



Listing on the Cyprus Emerging Companies Market (ECM): a simplified and cost-effective way to raise funds

Overview

The Cyprus Emerging Companies Market (ECM) was launched in 2009 by the Cyprus Stock Exchange as an alternative to the main market. The ECM is specially designed for the needs of small and emerging companies, benefiting as it does from a simplified regulatory environment.

As such, it has become a vehicle of choice for:

- Smaller entrepreneurial companies looking to raise funds from investors in a simpler cost-effective way through a recognised EU secondary market
- Companies looking to promote their reputation through a listing
- More experienced investors looking to invest in higher risk businesses
- Existing public companies looking for a cheaper and less burdensome IPO

Types of Listing

Private Listing

A private placement will often be the method of choice for existing private companies, as it requires no formal prospectus. Only an Admission Document is required which does not require approval by the Cyprus Securities and Exchange Commission (CySEC).

A private placement can be effected where:

- The offer is made to less than 100 potential investors; or
- Funds raised are less than €2.5 million; or
- The offer is made only to institutional investors

Public Listing

Where the offer is greater than €2.5 million and made to more than 100 private investors, it is deemed to be a public listing or IPO. In such cases, a formal Prospectus must be prepared and approved by CySEC.

Hybrid Listing

A listing may also be made by combining both a private and public listing.



Main Requirements for Listing on the ECM

- Existing audited accounts for the 2 years preceding application. However, this does not prevent new enterprises from listing, providing they can satisfy the Cyprus Stock Exchange that potential shareholders can be given satisfactory information by the Nominated Advisor of the issuer that would allow them to accurately assess the value of the shares.
- The issuer should be a Cyprus Public Company. It is advisable that the company should have at least 10 – 12 shareholders at the time of application, although the principal shareholder may hold up to 99% of the shares (in reality, it is not recommended that the principal shareholder owns more than 90%, as the application will be subject to much greater scrutiny).
- The company must have a minimum issued share capital of €26,000, although €100,000 is recommended.
- A minimum of 3 directors are required on the board, one of which must be an executive director. It is preferable that the majority of directors are resident in Cyprus in order for the company to benefit from the very favourable local tax regime. A full CV and business background of each director must be provided as is available for public scrutiny.
- The company must have a Cyprus registered office, reveal the banks with which it has a relationship, and appoint a legal advisor and auditor.
- There is no minimum market capitalisation requirement.
- No minimum share dispersion requirement.
- A regulated Nominated Advisor must be appointed and retained to advise on and sponsor the initial application and to ensure ongoing compliance with the requirements of the ECM.
- An Admission Document must be produced on application.



Nominated Advisor and Admission Document

A Nominated Advisor must be appointed to ensure that the applicant meets all listing requirements and to sponsor the company as a listing candidate in dealings with the Cyprus Stock Exchange. The Nominated Advisor must be retained to ensure ongoing compliance with the obligations of the listed company.

One of the most important initial tasks of the Nominated Advisor will be to assist with the production of the Admission Document, which must include:

- A history of the business
- An adequate business plan. No financial forecasts are required, unless the company has less than 2 years' trading history, in which case at least 3 years of financial forecasts are likely to be required
- Information on the directors and significant shareholders
- Information about the placement or offer of the subscription
- Risk factors
- Audited financial statements prepared under IFRS for two preceding years, where applicable
- Information on proposed use of listing proceeds

Continuing Obligations for Listed Companies

Although the ongoing obligations for a company listed on the ECM are much less onerous than on a fully regulated exchange, there are nevertheless some rules which need to be adhered to:

- Annual audited accounts must be published within 4 months of the year end
- 6-monthly reports (not audited) must be published within 2 months of the period end
- Announcement to made of any changes of Nominated Advisor
- Announcement of certain material decisions likely to affect shareholders, although again much less onerous than for a normal listing (for instance, there is no requirement to issue a profits warning).

Conclusion

The Cyprus ECM is an ideal way to achieve a cost-effective and less burdensome EU listing and gain access to secondary investors. In particular, a private listing on the ECM is subject to minimal levels of regulation and cost.

Verfides, through its Cyprus office, works with well-regarded regulated Nominated Advisors to ensure a seamless service for clients looking to register on the ECM. Alongside this, we offer formation of Cyprus companies, professional directorship services, preparation and auditing of financial statements and full back-office services.