
TO : **Regulated Entities:**
i. **Cyprus Investment Firms**
ii. **Alternative Investment Fund Managers¹**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **December 19, 2018**

CIRCULAR NO. : **C288**

SUBJECT : **Guidelines on complex debt instruments and structured deposits**

The Cyprus Securities and Exchange Commission ('the CySEC') wishes to remind the Regulated Entities of the ESMA [Guidelines on complex debt instruments and structured deposits](#), no. ESMA/2015/1787 ('the Guidelines'), which are applicable from 3 January 2017 and include the following principles:

1. They specify the criteria for the assessment of:
 - i. debt instruments incorporating a structure which makes it difficult for the client to understand the risk involved, and;
 - ii. structured deposits incorporating a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term.
2. They clarify the concept of "embedded derivatives" in order to provide an overall framework for the application of Article 25(4)(a) of MiFID II in relation to debt instruments.

Sincerely,

Demetra Kalogerou
Chairman of Cyprus Securities and Exchange Commission

¹ AIFMs when providing services pursuant to section 6(6) of Law 56(I)/20013, as in force.