

TO : Cyprus Investment Firms¹

FROM : Cyprus Securities and Exchange Commission

DATE : April 22, 2019

CIRCULAR NO. : C311

SUBJECT : ESMA's MiFID II supervisory briefing on a) appropriateness and execution-only, and b) suitability

The Cyprus Securities and Exchange Commission ('the CySEC') wishes herein to inform the Regulated Entities that ESMA has published an updated version of its '[MiFID II Supervisory briefing on appropriateness and execution-only](#)' and '[MiFID II Supervisory briefing on suitability](#)'.

Both supervisory briefings are aimed at competent authorities but they are also meant to give market participants indications of compliant implementation of the MiFID II appropriateness/suitability provisions. The purpose of these supervisory briefings is to promote common supervisory approaches and practices in the application of the MiFID II appropriateness/suitability rules.

More details on the two supervisory briefings are provided below:

A. MiFID II supervisory briefing on appropriateness and execution-only

1. The MiFID II supervisory briefing on appropriateness and execution-only was published on April 4, 2019 and it is an updated version of ESMA's 2012 supervisory briefing on the same topic.
2. It covers the following topics:
 - i. Determining situations where the appropriateness assessment is required;
 - ii. Obtaining information from clients;
 - iii. Assessment of appropriateness;
 - iv. Warnings to clients;

¹ This circular is also addressed to UCITS Management Companies and Alternative Investment Fund Managers when providing investment services.

- v. Qualification of firm's staff; and
- vi. Record-keeping.

B. MiFID II supervisory briefing on suitability

- 3. The MiFID II supervisory briefing on suitability was published on November 13, 2018 and it is an updated version of ESMA's 2012 supervisory briefing on the same topic.
- 4. It covers the following topics:
 - i. Determining situations where the suitability assessment is required;
 - ii. Information to clients about the purpose of the suitability assessment;
 - iii. Obtaining information from clients;
 - iv. Arrangements necessary to understand investment products;
 - v. Arrangements necessary to understand the suitability of an investment;
 - vi. Suitability report;
 - vii. Qualifications of firm staff; and
 - viii. Record keeping.

CySEC considers the content of these supervisory briefings in its supervisory approaches when assessing CIFs' approaches to the application of the MiFID II rules on appropriateness and suitability.

Sincerely

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