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**To** : **Supervised Entities:**

- i. Cyprus Investment Firms**
- ii. Mixed financial holding companies**
- iii. Financial holding companies**

**From** : **Cyprus Securities and Exchange Commission**

**Date** : **17 July 2018**

**Circular No** : **E275**

**Subject** : **Guidelines on the assessment of the suitability of the members of the management body and key function holders**

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The Cyprus Securities and Exchange Commission ("CySEC") wishes to inform the supervised entities that it has adopted the joint [Guidelines](#) on the assessment of the suitability of the members of the management body and key function holders, issued by the European Securities and Markets Authority ("ESMA") and by the European Banking Authority ("EBA").

**Scope:**

The Guidelines apply to:

- i. Credit institutions as defined in Article 4(1)(1) of Regulation (EU) 575/2013; mixed financial holding companies as defined in Article 4(1)(21) of Regulation (EU) 575/2013; investment firms as defined in Article 4(1)(1) of Directive 2014/65/EU and financial holding companies, as defined in Article 4(1)(20) of Regulation (EU) 575/2013; and
- ii. National Competent Authorities.

**Purpose:**

These Guidelines specify the requirements regarding the suitability of members of the management body of credit institutions, investment firms, financial holding companies and mixed financial holding companies and, in particular, in accordance with Article 91(12) of Directive 2013/36/EU and the second subparagraph of Article 9(1) of Directive 2014/65/EU, the notions of sufficient time commitment; honesty, integrity and independence of mind of a

member of the management body; adequate collective knowledge, skills and experience of the management body; and adequate human and financial resources devoted to the induction and training of such members. The notion of diversity to be taken into account for the selection of members of the management body is also specified in accordance with the above mentioned articles.

The Guidelines also specify requirements regarding the suitability of the heads of internal control functions and the chief financial officer (CFO) of credit institutions and certain investment firms, where they are not part of the management body, and, where identified on a risk-based approach by those institutions, of other key function holders, as part of the governance arrangements referred to in Articles 74 and 88 of Directive 2013/36/EU and Articles 9(3), 9(6) and 16(2) of Directive 2014/65/EU, and on the related assessment processes, governance policies and practices, including the principle of independence applicable to certain members of the management body in its supervisory function.

#### **Application:**

These Guidelines apply from **30 June 2018**.

The Guidelines have been adopted by CySEC in their entirety, except for the parts of paragraphs 170-198 requiring the National Competent Authorities to evaluate the suitability of certain key function holders<sup>1</sup>. CySEC will issue a Consultation Paper in relation to the evaluation of the suitability of key function holders by CySEC. Following the consultation process, CySEC will inter alia, adopt the aforementioned parts of Paragraphs 170-198.

Best Regards,

Demetra kalogerou

Chairwoman of the Cyprus Securities and Exchange Commission

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<sup>1</sup> E.g. the person who is responsible for the oversight of the Internal Audit function, the CFO etc.