



Emerging Companies Market (ECM)



of the Cyprus Stock Exchange

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Emerging Companies Market (ECM)

Emerging Companies Market (ECM) is considered as a Multilateral Trading Facility (MTF) under the Markets in Financial Instruments Directive ('MiFID') and operates in accordance with the Regulative Decisions adopted by the Cyprus Stock Exchange.

The market is characterised as unregulated and therefore it does not come under the mandatory provisions for regulated markets, which impose strict listing requirements and continuous obligations.

Listing Benefits of the ECM

ECM although is recognized in accordance with EU law, it is generally an easy access and flexible market as:

- There is no requirement as to the minimum market capitalization an issuer must fulfill;
- There is no requirement as to the minimum shareholders equity an issuer must have;
- There is no official requirement as to the minimum number of shareholders an issuer must have but usually not less than 10 investors;
- There is no official requirement as to the minimum numbers of shares to be held by the public but usually not less than 1% of the capital of the issuer;
- Newly established companies (without any audited accounting periods) can be admitted to the ECM;
- There are less continuous requirements than regulated markets saving money for compliance and is generally hassle free;
- There is no requirement as to the nationality of the listed company.

The Nominated Advisor

The role of the Nominated Advisor (Listing Advisor – NOMAD) is instrumental for the listing and maintenance of a company in the ECM. Each company in this market has to retain and continuously have a NOMAD to manage its listing procedure and its continuous compliance in the market. In essence the NOMAD is grandfathering the company during listing and afterwards.

More specifically the Nominated Advisor:

- Evaluates and presents the company to the Cyprus Stock Exchange ensuring that the listing requirements are fulfilled;
- Reviews the Company and prepares the information memorandum for listing in the prescribed form;
- Represents the company through the listing procedure and in all its affairs with the Stock Exchange;
- Advises the company in respect of the compliance of the continuous obligations of the company both during the listing procedure but also on a continuous basis thereafter;

- Monitors and assists the company according to the rules and regulations of the ECM in fulfilling their obligations;
- Advises the company in respect of its obligations and takes any appropriate measures for the fulfilment of these obligations;
- If the company does not comply with its obligations, the nominated advisor takes any 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 on.

Main listing requirements

Some of the main listing requirements for ECM Market are:

- Appointment of a NOMAD;
- If the issuer is not newly established the records of the operations of the company and audited financial statements for at least the two years preceding application;
- Duly prepared investment memorandum in accordance to Stock Exchange requirements;
- The issuer must be a public company with at least 10 shareholders and be able to go public in accordance to the law of the country of establishment;
- There are no limitations concerning the dispersion of shares.

Methods for Listing

The listing of a company on the Emerging Companies Market can be achieved in three ways:

- a. By public offering:
If the offering is public, greater than Euro 2.5 million and is addressed to over 100 persons, a Prospectus will have to be issued in accordance with European Prospectus Law and approval from the Securities and Exchange Commission will be required.
- b. Through private placement:
If addressed only to institutional investors (strategic or other) or to fewer than 100 persons and less than Euro 2.5 million will be raised, an Admission Document must be submitted to the CSE, without a requirement for approval by the Securities and Exchange Commission.
- c. Listing without capital raising:
If listing without capital raising is the method used for listing then, an Admission Document must be submitted to the CSE, without a requirement for approval by the Securities and Exchange Commission.
- d. A combination of (a) and (b) above.

Continuing obligations of an Issuer

Once listed, the issuer's main requirements are:

- a. To publish annual audited financial statements, within four months of the year-end;
- b. To publish unaudited half-yearly accounts within two months from the period end;

- c. Announce to CSE any decision relating to the following matters:
 - i. Any board of directors decision relating to the payment of a dividend, the distribution of profits or the payment of interest concerning listed securities;
 - ii. Approval of financial results and accounts;
 - iii. Any significant changes in the operations of the company (e.g. acquisition or liquidation of assets);
 - iv. Any decision relating to changes in the capital structure of the company;
 - v. In the case of bonds, any decision taken for a new issue;
 - vi. Any changes in the position of chairman, members of the board of directors, senior management or any other executive;
- d. Publish and submit to the CSE the dispersion of shares, on the last day of the calendar year.

Services Provided LLPO Law Firm

LLPO Law Firm is a NOMAD since 2009 and has extensive experience in listing companies in Cyprus Stock Exchange. Some of the services that can be provided to a new issuer are the following:

- Nominated Advisor services
- Preparation of the admission document
- Preparation of the information memorandum
- Subsequent to admission, we will continue to advise the company on its ongoing obligations as a listed company

Documents and Information usually required for Initial Review

Prior to any listing procedure being initiated the NOMAD (LLPO) will require the prospective issuer to provide information to enable a pre-qualification of the Company. The documents and information usually required for this pre-qualification are the following:

- Legal corporate documents of the Company (Certificates and Memorandum and Articles of Association/ By Laws);
- General Information about the Board Members and the shareholders who own the most part of the issuer's share capital;
- Corporate brochures and any marketing or promotional material produced by the Company;
- History of the business if not newly established;
- Business plan with financial forecasts and/or audited or management accounts for the last two years (if not newly established);

After reviewing the abovementioned information, the LLPO will make a decision as to whether will undertake the listing of the Company. Such a pre-qualification usually takes a week.

Issuer Review and Application Preparation

Upon the decision to proceed for listing LLPO Law Firm will be appointed as NOMAD and initiate the procedure for listing with CSE. Depending on complexity, method of listing, size of issuer and the specific requirements of the issuer, LLPO Law Firm will need to effect a review of the issuer's affairs and business to be able to draft the admission document. During this process documentary information will be required and visit the company's headquarters in order to collect all the necessary details and/or documentation. Although the degree of detail of this review depends on several factors, the following titles of review are usually required:

- Constitution and Structure
- Business
- Main shareholders and connected persons
- Accounts
- Finance
- Taxation
- Premises
- Fixed Assets
- Intellectual Property
- Information Technology
- Hardware
- Communications
- Services
- Software
- Compliance
- Data Protection
- Trading Matters
- Litigation
- Employees
- Environmental Matters

Depending on the flow of information from the issuer, complexity and detail required by LLPO or the Stock Exchange the procedure for the preparation of the admission document will require around 1 month and at least 1 meeting at the headquarters of the issuer.

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