
TO : **Regulated Entities:**
i. **Alternative Investment Fund Managers (AIFMs)**¹
ii. **UCITS Management Companies**²

FROM : **Cyprus Securities and Exchange Commission**

DATE : **8 April 2020**

CIRCULAR No : **C378**

SUBJECT : **ESMA Guidelines on stress test scenarios under the MMF Regulation**

1. The Cyprus Securities and Exchange Commission ('**CySEC**') wishes, with this circular, to inform the Regulated Entities, that the European Securities and Markets Authority ('**ESMA**') issued on March 20, 2020, the official translations in all EU official languages (including translation in the Greek language), of its **Guidelines on stress test scenarios under the MMF Regulation ('the Guidelines')** with reference number **ESMA34-49-172**.
2. The Guidelines apply to: i. national competent authorities, ii. money market funds and iii. managers of money market funds as defined in the [MMF Regulation](#).
3. The purpose of these guidelines is to ensure common, uniform and consistent application of the provisions in Article 28 of the MMF Regulation. In particular, and as specified in Article 28(7) of the MMF Regulation, they establish common reference parameters of the stress test scenarios to be included in the stress tests taking into account the following factors specified in Article 28(1) of the MMF Regulation:
 - i. hypothetical changes in the level of liquidity of the assets held in the portfolio of the MMF;
 - ii. hypothetical changes in the level of credit risk of the assets held in the portfolio of the MMF, including credit events and rating events;
 - iii. hypothetical movements of the interest rates and exchange rates;
 - iv. hypothetical levels of redemption;
 - v. hypothetical widening or narrowing of spreads among indexes to which interest rates of portfolio securities are tied;
 - vi. hypothetical macro systemic shocks affecting the economy as a whole.

¹ The term includes a) Cyprus based AIFMs and internally managed AIFs whose total asset under management ('AuM') exceed the thresholds of Articles 4(2)(a) or 4(2)(b) of the Alternative Investment Fund Managers Law ('[AIFM Law](#)') as the case may be, and b) Cyprus based AIFMs and internally managed AIFs whose Total AuM do not exceed the thresholds of Articles 4(2)(a) or 4(2)(b) of the AIFM Law, as the case may be, but have exercised the 'opting-in' possibility of Article 4(6) of the AIFM Law.

² The term includes Cyprus based Management Companies of Common Funds and/or Variable Capital Investment Companies and internally managed UCITS in accordance with the provisions of Law 78(I)/2012 ('[UCITS Law](#)')

4. The Guidelines apply from two months after March the 20th, 2020, hence the date of publication of the guidelines on ESMA's website in all EU official languages (with respect to parts in red – the other parts of the Guidelines already apply from the dates specified in Articles 44 and 47 of the MMF Regulation).
5. CySEC therefore urges the Regulated Entities to whom these Guidelines apply, to make every effort to comply.

Sincerely,

Demetra Kalogerou
Chairman of Cyprus Securities and Exchange Commission