
TO : Cyprus Investment Firms
FROM : Cyprus Securities and Exchange Commission
DATE : January 18, 2022
CIRCULAR NO. : C483
SUBJECT : ESMA & EBA Joint Guidelines (ESMA35-36-2319) on the assessment of the suitability of members of the management body and key function holders

1. The Cyprus Securities and Exchange Commission ('CySEC') wishes to remind the Cyprus Investment Firms ('the CIFs') that the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA) published on July 2, 2021 their revised final joint Guidelines on the assessment of the suitability of members of the management body and key function holders (the '[Guidelines](#)'), translated in all official languages of the EU.
2. These Guidelines also take into account the amendments introduced by the revised [Capital Requirements Directive \(CRD V\)](#)¹ and the [Investment Firms Directive \(IFD\)](#)², and their effect on the assessment of the suitability of members of the management body, in particular with regard to money laundering and financing terrorism risks, and gender diversity, as well as the new legislative framework for investment firms adopted in 2019 by the [Investment Firms Regulation \(IFR\)](#)³ for the identification of the investment firms subject to the various guidelines.
3. The purpose of these Guidelines is to specify the requirements regarding the suitability of members of the management body in particular, the notions of sufficient time commitment; honesty, integrity and independence of mind of a member of the management body; adequate collective knowledge, skills and experience of the management body; and adequate human and financial resources devoted to the induction and training of such members. They further specify, the notion of diversity to be taken into account for the selection of members of the management.
4. The Guidelines also specify elements regarding the suitability of the heads of internal control functions and the chief financial officer (CFO), where they are not part of the management body, and, where identified on a risk-based approach by those institutions, of other key function holders, as part of the governance arrangements referred to in Articles 74 and 88 of CRD IV and Articles 9(3), 9(6) and 16(2) of MiFID II, and on the related assessment processes, governance policies and practices, including

¹ Directive (EU) 2019/878 as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

² Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

³ Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms.

the principle of independence applicable to certain members of the management body in its supervisory function.

5. These Guidelines are applicable from 31 December 2021 and have updated and repealed the previous version of the EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12) of 26 September 2017.⁴
6. CySEC has adopted these Guidelines by incorporating them into its supervisory practices and regulatory approach.
7. CIFs to which these Guidelines apply should take the necessary actions in order to ensure their compliance with the Guidelines.

Sincerely,
Dr George Theocharides
Chairman
Cyprus Securities and Exchange Commission

⁴ To this effect, the CySEC Circular E275 of 17 July 2018 is also revoked.