

TO : Cyprus Investments Firms
FROM : Cyprus Securities and Exchange Commission
DATE : July 26, 2017
CIRCULAR No : C228
SUBJECT : Redefining threshold criteria of 'significant CIF'

The Cyprus Securities and Exchange Commission ('CySEC') wishes to inform the Cyprus Investment Firms ('the CIFs') that the [Circular C081](#), issued on 28 July 2015 regarding the threshold criteria for determining which CIFs are 'significant CIF', is repealed and replaced with this circular.

The current circular redefines the thresholds that a CIF can use to determine whether it is a 'significant CIF' and the frequency of such assessment. CySEC's policy is to apply an objective definition with pre-defined thresholds to determine which CIFs are considered significant for the purposes of the requirements of point A.1 below.

A. Legal Framework - Background

1. Through the Investment Services and Activities and Regulated Markets Law of 2007, as in force ('the Law') and the Directive DI144-2014-14 for the Prudential Supervision of Investment Firms (the 'Directive') there are various requirements which have restricted application based on a CIF's size, internal organization and the nature, scale and complexity of its activities. These requirements are provided in:
 - i. Article 12(5) of the Law on the limitations on the number of directorships an individual may hold.
 - ii. Article 18A(2)(a) of the Law on the establishment of a nomination committee.
 - iii. Paragraph 6 of the Directive on the establishment of an independent risk committee.
 - iv. Paragraph 22 of the Directive on the establishment of an independent remuneration committee.

B. Definition of 'significant CIF'

2. CIF is a 'significant CIF', if according to the results of its audited financial statements, meets **one or more**, of the following criteria:

Criteria	Thresholds (€)
Total assets	> 43m
Annual fees /commission income/ net trading income	> 50m
Clients' money ¹	> 35m
Clients' assets ²	> 750m

3. CIFs must, **within four months from the end of their financial year**, to assess whether they become a 'significant CIF' according to the results of their audited financial statements.

If a CIF meets the threshold criteria of a 'significant CIF', then it is considered as a 'significant CIF' until the next assessment made according to the audited financial statements of the following year.

4. If a CIF becomes aware that it becomes a 'significant CIF', it must **forthwith** make arrangements to establish and have in place sound, effective and comprehensive strategies, processes and systems to achieve compliance with the requirements that apply to a 'significant CIF'.
5. CySEC may, on a case by case basis, require a CIF which does not meet any of the criteria mentioned in point 2 above, to comply with the requirements that apply to a 'significant CIF', if CySEC considers it appropriate.
6. A CIF may apply to CySEC to waive any one or more of the criteria mentioned in point 2, if it believes that one or more of the governance requirements in point 1 above that apply to a 'significant CIF' may be disproportionate to it.

The request must be in writing. In its application for such waiver, CySEC expects the CIF to demonstrate, taking into account the size, internal organisation and the nature, scale and complexity of its activities, why it should not be considered as a 'significant CIF'.

¹ 'Clients' money' means the money that a CIF receives or holds in the course of, or in connection with, all of its services/activities that it carries as set out in the audited financial statements, submitted to CySEC pursuant to section 114 of the Law.

² 'Clients' assets' means the assets held or administered by the CIF in the course of, or in connection with, all of its activities that it carries as set out in the audited financial statements, submitted to CySEC pursuant to section 114 of the Law.

It is noted that the effect of such waiver is that the CIF would not be a 'significant CIF' only for the purpose of the particular governance requirement in point 1 above that the waiver is expressed to apply to. For the avoidance of doubt, such CIF would still be a 'significant CIF' for the purpose of the other requirements that apply to a 'significant CIF'.

C. Reporting to CySEC

7. A CIF must forthwith inform CySEC when it becomes a 'significant CIF' and take all the necessary measures to comply with the requirements that apply to a 'significant CIF', submitting also its new organisational structure.

Yours sincerely

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Chairman of the Cyprus Securities and Exchange Commission