
To : **Regulated Entities**
i. **Cyprus Investment Firms**
ii. **UCITS Management Companies¹**
iii. **Alternative Investment Fund Managers²**

From : **Cyprus Securities and Exchange Commission**

Date : **February 8, 2017**

Circular No : **C184**

Subject : **Executive Summary in the reports of the Compliance, Risk Management and Internal Audit Functions**

The Cyprus Securities and Exchange Commission ('the CySEC') wishes, with this circular, to set standards to assist the Regulated Entities in meeting their obligations emanated by the provisions of Article 18(2)(a) and (f) of the Investment Services and Activities and Regulated Markets Law of 2007, as in force ('the Law), and of paragraphs 5(3)(b), 6(2)(b), 8(d) and 9(2), (3) of Directive DI144-2007-01 of 2012 ('the Directive'), regarding the organisational requirements and, in particular, the preparation of the reports of the Compliance, Risk Management and Internal Audit Functions.

CySEC's Circulars with number CI144-2013-23, C030, C050 and C056 are related to this circular.

More specifically:

1. According to paragraphs 5(3)(b) – Compliance Function, 6(2)(b) - Risk Management Function, and 8(d) - Internal Audit Function, of the Directive, the Compliance Officer, Risk Manager, and Internal Auditor are obliged to prepare written reports for their respective areas of responsibility ('the Reports'), which are addressed to the senior management and board of directors of the Regulated Entity.
2. According to paragraph 9(2) and (3) of the Directive, a CIF is required to ensure that its senior management and board of directors receive on a frequent basis, and at

¹ This Circular applies to UCITS Management Companies when providing investment services.

² This Circular applies to Alternative Investment fund Managers when providing investment services.

least annually, written reports on the matters covered in paragraphs 5, 6 and 8 of the Directive.

- 3.** The Reports act as a tool to assist the senior management and board of directors of the CIF in carrying out their responsibility to assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations pursuant to the Law and the Directives issued thereunder [paragraph 9(1) of the Directive].
- 4.** For a more efficient assessment, appraisal and review of the Reports and for the purpose of further facilitating the board of directors in its decision making, the persons responsible for the preparation of the reports (Compliance Officer, Internal Auditor, Risk Manager), are requested to include an executive summary at the beginning of their Reports, which will summarise the lengthy text of the Report.
- 5.** The Executive Summary:
 - i. Is an integral part of the Report.
 - ii. Is no more than 2 - 3 pages long.
 - iii. Indicatively includes the following:
 - Introduction.
 - Purpose/ objectives/ terms of reference.
 - Key findings/weaknesses (a summary of all key findings/weaknesses, regardless of whether they have been rectified, or not, within the year, and the key issues from previous years that are still pending).
 - Suggestions.
 - Conclusion.
- 6.** CySEC expects that all the Reports that will be prepared for the year 2016 and onwards will fully apply this Circular, so as to achieve full compliance with the article 18(2)(a) and (f) of the Law.

Yours Sincerely,

Demetra Kalogerou
Chairman of the Cyprus Securities and Exchange Commission