

From : **Cyprus Investment Firms**
To : **Cyprus Securities and Exchange Commission**
Date : **26 June 2017**
Name : **C217**
Subject : **Use of Affiliates**

The Cyprus Securities and Exchange Commission ('the CySEC') wishes, with this circular, to inform the Cyprus Investment Firms ('the CIFs') about the following:

1. CIFs often engage with third parties across multiple jurisdictions to promote the brand of the CIF online, use their website as a portal for displaying promotional and advertising content, host marketing material and direct web-traffic to the authorised CIF's website, increase the online profile of the CIF through search engine optimisation and perform any other similar (with the abovementioned) activity ('the Affiliates'¹).
2. CIFs should exercise due skill, care and diligence when entering into, managing or terminating any arrangement with an Affiliate. The provisions of Part V (Outsourcing) of Directive DI144-2007-01 of 2012 are fully applied.
3. CIFs, before entering into an agreement with an Affiliate, should ensure that the Affiliate has obtained any authorisation required or is registered in his jurisdiction to perform such activity, if required.
4. CIFs should ensure that the content of the marketing material is clear, fair and not misleading in accordance with the requirements of article 36 of the Investment Services and Activities and Regulated Markets Law of 2007 ('the Law') and that the material either is prepared by the CIF itself and disseminated to Affiliates, or is subject to pre- approval and ongoing monitoring by the CIF, if a third party is engaging to do this.
5. CIFs should ensure that the oversight arrangements in place between themselves and Affiliates are sufficiently captured within the CIF's internal control framework and the Affiliates are closely monitored.
6. CIFs are encouraged to either perform the activities described in paragraph 1 internally or cooperate with the absolute minimum number of Affiliates for the most efficient monitoring of their activities.

¹ The term 'Affiliate' includes any person/entity that is providing the activities described in paragraph 1 herein, irrespective of how the CIF chooses to define such person/entity.

7. In the context of efficient monitoring, CIFs that continue to use Affiliates are encouraged to develop/buy a marketing intelligence tool that enables them to gather all the Affiliates' digital media data that relates to the CIF and ensure that these are in line, at all times, with the provisions of article 36 of the Law.
8. In case an Affiliate is acting outside the scope of the signed agreement, the CIF should cease the cooperation and take appropriate measures against the Affiliate, informing, at the same time, its clientele through its website, for this termination.
9. In addition, the CIF should disclose the incident to CySEC, including the address of the Affiliate's website and details of the Affiliate's identity [in case the Affiliate is a legal person, details of the representatives (physical persons) of the Affiliate that signed the agreement should be disclosed].

CySEC intends to publish on its website a warning list with the website addresses of the Affiliates that are operating outside the parameters provided by the Law, CySEC's circulars and acceptable business practices, enabling all CIFs to be informed of such malpractice and to cease/avoid any cooperation with them. Details of the Affiliates' representatives (physical persons) will also be included in the warning list.

Yours sincerely

Demetra Kalogerou
Chairman of the Cyprus Securities and Exchange Commission