

ANNOUNCEMENT

Supervisory Priorities for 2021

A. INTRODUCTION

The mission of the Cyprus Securities and Exchange Commission (the “CySEC”) is the exercise of effective supervision of the firms which it regulates in order to ensure robust investors’ protection and the healthy development of the securities market.

To strengthen its supervisory objectives and support the regulated firms in complying with their regulatory obligations, CySEC has outlined the main priorities and supervisory activities for 2021, as they will be carried out by the Supervision Department. It is stressed that emphasis will also be given this year to the smooth transition of the Cyprus Investment Firms from the existing prudential framework (CRD/CRR) to the new one, which consists of the Directive (EU) 2019/2034 (IFD) and the Regulation (EU) 2019/2033 (IFR)) and will enter into force on 26th June 2021.

“CySEC supports open and competitive market economies with effective regulation and supervision.

CySEC’s primary aim is to safeguard investors’ best interests. Market stability can only be achieved through robust and fair investor protection.”

Additionally, CySEC will provide guidance to the regulated entities, in order to assist them in achieving a level of best-practice compliance. This can be achieved through the issuance of Circulars, where CySEC will notify the regulated entities on findings, stemming from its supervisory review of the industry, as well as on approaches /practices that are acceptable.

B. 2021 SUPERVISORY PRIORITY PLANS

On the basis of the above, CySEC has developed the following key priorities and supervisory activities for 2021:

“While one of CySEC’s objectives for 2020 was to prepare for the challenges that COVID-19 had on the market, it is important not to disregard CySEC’s permanent goal on effective supervision.”

I. Cyprus Investment Firms (CIFs)

1. Continuous monitoring of the compliance of high risk and medium-high risk CIFs with all their regulatory obligations which govern their operations.
2. Monitoring the compliance of medium-to-low and low-risk CIFs, focusing on regulatory areas that entail significant risks to investors or market stability.
3. Analysis of current events related to each sector as a whole and investigating potential drivers of poor outcomes for investors and market stability. Such topics are:

- i. product governance requirements;
 - ii. obligations to provide certain information to clients or potential clients, including marketing communications;
 - iii. appropriateness and suitability assessment requirements;
 - iv. obligations in regard to the national product intervention measures in relation to the marketing, distribution or sale of CFDs and Binary Options;
 - v. transparency requirements;
 - vi. cost and charges requirements;
 - vii. governance requirements;
 - viii. clients' funds requirements; and
 - ix. enhancing the quality of data for the various reporting regimes.
4. Monitoring the compliance of CIFs with the reporting requirements as required under the MiFIR, EMIR, CSDR, STFR and Securitisation Regulations.
 5. Concerning prudential framework, emphasis will be given to safeguarding of clients' assets, risk management procedures, capital adequacy requirements (Pillar I, Pillar II and Pillar III requirements). In addition, as it is mentioned in section A above, CySEC will focus its activities to the smooth transition of the Cyprus Investment Firms from the existing prudential framework (CRD/CRR) to the new one, which it consists of the Directive (EU) 2019/2034 (IFD) and the Regulation (EU) 2019/2033 (IFR)) and will enter into force on 26th June 2021.

II. Managers and collective investment undertakings

6. Monitoring the compliance with their regulatory obligations, with emphasis given on the below regulatory requirements:
 - i. UCITS liquidity risk management requirements;
 - ii. UCITS cost and fees requirements focusing on ongoing charges;
 - iii. AIF valuation policies and procedures requirements; *and*
 - iv. AIF requirement of raising of minimum capital from investors.
7. Monitoring their compliance with the requirements for reporting the information as referred to in the AIFM Directive (2011/61/EU) and the European Commission Regulation (2013/231).

III. Data driven supervision

8. Designing and developing processes and methodologies that focus on the use of data-driven supervision in the implementation of the European Regulations EMIR, MiFIR and SFTR. Data driven supervision aims at enabling CySEC to quickly screening data, representing large and varied trading volumes, in order to automatically detect risks and irregularities at an early stage (i.e. through alerts) and react more quickly over those risks and irregularities.

Nicosia, March 2021