
TO : Cyprus Investment Firms

FROM : Cyprus Securities and Exchange Commission

DATE : February 7, 2017

CIRCULAR NO. : C183

SUBJECT : Report on Good Supervisory practices for reducing mechanistic reliance on credit ratings

The Cyprus Securities and Exchange Commission ('the CySEC') wishes to inform the Cyprus Investment Firms ('the CIFs') the following:

1. The Joint Committee of the European Supervisory Authorities (EBA, ESMA, EIOPA) issued on 20th December 2016 a Report regarding the good supervisory practices for reducing mechanistic reliance on credit ratings (the 'Report'). The Report can be found [here](#).
2. The purpose of the Report is to provide for a level of consistency among the Sectoral Competent Authorities ('SCA') in the implementation of elements of the CRA Regulation regarding overreliance on credit ratings. To achieve this, the Report recommends a common framework of non-binding good supervisory practices for SCAs.
3. The supervisory practices are structured into two groups as follows:
 - i. The first set of good practices proposes a general framework for SCAs with regards to how they should monitor the use of credit ratings by their supervised entities and what alternative and complementary measures are available.
 - ii. The second set of good practices provides greater detail on how mechanistic reliance on credit ratings can be addressed within the different business processes of SCAs' supervised entities.

The CySEC intends to use the Report during the assessment of the credit risk to which the CIFs are exposed.

Sincerely,

Demetra Kalogerou
Chairman Cyprus Securities and Exchange Commission