
TO : Investment Fund Managers:

- i. Cyprus UCITS Management Companies and Self-Managed Cyprus UCITS ('CUCITS MCs')
- ii. Cyprus Alternative Investment Fund Managers and Self-Managed Cyprus AIFs ('CAIFMs')¹

FROM : Cyprus Securities and Exchange Commission

DATE : 31st August 2023

CIRCULAR NO. : C595

SUBJECT : ESMA Final Report on the 2022 Common Supervisory Action ('CSA') on Valuation

The Cyprus Securities and Exchange Commission ('CySEC') wishes, with this circular, to stress the attention of the Investment Fund Managers to the content of the [Final Report On the 2022 CSA on valuation- ESMA34-45-1802](#) ('the Report') published by the European Securities and Markets Authority ('ESMA').

The CSA's aim was to assess, foster and enforce the compliance of supervised entities with the organisational requirements with respect to asset valuation, as well as the adherence to valuation principles and methodologies with a view to reflecting a true and fair value of their financial positions, both under normal and stressed market conditions in line with the applicable rules.

The Report is the product of the [January 2022 CSA launched by ESMA with National Competent Authorities \(NCAs\)](#). It is noted that CySEC has participated in this CSA by carrying out thematic reviews on a sample of CAIFMS.

Sections 2 and 3 of the Report explain the background of the exercise, the scope of the analysis and the minimum coverage thresholds. Sections 4 to 8 set out the CSA's main

¹ Bearing in mind the fact that the sub-threshold CAIFMs 'Level 1' legal obligations with regards to asset valuation (i.e. Law 81(I)/2020 and/or Law 124(I)/2018) are similar to the 'Level 1' relevant legal obligations of the CAIFMs (i.e. Law 56(I)/2013), CySEC invites sub-threshold CAIFMs to consider the present circular as guidance to best practices they could adopt in order to comply with their relevant legal obligations. Sub-threshold AIFMs includes AIFMs and Internally Managed AIFs of the Republic, whose assets under management fall below the thresholds of section 4(2)(a) or 4(2)(b) of Law 56(I)/2013, as amended and have not chosen to opt in as per the provisions of section 4(6) of Law 56(I)/2013.

findings – based on the reports submitted to ESMA by NCAs on the CSA results in their jurisdictions- on the following topics:

1. the appropriateness of valuation policies and procedures,
2. valuation under stressed market conditions,
3. independence of the valuation function and use of third-party valuers,
4. early detection mechanisms for valuation errors and transparency to investors,
5. focus on Private Equity (PE) and Real Estate (RE) assets.

CySEC urges the Investment Fund Managers to carefully consider the content of the Report against the performance of their activities in order to ensure their compliance with their relevant legal obligations. If deemed necessary, CySEC may issue a follow up circular, focusing to a greater extent to the findings of the thematic reviews undertaken, at a later stage.

Sincerely,

George Karatzias
Vice Chairman
Cyprus Securities and Exchange Commission