

PRESS RELEASE

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CIFs: CySEC identified improvements and weaknesses following on-site visits

As part of its effort to effectively practice its regulatory role, the Cyprus Securities and Exchange Commission ('CySEC'), carried out on-site checks in Cyprus Investment Firms ('CIFs'), in order to assess their compliance to Article 28 of the 2018 Law Regarding the Provision of Investment Services, the Exercise of Investment Activities and the Operation of Regulated Markets ('the Law'). These provisions refer to the obligation of CIFs to execute orders based on the most beneficial terms for the client ('Best Execution Obligation').

As mentioned in a relevant [Circular](#) (Circular No: C343) published by CySEC on 25 October 2019, on the thematic review ('the Review') that it conducted, the Review's sample consisted of 11 CIFs, which primarily offer Contracts for Difference (CFDs), and were selected based on their size and risk.

Although some CIFs have taken measures in order to comply with the best execution obligations, the Review revealed weaknesses, which CySEC points out to **all** CIFs, calling them to examine whether they comply with the best execution obligations and where appropriate, take corrective measures.

Over the course of the Review, CySEC identified the following 'good practices' and weaknesses:

The good practices refer to:

- i. The monitoring of the execution venues, based on objective and balanced criteria.
- ii. The use of technology and specialised software solutions, to monitor whether the prices suggested to the client are fair, by comparing them to similar or comparable products in real time. The software solutions that CIFs have designed and developed, include software solutions that monitor price slippages, taking into account the number of orders, the volume of orders (i.e. in pips) and the value of orders for all order types.

The weaknesses that CySEC identified refer to:

- i. The drafting and implementation of an Order Execution Policy (OEP) by CIFs, which allows them to achieve the best possible result for their clients' orders.
- ii. The information provided to the clients, which includes the OEP.
- iii. The monitoring of the effectiveness of the regulations and the policies followed by CIFs in relation to order execution, so that they can identify and where appropriate, correct any insufficiencies.

CySEC has sent individual feedback to the CIFs included in the thematic sample, calling them to take immediate corrective actions in order to address the weaknesses that were identified, based on an action plan monitored by CySEC.