



# CENTRAL BANK OF CYPRUS

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Ref: EC/D/II/26241

3 December 1996

Messrs Chrysanthou & Christoforou  
Certified Public Accountants  
P O Box 1675  
NICOSIA

Dear Sirs,

## S.L. CAPITAL SERVICES LIMITED

In response to your letter dated 12 August 1996 regarding the proposed incorporation of the above-mentioned private company we hereby grant permission under Section 10 of the Exchange Control Law, Cap. 199 for the subscription of its Memorandum & Articles of Association by residents acting as nominees for non-residents and the issue to them of 19200 shares of C£1.- each, as follows:

- 19199 shares to Mr Constantinos Christoforou (resident) as nominee of non-resident individuals
- 1 share to Mrs Eleni Chrysanthou (resident) as nominee of a non-resident individual

The above permit is granted subject to the following conditions:

(1) The company's objects, except as otherwise provided by subsection (2) of Section 28(A) of the Income Tax Law, shall be confined to activities outside Cyprus. Furthermore, the company shall not employ expatriate staff or enjoy duty-free benefits in Cyprus, except with the prior written permission of the Central Bank which may seek further information for this purpose.

(2) The company - (a) shall not be offering financial services to the public at large but only to experienced or professional investors and (b) shall not assume directly or indirectly any obligations to the public, whether in the form of deposits, securities or other evidence of debt. (For the purposes hereof the term "public" does not include banking or credit institutions, the company's shareholders, bodies corporate in its group of companies or experienced or professional investors. The term "deposits" does not include sums of money received on terms which are referable to the provision of goods or services other than "financial services" as defined hereinbelow. The term "debt" does not include credit obtained in relation to the provision of goods or services". The

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## CENTRAL BANK OF CYPRUS

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EC/D/11/26241

term "**financial services**" means dealing in investments, managing investments, giving investment advice or establishing and operating collective investment schemes. The term "**investments**" means shares, debentures, government and public securities, warrants, certificates representing securities, units in collective investment schemes, options, futures, contracts for differences and long-term insurance contracts). The term "**experienced investor**" means a legal or natural person who frequently enters into investment transactions, whether on his/its own account or on account of another person, with or through the agency of another person who already provides financial services, being transactions of substantial size or of substantial size in relation to the person's total wealth and the nature of which, as well as risks involved in entering into such transactions, he/it can reasonably be expected to understand. The term "**professional investor**" means a legal or natural person who provides financial services as defined hereinabove)".

(3) The share capital of the company shall at all times be held beneficially by non-residents.

(4) The company shall not obtain any finance from local sources in Cyprus pounds. Any additional finance required shall be received in foreign exchange.

(5) All local expenses of the company shall be covered from the conversion foreign exchange through Authorised Dealers (onshore banks). The company shall advise this Office annually of the funds so converted.

(6) The company shall submit its Balance Sheet and Profit and Loss Account to the Central Bank of Cyprus, within three months from the end of each financial year. The above accounts shall be audited by external auditors appointed by the company and approved by the Central Bank of Cyprus. The external auditors of the company, in preparing their report on the annual accounts, shall also have the special duty to report directly to the Central Bank of Cyprus any instances where the operations of the company have not, in their opinion, been in compliance with the conditions of this permit.

(7) The company shall not acquire or hold, directly or indirectly, a controlling interest in the share capital of any banking or credit or financial services enterprise or otherwise have control over such enterprise, without the prior written approval of the Central Bank of Cyprus.

(8) The company shall be subject to the regulation and inspection of the Central Bank of Cyprus.

(9) The company, if called upon to do so, shall supply to the Central Bank of Cyprus such information and/or appropriate prudential returns as may be determined by the Central Bank of Cyprus from time to time, about its activities and position, to satisfy the Central Bank of Cyprus of its ability to meet its obligations towards its clients and creditors in general and of its adherence to sound financial practices and standards.

(10) The company shall always inform its clients that it is only authorised to offer its services to professional and experienced investors. The company's clients shall





## CENTRAL BANK OF CYPRUS

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EC/D/II/26241

be asked to sign a declaration, confirming that they consider themselves as "experienced" or "professional" investors, as defined by the Central Bank of Cyprus. The declaration should state that the investors understand that the investment transactions to be entered into, carry high potential risks and that this has been taken into account before making any investment decision. This declaration shall be kept at all times by the OFC, in the client's file.

(11) The company shall submit to the Central Bank of Cyprus bi-annually, the full particulars of all its clients, with a brief description of their main business activities.

(12) The company shall not control, receive and/or handle any clients' money, securities or other properties, extend credit or guarantee or secure the performance of any contract, in connection with its introducing activities. The company shall not open Client Bank Accounts on behalf of its clients as an authorised signatory or nominee or under a power of attorney or any other mandate and, in this respect, it shall instruct its clients to make cheques, drafts and electronic transfers payable to the overseas financial services firm(s) with which it is cooperating.

(13) Each and every time it proposes to enter into a business association with an overseas financial services firm, the company shall submit to the Central Bank of Cyprus, the firm's full particulars (name, address, facsimile number). In notifying the above particulars to the Central Bank of Cyprus, the company shall also state whether the activities of the overseas financial services firm(s) concerned are regulated by any financial regulatory authority. In this respect, the Central Bank of Cyprus reserves the right to ask the company not to enter into a business relationship or terminate an existing relationship with an overseas financial services firm(s).

(14) The company shall arrange to notify the above overseas financial services firm(s) that the Central Bank of Cyprus may be approaching them, in due course, for the purpose of obtaining appropriate references and/or a "Letter of Comfort", in support of the company's provision of financial services from within Cyprus.

(15) Before appointing any new directors and/or employing any person to be involved in the provision of financial services, the company shall submit to the Central Bank of Cyprus the name(s) of such person(s) to be so employed, together with details of his/their background, experience as well as other information included in a special Central Bank of Cyprus questionnaire. The Central Bank of Cyprus may require that any person or persons named by it shall not be employed by the company. In this respect the company shall submit to the Central Bank of Cyprus within one month from the end of each calendar year, a prudential return disclosing information on the company's beneficial owners, directors and staff employed.

(16) The company's salespersons and employees in general shall be thoroughly trained in providing financial services to the public. Moreover, if they offer financial services in overseas countries where a permit is required in order to provide such services, they are expected to obtain the prior permit from the authorities of the overseas country concerned.



## CENTRAL BANK OF CYPRUS

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EC/D/II/26241

(17) The company shall not act as a "broker fund adviser", without the prior written approval of the Central Bank of Cyprus. For the purposes of this condition, "broker fund adviser" means a company which has an arrangement with a life office or with an operator of a collective investment scheme, under which it is expected that the life office or operator will take into account the advice of the company in determining:

(a) In the case of a life office, any matter likely to influence the performance of any of the life office's funds or of any investment issued by the life office into which cash contributions of the company's clients have been made;

(b) in the case of an operator of a scheme, the composition of the property of the scheme into which cash contributions of the company's clients have been made.

If the company intends to appoint another company to manage any of its broker funds, then it must first submit the full particulars of the management company to the Central Bank of Cyprus and obtain the latter's written approval prior to any such appointment.

(18) Before entering into any transaction in futures and options, on behalf of a client, the company shall ensure that the investor receives, signs and returns to the company a "risk disclosure statement". A specimen of the said statement shall be given to your company by our Banking Supervision and Regulation Division.

(19) The company shall not establish and/or manage a collective investment scheme without the prior written approval of the Central Bank of Cyprus.

(20) The accounts referred to in paragraph (6) above shall be audited in accordance with the International Standards on Auditing, issued by the International Federation of Accountants, by external auditors appointed by the company and shall be expressed in United States dollars. The said accounts shall be prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Committee.

(21) The company shall maintain its accounting system as well as all its official books, records, documents and correspondence relating to its financial business from within Cyprus, in the English language and shall use the United States dollar as a basis of its accounting system.

(22) Prior to entering into any commitments, in connection with advertising and/or promoting its services in Cyprus or in any other country, the company shall obtain the prior written approval of the Central Bank of Cyprus. In drafting its investment advertisements and other promotional material, the company should take into consideration the attached guidelines.

(23) The company shall not establish a representative office or a branch or a subsidiary company or register a place of business in any overseas country or acquire shares in a company which carries out banking business or provides financial services without the prior written approval of the Central Bank of Cyprus.

## CENTRAL BANK OF CYPRUS

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EC/D/II/26241

(24) In providing offshore financial services, the company should comply with the attached "Principles for the provision of offshore financial services from within Cyprus". The above principles may be varied, from time to time, by the Central Bank of Cyprus, as deemed necessary and in response to changing circumstances.


(25) The company shall apply to the Association of Cyprus Offshore Financial Services Companies (ASCOFC) Ltd for membership.

(26) Whenever required to do so by the Central Bank of Cyprus, the company must prove to the satisfaction of the Central Bank of Cyprus that the conditions stipulated in its exchange control authority are fully adhered to, otherwise its exchange control authority shall immediately lapse.

Provided the above conditions are observed the company shall be considered for Exchange Control purposes as **non-resident**. The Central Bank reserves the right to ask for any additional information regarding the activities of the company as it may consider necessary.

This authority shall lapse if not acted upon within six months from the date of this letter. An application in duplicate shall be submitted to the Central Bank shortly before the authority lapses if an extension of the validity is required.

Yours faithfully,  
CENTRAL BANK OF CYPRUS

  
S. Efstathiou St. Santi (Ms)

c.c. Registrar of Companies & Official Receiver

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**PRINCIPLES FOR THE PROVISION OF OFFSHORE FINANCIAL****SERVICES FROM WITHIN CYPRUS**

The following principles set out the standards, which are expected, of all those providing offshore financial services from within Cyprus.

**(1) Integrity and high standards of market conduct**

An Offshore Financial Services Company (OFC) should observe high standards of integrity and fair dealing in the provision of its services and should avoid conflicts of interest. It should also observe high standards of market conduct, including compliance with any rules standards or guidelines in force, from time to time, as they apply to OFCs and in accordance with the terms and conditions of its Exchange Control Law permit.

**(2) Skill, Care and Diligence**

An OFC should act with due skill, care and diligence.

**(3) Information about customers**

An OFC should seek from customers it advises or for whom it exercises discretion any information about their circumstances and investment objectives which might reasonably be expected to be relevant in enabling it to fulfil its responsibilities to them.

**(4) Information for customers**

An OFC should take reasonable steps to give a customer it advises, in a comprehensible and timely way, any information needed to enable him to make a balanced and informed decision. In this regard, an OFC must not recommend a transaction to a customer or act as a discretionary manager for him, unless it has taken reasonable steps to enable him to understand the nature of the risks involved. An OFC should similarly be ready to provide a customer with a full and fair account of the fulfilment of its responsibilities to him.

**(5) Conflicts of Interest**

An OFC should either avoid any conflict of interest arising or, where conflicts arise, should ensure fair treatment to all its customers by disclosure, internal rules of confidentiality, declining to act, or otherwise. An OFC should not unfairly place its interests above those of its customers and, where a properly informed customer would reasonably expect that the OFC would place his interests above its own, the OFC should live up to that expectation.

**(6) Customers' Assets**

Where an OFC has control of or is otherwise responsible for assets belonging to a customer which it is required to safeguard, it should arrange proper protection for them, by way of segregation and identification of those assets or otherwise, in accordance with the responsibility it has accepted.

**(7) Financial Resources**

An OFC should ensure that it maintains adequate financial resources to meet its business commitments and to withstand the risks to which its business is subject.

**(8) Internal Organisation**

An OFC should organise and control its internal affairs in a responsible manner and ensure that it has well defined procedures to facilitate compliance with the regulatory requirements. Where the OFC employs staff or is responsible for the conduct of investment business by others, should have adequate arrangements to ensure that they are suitable, adequately trained and properly supervised and that it has well-defined compliance procedures.

**(9) Relations with the Central Bank of Cyprus**

An OFC should deal with the Central Bank of Cyprus in an open and cooperative manner and keep the Central Bank of Cyprus promptly informed of anything concerning the OFC which might reasonably be expected to be disclosed to it.



**GUIDELINES AS TO "INVESTMENT ADVERTISEMENTS" \***

1. The content of an investment advertisement and the manner of its presentation should be such that the advertisement is not likely to be misunderstood by those to whom it is addressed, including persons who cannot be expected to have any special understanding of the matter in the advertisement.

2. An investment advertisement should not contain any statement, promise or forecast unless the financial services firm issuing or approving the investment advertisement has taken all reasonable steps to satisfy itself that each such statement, promise or forecast is not misleading in the form or context in which it appears.

3. An investment advertisement should not contain any statement purporting to be a statement of fact which the financial services firm issuing it does not reasonably believe at the time of issue, on the basis of written evidence in its possession, to be true.

4. An investment advertisement should not contain any statement of fact which, although true when the advertisement is issued, the financial services firm has reason to believe is likely to become untrue before the advertisement ceases to be current.

5. An investment advertisement should not state that any person is of any particular opinion, unless the financial services firm issuing or approving the advertisement has taken all reasonable steps to satisfy itself that the advertiser or other person, as the case may be, is of that opinion when the advertisement is issued.

6. The terms of an investment advertisement and the manner of its presentation should be such that it appears to be an advertisement issued with the object of promoting the investment, service or firm to which it relates.

7. The nature of the investment or the services to which an advertisement relates should be clearly described.

8. An advertisement should not be issued with the intention not of persuading persons who respond to the advertisement to pursue the subject matter of the advertisement but instead of persuading them to enter into an investment agreement or use financial services of a description not mentioned in the advertisement.

9. An investment advertisement which invites those to whom it is addressed, to enter into an investment agreement with a named financial services firm should:

(a) disclose whether it is proposed that the named financial services firm will enter into the agreement as a principal on its own account or as an agent for another natural or legal person, and



(b) if the named financial services firm is to enter into the agreement as an agent for another natural or legal person and that person can be identified when the advertisement is issued, the name of that other person should be clearly stated.

10. An investment advertisement should state whether the financial services firm which has issued it is regulated under the laws of the country where it is incorporated or registered to carry on business.

11. Where an investment advertisement offers the product or the services of a natural or legal person other than the financial services firm which has issued or approved it, the advertisement should state whether or not that other person is regulated under the laws of his/its country of permanent residence or country of incorporation/registration and, if so, the name of the authority responsible for regulating this other person's conduct of financial business.

12. An investment advertisement which states only some of the rights and obligations which are attached to an investment or some of the terms and conditions of an investment agreement should:

(a) disclose a sufficient number of rights/obligations/ terms/conditions so as to give a fair view of the nature of the investment, of the financial commitment undertaken by an investor and of the risks involved; and

(b) state how a written statement of all of the above can be obtained.

13. The following notification should always be added, by way of a footnote, to every written investment advertisement:

"Our company's services are not available to those who may not invest abroad under the provisions of the Exchange Control Law".

*\* For the purposes of these guidelines an "investment advertisement" means "every form of advertisement or promotion, whether in a publication or by the display of notices or means of circulars or other documents or by an exhibition of photographs or cinematograph or other films or by way of sound broadcasting or television or other means of public communications" and "advertising" shall be construed accordingly.*

CERTIFIED TRUE COPY OF ORIGINAL  
  
NICOS CHR. ANASTASIADES & PARTNERS  
ADVOCATES