transfer collateral arrangements, the CIF takes into account all of the following factors:</p> <p>a) whether there is only a very weak connection between the client's obligation to the CIF and the use of title transfer collateral arrangements, including whether</p> | <p>1. Obtain a signed confirmation from the Company's Board of Directors/Head of Risk indicating whether the CIF uses TTCAs.</p> | <p>No issues identified.</p> |



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| | <p>the likelihood of a clients' liability to the CIF is low or negligible;</p> <p>b) whether the amount of client funds or financial instruments subject to title transfer collateral arrangements, far exceeds the client's obligation, or is even unlimited if the client has any obligation towards the CIF; and</p> <p>c) whether all clients' financial instruments or funds are subject to title transfer collateral arrangements, without consideration of what obligation each client has to the CIF.</p> <p>8(3) Where the CIF uses title transfer collateral arrangements, it shall highlight to professional clients and eligible counterparties the risks involved and the effect of any title transfer collateral arrangement on the client's financial instruments and funds.</p> | | |
| | | 2. For the sample of reconciliations selected check that any unreconciled items can be justified and do not relate to a TTCA. | Not applicable. |
| | | 3. For retail clients ensure that: | Not applicable. |



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| | | <ul style="list-style-type: none">- No transfers from client to corporate accounts take place unless they relate to unrealised profits on the basis of reconciliation, when this is included in the agreement- For STP providers, the client funds transferred to the broker/ Liquidity provider sit at client designated accounts at the broker/ liquidity provider. The Firm shall exercise all due skill, care and diligence in the selection, appointment and periodic review of the third party and the arrangements for holding and safekeeping client funds (Recital 12 of European Commission Delegated Directive 2017/593). | |
| | | <p>4. For professional clients:</p> <ul style="list-style-type: none">- Obtain a random sample of written client agreements that cover at least:<ul style="list-style-type: none">(a) the terms for the arrangement relating to the transfer of the client's full ownership of money to the firm;(b) any terms under which the ownership of money is to transfer from the firm back to the client; and(c) (to the extent not covered by the terms under (b)), any terms for the termination of:<ul style="list-style-type: none">(i) the arrangement under (a); or(ii) the overall agreement in (1).(d) The agreement shall not provide arbitrary transfer of all funds received from the client to the firm(e) The agreement describes the benefit to the client(f) The agreement does not represent a loan arrangement rather it is commercially done to cover current or future trading activities of the client- Client funds not under TTCA need to be kept in clients' designated accounts | No applicable. |



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| | | - Assess the procedures for the designation of elective professional clients (As per Law 87/(I), Second Annex, Part 2), and assess whether any of them entered into TTCAs. | |
| DR(EU)2017/56 5, Art.63(3) | The statement of client assets referred to in par. 1 shall include the following information: [...] (d)a clear indication of the assets or funds which are subject to the rules of Directive 2014/65/EU and its implementing measures and those that are not, such as those that are subject to TTCA [...] | 1. For each of the clients selected, obtain their statements to ensure that the value of TTCA assets is clearly indicated. | Not applicable. |
| | The CIF appoints a single officer of sufficient skill and authority with specific responsibility for matters relating to the CIF's compliance with its obligations regarding the safeguarding of client financial instruments and funds. | 1. Enquire as to whether and which person or persons within the CIF have been assigned with responsibilities relevant to the safeguarding of client funds. | Anna Louca is assigned with safeguarding clients' funds. |
| | | 2. State this person's relevant experience and authority / level within the CIF, and how the CIF justifies this person appropriateness (e.g., his/her work experience, academic/professional qualifications, any relevant seminars attended, other). | Anna is the Head of Accounting of the Company with a long experience in the financial services sector and she holds a Higher Degree in Accounting. Also, she attends on a yearly |



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| | | | basis seminar regarding AML. |
| | The CIF decides, by ensuring full compliance with this Directive, whether the appointed officer is to be dedicated solely to this task or whether the officer can discharge responsibilities effectively whilst having additional responsibilities. | 3. Enquire whether this person also holds other positions within the Company and if yes, state which are these in the Report findings. | Anna Louca - Head of Accounting department. |
| C148, Par. 28 | According to par. 9 of the Directive a CIF should appoint a single officer of sufficient skill and authority with specific responsibility for matters relating to the CIF's compliance with its obligations regarding the safeguarding of client financial instruments and funds. A single officer with overall responsibility for the safeguarding of client instruments and funds should be appointed in order to reduce risks of fragmented responsibility across diverse departments, especially in large and complex CIFs, and to remedy unsatisfactory situations where CIFs do not have overarching sight of their means of meeting their obligations. | 1. Enquire whether the CIF maintains documented policies and procedures on the responsibilities of this function, and that in these policies and procedures clearly states and describes the role of the 'single officer'. | No issues identified. |



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| <p>C418, Par. 29</p> | <p>The single officer should possess sufficient skills and authority in order to discharge duties effectively and without impediment, including the duty to report to the CIF's senior management in respect of oversight of the effectiveness of the CIF's compliance with the safeguarding of client assets requirements.</p> | <p>1. Check whether the 'single officer' reports to senior management on a regular basis, and state in the report the frequency and type (e.g. Report, email, meeting, etc) of such reporting for the reporting year.</p> | <p>The single officer reports to senior management on a daily basis via email.</p> |
| <p>C418, Par. 30</p> | <p>The single officer is expected to verify the accuracy and completeness of the clients' money reconciliation that is included in CySEC's QST-CIF Form (i.e. Reconciliation Tab).</p> | <p>1. Obtain evidence that the 'single officer' reviews and verifies the accuracy and completeness of the clients' money reconciliation that is included in CySEC's QST-CIF Form (i.e., Reconciliation Tab)</p> | <p>No issues identified.</p> |
| <p>C418, Par. 31</p> | <p>CIFs are expected to complete and keep up to date the details of their single officer for the safeguarding of client financial instruments and funds in CySEC's portal.</p> | <p>1. Obtain print screen from CySEC's portal and check that is maintained up to date with the details of their 'single officer'.</p> | <p>No issues identified.</p> |
| <p>C418, Par. 37</p> | <p>As far as clients' accounts with entities of par. 4(1) of the Directive are concerned, CIFs must ensure that there are at least two persons with combined signatory powers. It is stressed that the following persons cannot be appointed as signatories: a. the persons involved in the preparation of clients'</p> | <p>1. Obtain a list of signatories for the accounts maintained with entities of par. 4(1) of the Directive and check whether there are at least 2 signatories for each account with combined powers.</p> | <p>No issues identified.</p> |



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| | reconciliations and b. the shareholders of the CIF if they do not have executive duties within the CIF. | | |
| | | 2. Check that none of the following persons act as signatories for the accounts maintained with entities of par. 4(1) of the Directive: a. the persons involved in the preparation of clients' reconciliations; and b. the shareholders of the CIF if they do not have executive duties within the CIF. | No issues identified. |