

# Supervisory Priorities 2025

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# Table of Abbreviations



AIFMD	Alternative Investment Funds Managers' Directive
CFDs	Contract For Differences
CIFs	Cyprus Investment Firms
CSDR	Central Securities Depositories Regulation
CySEC	Cyprus Securities and Exchange Commission
DORA	Digital Operational Resilience Act
EMIR	European Market Infrastructure Regulation
ESMA	European Securities and Markets Authority
EU	European Union
ICT	Information and Communications Technology
MiCA	Markets in Crypto-Assets
MiFIR	Markets in Financial Instruments Regulation
SFTR	Securities Financing Transactions Regulation

# Introduction



The Cyprus Securities and Exchange Commission (CySEC) is committed to safeguarding investors, ensuring market integrity, and fostering a culture of compliance among regulated entities. Building on the progress achieved in 2024, CySEC has outlined its supervisory priorities for 2025, reflecting both continuity and adaptation to emerging regulatory challenges and risks.

In 2025, CySEC will continue to focus on key areas such as the ongoing monitoring of high-risk and medium-high-risk entities, the carrying out of thematic reviews, and strengthening regulatory oversight. Additionally, heightened emphasis will be placed on the implementation of the Digital Operational Resilience Act (DORA) and the Markets in Crypto-Assets Regulation (MiCA), as well as new thematic initiatives targeting emerging trends, such as Artificial Intelligence (AI) and financial influencers (fin-fluencers).

# Supervisory Priorities 2025

CySEC's supervisory priorities for 2025 are designed to address the evolving challenges of the financial sector while maintaining a strong commitment to investor protection and market integrity.

## *Priorities for Cyprus Investment Firms (CIFs)*

1. **Focusing on High-Risk and Medium-High-Risk CIFs:** CySEC will continue its targeted monitoring of high-risk and medium-high-risk CIFs on a daily basis, while conducting periodic reviews on a sample of medium-low and low-risk CIFs.
2. **Emphasis on cross-border oversight:** CySEC will maintain its robust supervisory framework, with an emphasis on cross-border activities. The aim is to ensure that CIFs comply with regulatory requirements when providing services to EU retail clients and mitigate risks associated with the distribution of complex and leveraged financial products, such as CFDs. This includes the strengthened monitoring of marketing communications and client onboarding processes for cross-border activities.
3. **Thematic initiatives targeting emerging trends such as Artificial Intelligence (AI) and Fin-fluencers:** CySEC will proactively assess emerging trends whenever necessary. Currently, two key areas have been identified for evaluation: the use of AI and fin-fluencers by CIFs. This assessment will focus on critical aspects such as client communications, client onboarding, investment advice, and risk management. The goal is to ensure that these technologies and promotional strategies adhere to regulatory standards, safeguarding investor protection and maintaining market integrity.

4. **Evaluating the resilience of CIFs' business models:** CySEC will focus on CIFs' capital adequacy arrangements. The aim is to assess the adequacy of CIFs' governance frameworks, emphasizing the importance of effective procedures for identifying, monitoring, and managing risks to which they are or could be exposed, as well as to identify and address early signs of financial distress. Additionally, CySEC will enforce compliance with reporting requirements and disclosure obligations.
5. **Enhancing the quality and oversight of regulatory data:** CySEC will strengthen its oversight of data reporting and quality, ensuring compliance with key regulatory frameworks such as MiFIR, EMIR, CSDR, SFTR, and the Securitisation Regulation. This initiative aims to enhance transparency, improve data accuracy, and reinforce the reliability of reported information, which is essential for effective supervision and market integrity.

#### **Priorities for Fund Managers**

1. **Prioritizing High-Risk and Medium-High-Risk Fund Managers:** CySEC will concentrate its efforts on high-risk and medium-high-risk fund managers to ensure compliance with their regulatory obligations.
2. **Evaluating the compliance and internal audit function:** CySEC will conduct thematic reviews to ensure fund managers' adherence to relevant regulatory frameworks.
3. **Emphasis on Sustainability and ESG compliance:** CySEC will ensure adherence to regulatory mandates concerning sustainability risks and relevant disclosure requirements.
4. **Reviewing the systemic risk due to leverage and to commercial real estate exposure:** CySEC will conduct thorough data collection and analysis regarding the systemic risk due to leverage and investment funds' exposure in

commercial real estate and, if necessary, will implement supervisory measures to bolster resilience and mitigate vulnerabilities.

5. **Enhancing the quality and oversight of regulatory data:** CySEC will strengthen its oversight of data reporting and quality, ensuring compliance with the key regulatory requirements under AIFMD.

### **Cross-Cutting Priorities**

1. **Integration of DORA:** In preparation for the implementation of DORA, CySEC will:
  - Enhance its internal capacity to supervise regulated entities' ICT risk management frameworks.
  - Ensure that CIFs, fund managers, and other Regulated Entities adopt robust systems to manage digital operational risks, including cybersecurity and third-party ICT dependencies.
2. **Implementation of MiCA:** CySEC is preparing for the adoption of the Markets in Crypto-Assets Regulation (MiCA). This will involve:
  - Strengthening CySEC's internal organizational framework to support effective supervision.
  - Ensuring that Regulated Entities implement appropriate measures to comply with MiCA requirements, particularly in the areas of transparency, governance, and investor protection.

CySEC is committed to adjust, where necessary, its approach in response to emerging risks and challenges in the financial sector.

# What Do Regulated Entities Need to Do?



Regulated Entities are required to:

- **Review policies and procedures:** Ensure that internal policies align with CySEC's priorities for 2025, including compliance with DORA and MiCA requirements.
- **Enhance governance structures:** Strengthen governance, risk management, compliance and internal audit frameworks to meet supervisory expectations.
- **Prepare for thematic reviews:** Entities should assess their use of AI and fin-fluences, while fund managers should prepare for a thematic review on compliance and internal audit function.
- **Focus on sustainability:** Ensure robust processes for ESG compliance and appropriate disclosures.
- **Invest in technology:** Adopt tools and systems to improve ICT risk management and strengthen operational resilience.

## Next Steps



To support regulated entities in achieving these objectives, CySEC will:

- **Provide guidance:** Issue circulars and technical documentation to clarify expectations for DORA, MiCA, and other regulatory requirements.
- **Engage with stakeholders:** Host workshops and webinars to address industry concerns and provide practical insights. Enhance communication with regulated entities to promote a culture of proactive compliance.
- **Monitor progress:** Conduct interim reviews to assess the implementation of measures and provide feedback where necessary.

CySEC is committed to maintaining an open and constructive dialogue with all stakeholders to ensure the effective implementation of its supervisory priorities.