



CYPRUS SECURITIES AND EXCHANGE COMMISSION

TO : Investment Firms
FROM : Cyprus Securities and Exchange Commission
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SUBJECT : CIFs Risk Management

The Cyprus Securities and Exchange Commission ('the Commission') wishes, with the commencement of the Common Platform of Cyprus and Athens Stock Exchanges, to remind the Cyprus Investment Firms (CIFs) that they ought, pursuant to paragraph 2.3.4. of the First Annex of Investment Firms Directive 1/2002 of the Commission, to establish, at all times, adequate risk management policies relating to the investment services provided.

Specifically, the Commission states that the CIFs ought:

1. to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the CIFs activities, processes and systems, and where appropriate, set the level of risk tolerated by the CIF. It is noted that the identification of risk should be done by an appropriate body of the CIF.
2. to adopt effective arrangements, processes and mechanisms to manage the risks mentioned in point 1 above, taking into consideration the level of risk tolerance.
3. to monitor:
 - the adequacy and effectiveness of CIF's risk management policies and procedures,
 - the level of compliance of CIFs and its relevant persons with the arrangements, processes and mechanisms adopted in accordance with point 2 above,
 - the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms,

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including failures by the relevant persons to comply with such arrangements or processes.

Sincerely

Georgios Charalambous
Chairman, Cyprus Securities and Exchange Commission

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