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**TO : Regulated Entities**

- i. Alternative Investment Fund Managers ('AIFMs')**
- ii. UCITS Management Companies ('UCITS MC')**
- iii. Internally Managed Alternative Investment Funds ('IM AIFs')**
- iv. Internally Managed UCITS ('IM UCITS')**
- v. Internally Managed Alternative Investment Funds with Limited Number of Persons ('IM AIFLNP')**
- vi. Companies with sole purpose the management of AIFLNPs**

**FROM : Cyprus Securities and Exchange Commission**

**DATE : 1<sup>st</sup> June, 2018**

**CIRCULAR NO. : C270**

**SUBJECT : ESMA Guidelines on stress tests scenarios under Article 28 of the MMF Regulation**

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1. The Cyprus Securities and Exchange Commission (the "**CySEC**") wishes, with this Circular, to inform the Regulated Entities that the European Securities and Markets Authority (the "**ESMA**") published on March 21, 2018, [Guidelines](#) ("**the Guidelines**"), with ref. no. ESMA34-49-115, on stress tests scenarios under Article 28 of the [MMF Regulation](#) ("**the MMF Regulation**")<sup>1</sup>.
2. The Guidelines apply to: i) national competent authorities; and ii) money market funds and managers of money market funds as defined in the MMF Regulation.
3. The purpose of the Guidelines is to ensure common, uniform and consistent application of the provisions in Article 28(1) 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 Articles 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.

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<sup>1</sup> Regulation (EU) 2017/1131 of the European Parliament and of the Council of June 14, 2017 on money market funds

4. The Guidelines apply from the dates specified in Articles 44 and 47 of the MMF Regulation and CySEC will incorporate them into its supervisory practices as appropriate, including where, particular guidelines within the document are directed primarily at the industry.
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