

# Supervisory Priorities 2024

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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

# Overview



This document is published with the intention of offering insights into the supervisory priorities of the CySEC for the current year, specifically within the fields of investment services and asset management.

The CySEC continues to enhance its supervisory approach with new tools and strategies as well as build capacity to defend its mandate which is to ensure investor protection and market integrity.

The supervisory priorities for 2024 rest on a comprehensive assessment of the main risks and obligations for supervised institutions and have been determined after taking into consideration the market landscape, regulatory developments within the EU as well as the ESMA's priorities in the fields of investment services and asset management.

The supervisory priorities outlined in this document are subject to potential changes throughout the year based on new developments or events, as deemed necessary.

# Supervisory Priorities 2024



The supervisory agenda for 2024 remains centered on the following key priorities:

1. Enhancing supervision of high and medium-high risk firms, particularly focusing on the cross-border activities to prevent any consumer detriment arising from the distribution of complex financial products like CFDs.
2. Promoting a compliance-oriented culture among management bodies and key function holders within firms, aimed at fostering a sustainably compliant behaviour by firms.
3. Proactively addressing and managing any potential adverse events promptly and effectively to minimize their impact.

## Investment Services

In 2024, CySEC's primary areas of focus include:

- Implementing effective organisational arrangements, such as governance, compliance, internal audit and safeguarding of clients' assets.
- Ensuring adherence to professional conduct rules, encompassing information addressed to (potential) clients, including marketing communications, clients' onboarding processes, including categorization, appropriateness and target market assessment, personnel remuneration, conflicts of interest, product monitoring, national intervention measures in relation to provision, distribution and sale of CFDs, as well as cross-border provision of services.
- Assessing practices that may have negative impacts on investors and markets such as: providing services in fractional shares, informing investors about costs and charges, communication through affiliates and influencers, implementation of sustainability requirements, application of pre-trade controls, and the use of copy trading.

- Assessing resilience of CIFs' business models, focusing on the arrangements put in place to monitor their capital adequacy (Pillar I, and II). Ensuring compliance with reporting requirements and disclosure of relevant information (Pillar III).
- Establishing and implementing measures by CIFs where early signs of financial distress exist to ensure their sustainability.
- Assessing the adequacy of CIFs' governance framework with an emphasis on effective procedures for identifying, monitoring and managing the risks to which they are exposed, or could be exposed, as well as on remuneration policies.
- Implementing measures to address risks in the field of ICT and preparation for the implementation of the DORA.
- Preparation for the implementation of MiCA.
- Enhancing the quality and oversight of data, as referred to under MiFIR, EMIR, CSDR, SFTR and Securitisation Regulation.

### Asset Management

In 2024, the following supervisory priorities have been outlined for asset management:

- Ensuring adherence to regulatory mandates concerning:
  - Sustainability risks and relevant disclosure requirements
  - Asset valuation procedures
  - Effective liquidity management
  - Monitoring and managing leverage levels.
- Conducting thorough data collection and analysis regarding investment funds' exposure in Commercial Real Estate. If deemed necessary, implementing supervisory measures to bolster the resilience of investment funds and mitigate

any vulnerabilities originating from the real estate sector that could jeopardize the financial stability of the Republic of Cyprus.

- Enhancing the quality and oversight of data pertaining to transactions and derivative contracts as reported in accordance with the AIFMD.

The assessment of the abovementioned would be carried out utilizing a variety of supervisory tools using a risk-based supervisory approach, including but not limited to day-to day monitoring, onsite inspections, offsite/desk based reviews, thematic reviews, supervisory meetings, or other actions as necessary.

# What Do Firms Need to Do



- Review policies, procedures and internal controls arrangements put in place to ensure compliance with the regulatory requirements.
- Implement effective and prudent management practices, with active oversight from the management body.
- Evaluate the adequacy of governance structures and the effectiveness of control functions such as compliance, internal audit and risk management.
- Improve monitoring of marketing communications.
- Implement measures to address risks in the field of ICT and prepare for compliance with DORA.
- Consider investing in technology solutions/tools that complement firms' efforts to ensure business resilience and regulatory compliance.

## Next Steps



Firms should expect ongoing engagement from supervisory teams on the areas mentioned above as well as specific feedback, including communication with the board of directors.

CySEC aims to take in a timely way, actions commensurate to the problems and shortcomings identified, to effectively prevent, mitigate or bring them to an end, considering repetition or continuation over time as aggravating factors.