

ANNOUNCEMENT

Supervisory Priorities for 2019

A. Introduction

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

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

To strengthen its supervisory objectives and to support regulated firms in complying with their regulatory obligations, CySEC has outlined the main priorities and supervisory activities for 2019.

The Supervision Department’s main objective is to supervise CySEC-regulated entities’ compliance with their continuing regulatory obligations. In particular, it monitors the compliance of Cyprus Investment Firms (CIFs), their branches and tied agents with their regulatory obligations in providing investment services, including their compliance with capital adequacy requirements. The Supervision Department also monitors the compliance of the Cyprus Stock Exchange and the Central Securities Depository, in addition to monitoring of the compliance of the Management Companies of Collective Investment Undertakings, their branches and the distribution network of these undertakings with their regulatory obligations.

Additionally, CySEC has a duty to provide guidance to the entities it supervises in order to assist them achieve a level of best-practice compliance. This can be achieved through the issuance of Circulars, where CySEC notifies supervised firms on findings, emanating from its supervisory review of the industry, as well as on approaches /practices that are acceptable.

B. 2019 Supervisory priority plans

The Supervision Department carries out a three-fold combination of supervisory approaches to meet its objectives (i.e. proactive, event-driven/ reactive and issues and products supervision). On the basis of these, CySEC has developed the following priority areas for action for 2019:

CySEC, by communicating its key areas of priority for 2019, ensures transparency in its supervisory practices.

1. **Proactive supervision:** Continuous monitoring of high risk and medium-high risk CIFs with their regulatory obligations under the European legislation, MiFID II¹/MiFIR², EMIR³ and the prudential framework.
2. **Event-driven, reactive supervision:** Monitoring the compliance of medium-to-low and low-risk CIFs, focusing on areas (which are related to obligations under MiFID II/MiFIR, EMIR and prudential framework) that entails significant risks to investors or market stability.
3. **Issues and products supervision:** Analysing current events for each sector as a whole and investigating potential drivers of poor outcomes for investors and market stability.

In 2019, this thematic work will be focused on the following:

- i. **product governance requirements**, including the disclosures required for retail clients (Key Information Document, Regulation EU No. 1286/2014);
 - ii. **obligations to provide certain information to clients or potential clients**, including marketing communications;
 - iii. **appropriateness assessment obligations**;
 - iv. **transaction reporting requirements**;
 - v. **transparency requirements**, including the requirements of the European Regulatory Technical Standards with no. 2017/575 and 2017/576;
 - vi. **inducements and remuneration requirements**;
 - vii. **information on cost and charges requirements**.
4. With regards to EMIR framework, emphasis will also be given to data quality reported to Trade Repositories.
 5. With regards to prudential framework, emphasis will be given to requirements including safeguarding of clients' funds, risk management, capital adequacy (Pillar I, Pillar II-ICAAP) and prudential disclosures (Pillar III requirements).

MANAGERS AND COLLECTIVE INVESTMENT UNDERTAKINGS

CySEC has identified the below key areas of priority for its actions and activities when monitoring the compliance of managers of collective investment undertakings in 2019:

- i. organisational requirements;
- ii. delegation arrangements;
- iii. requirements for the valuation/monitoring of assets under management; and,
- iv. liquidity requirements.

Nicosia, March 29, 2019

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0065&from=EN>

² <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0600&from=EN>

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012R0648&from=EN>