
TO : **Cyprus Investment Fund Managers ('CyIFMs'):**

- i. Cyprus UCITS Management Companies and Self-Managed Cyprus UCITS ('CyUCITS MCs')**
- ii. Cyprus Alternative Investment Fund Managers and Self-Managed AIFs, including Cyprus sub-threshold AIFMs and Self-Managed AIFs ('CyAIFMs')**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **11 March 2025**

CIRCULAR NO. : **C688**

SUBJECT : **ESMA launches a Common Supervisory Action ('CSA') with NCAs on Compliance and Internal Audit Functions**

- 1.** The Cyprus Securities and Exchange Commission ('**CySEC**') wishes, with this circular, to inform the CyIFMs that the European Securities and Markets Authority (ESMA) has launched the [2025 Compliance and Internal Audit Functions CSA](#) with national competent authorities (NCAs), on compliance and internal audit functions of UCITS management companies and Alternative Investment Fund Managers (AIFMs) across the EU.
- 2.** The aim of the 2025 CSA is set as follows:
 - i.** to assess to what degree UCITS management companies and AIFMs have established effective compliance and internal audit functions with adequate staffing, authority, knowledge, and expertise to perform their duties under the AIFM and UCITS Directives,
 - ii.** to assess whether compliance and internal audit functions are designed to ensure that the internal control mechanisms to monitor, identify, measure, and mitigate any possible risks of non-compliance with the applicable rules, are in place.
- 3.** CySEC acknowledges the important contribution of these two control functions in ensuring CyIFMs' compliance with the applicable regulatory framework, preventing investor detriment, and effectively managing conflicts of interest. In this context, CySEC has recently initiated a targeted thematic review, comprising both on-site inspections and desk-based reviews, on a representative sample of CyIFMs.
- 4.** CySEC expects CyIFMs to take all necessary measures to ensure full compliance with their legal and regulatory obligations regarding the compliance and internal audit

functions. In this regard, CyIFMs should review and, where necessary, enhance their internal control framework, ensuring that these functions are adequately resourced, independent, and effectively integrated into their governance structures. CySEC urges all CyIFMs to proactively assess their current arrangements and take corrective actions, where deficiencies are identified, in line with the applicable regulatory requirements.

Sincerely,

Panikkos Vakkou
Vice Chairman
Cyprus Securities and Exchange Commission