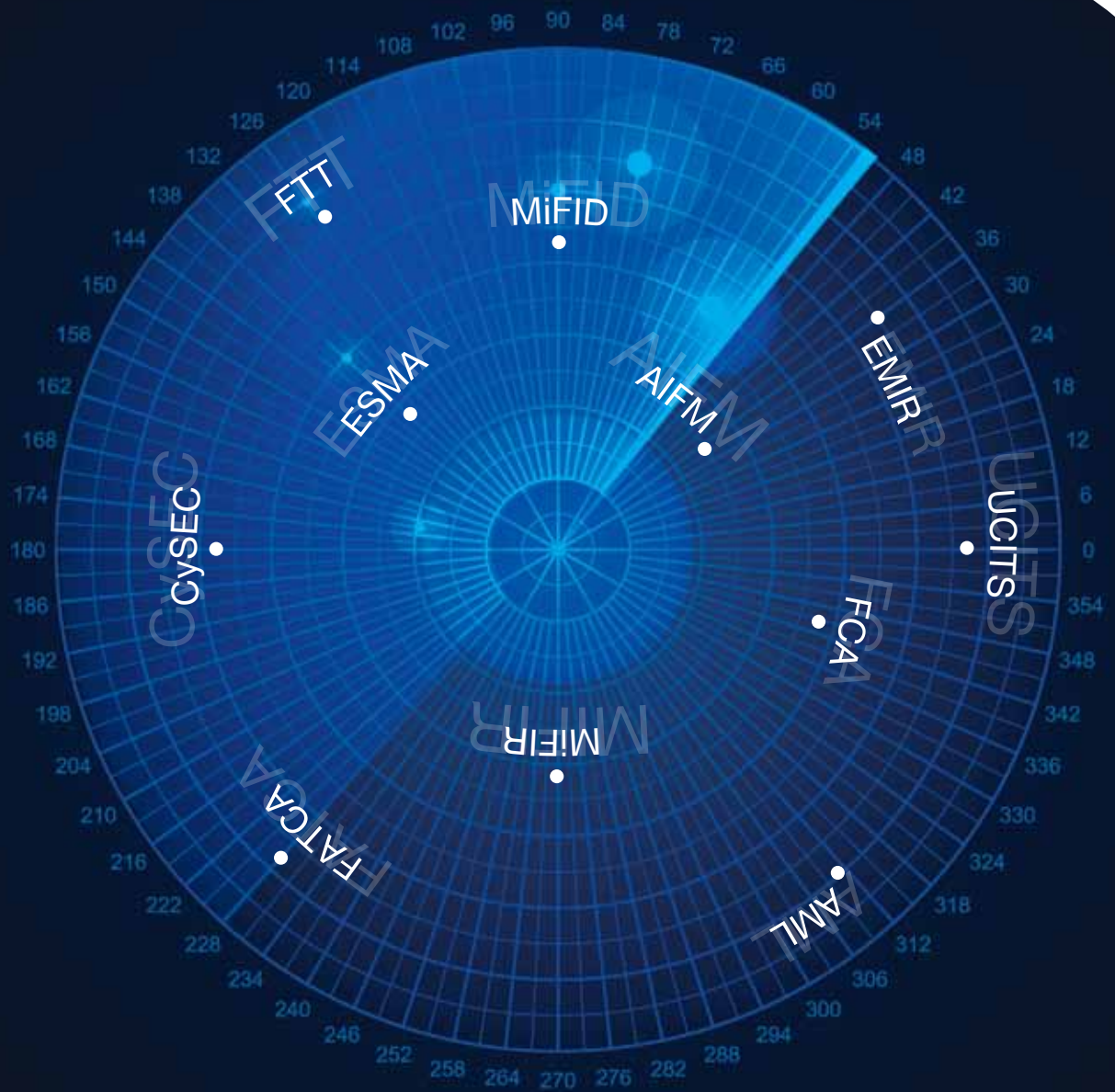
MAP S.Platis

Your Partner in Financial Services!

Issue 007 / August 2015

REGULATORY RADAR

Periodical round-up on major regulatory and legislative developments in the EU and Cypriot financial services sector



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1. Developments in the EU Financial Services Legislation Affecting Investment Firms

I. MiFID II

The MiFID II legislative proposal consists of an amending Directive (MiFID II) and a new regulation (the Markets in Financial Instruments Regulation = MiFIR. The final texts of MiFID II and MiFIR were published in the Official Journal on 12 June 2014. These texts are often referred to as "Level 1" texts; further detail is provided in subsequent, secondary legislation often referred to as "Level 2" text.

National transposition is required by 3 July 2016; the new rules will apply from 3 January 2017. This is a 30 month implementation period.

Secondary legislation (known as "Level 2 measures")

MiFID II/MiFIR contain over 100 requirements for ESMA to draft Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). Regulatory Technical Standards drafted by ESMA and subject to approval by the European Commission, are to be submitted by mid-2015. ESMA is to provide Technical Advice (TA) to the European Commission, to allow it to adopt delegated acts ("delegated acts" are drafted by the European Commission on the basis of advice from ESMA).

On 22 May 2014, ESMA published:

- a Consultation Paper on MiFID II/MiFIR Technical Advice; and
- a Discussion Paper on MiFID/MiFIR draft RTS/ITS.

On 19 December 2014, ESMA published:

- final Technical Advice to the Commission on Delegated Acts; and,
- a Consultation Paper on draft RTS and ITS following on from ESMA's earlier Discussion Paper. (The draft RTS are in Annex B of the Consultation Paper.)

Please refer to Issue 4 of MAP S.Platis Regulatory Radar for more information regarding ESMA's December 2014 Technical Advice and consultation.

ESMA Consultation on complex debt instruments and structured deposits

Please refer to Issue 5 of MAP S.Platis Regulatory Radar for more information regarding ESMA's consultation.

ESMA Consultation on guidelines for assessment of knowledge and competence

Please refer to Issue 6 of MAP S.Platis Regulatory Radar for more information regarding ESMA's consultation.

Next steps

The Commission is expected to adopt the ***Delegated Acts*** referred to above due by the end of June 2015 are delayed.

ESMA and the Commission have agreed an extension of the deadline for the submission of the draft ***regulatory***

technical standards referred to above to the Commission to the end of September 2015 instead of July 2015.

The deadline for the submission of the draft ***implementing technical standards*** referred to above to the Commission remains January 2016.

MiFID II/ MiFIR and its implementing measures will be applicable from 3 January 2017.

The ***complex debt instruments/structured product consultation*** closed on 15 June 2015. ESMA expects to publish final guidelines in Q4 2015.

The consultation on ***knowledge and competence*** closed on 10 July 2015. ESMA expects to publish final guidelines in Q4 2015.

The new Market Abuse regime

The pre-existing Market Abuse regime (an EU-wide market abuse regime and a framework for establishing a proper flow of information to the market) has been extended and aligned with MiFID II. There is now a new Market Abuse Regulation (MAR) (which replaces the old Market Abuse Directive in its entirety and creates a single rule book for market abuse) and a supplementing Directive on Criminal Sanctions for Insider Dealing and Market Manipulation (MAD). MAR will apply from 3 July 2016.

Following an earlier consultation, ESMA published its technical advice regarding MAR on 3 February 2014. Please refer to Issue 4 of MAP S.Platis Regulatory Radar for more information regarding ESMA's Technical Advice.

Next steps

ESMA will send its technical advice to the European Commission for its consideration in drafting its implementing standards regarding MAR. ESMA's regulatory technical standards regarding MAR due in July 2015 are delayed.

II. EMIR

Scope - FX spot contracts

The question of where the boundary between an FX financial instrument (i.e. an FX Forward) and a spot FX contract would be set will be dealt with by MiFID II Level 2 measures. ESMA has not issued guidelines.

EMIR implementation timetable – next phase: the clearing obligation

The EMIR Regulation was adopted on 4 July 2012 and entered into force 16 August 2012.

EMIR is being implemented on a staggered basis with certain EMIR obligations already in force.

Staged implementation timetable:

- **As of 16 August 2012**, record keeping requirement for OTC derivatives and Exchange Traded Derivatives (ETD) entered on or after 16 August 2012.
- **As of 15 March 2013**, confirmation and daily valuation requirements for non-cleared OTC derivatives entered on or after 16 August 2012.
- **As of 15 September 2013**, portfolio reconciliation and compression and dispute resolution requirements apply to non-cleared OTC derivatives outstanding as of 15 September 2013.
- **As of 12 February 2014**, reporting to Trade Repositories for all derivatives relating to all asset classes with "Backloading" (i.e. trades outstanding on 16 August 2012 and live, or entered into on or after 16 August 2012 but not outstanding, need to be reported).
- **As of 12 August 2014**, reporting to Trade Repositories of data on exposure i.e. valuation and collateral for all derivatives.
- **April 2016 (estimated)**, clearing obligation will commence for clearing members (Category 1 counterparties).
- **October 2016 (estimated)**, clearing obligation for certain non-clearing members will commence (Category 2 counterparties).
- **April 2017 (estimated)**, clearing obligation for further category of non-clearing members will commence (Category 3 counterparties).
- **1 September 2016 (estimated)**, variation margin for non-cleared OTC derivatives and initial margin on a phased implementation timetable will begin.
- **October 2017 (estimated)**, clearing obligation for further category of non-clearing members will commence (Category 4 counterparties).

IRS, CDS and NDF

On 6 August 2015, the European Commission adopted a delegated regulation that makes it mandatory for certain OTC interest rate derivative contracts to be cleared through central counterparties. This text needs to be approved by the European Parliament and the Council. It is not clear how long they will take to approve the RTS and have it published in the Official Journal. The timetable set out above assumes that a final IRS RTS will be published in September but is subject to change.

ESMA is delaying submitting the CDS RTS until the issues arising in the first IRS RTS are resolved.

ESMA issued, on 11 May 2015, ESMA published a fourth consultation on proposed regulatory technical standards on the clearing obligation under EMIR in relation to fixed-to-float interest rate swaps denominated in in certain non-G4 European currencies CZK, DKK, HUF, NOK, SEK and PLN as well as forward rate agreements denominated in NOK, SEK and PLN. (The G4 currencies are EUR, GBP, JPY and USD). This consultation closed on 15 July 2015.

ESMA had already stated that it is not proposing a clearing obligation on the NDF classes at this stage.

(Please refer to Issue 4 of MAP S.Platis Regulatory Radar for more background information.)

MAP S.Platis will continue to monitor all developments.

Counterparty categorisation

Counterparty categorisation is a new EMIR concept which first appeared in the draft IRS RTS. Categorisation determines the start date of the clearing obligation and the applicability of the frontloading requirement. Please refer to Issue 4 of MAP S.Platis Regulatory Radar for more information on categorisation. The Commission has adopted these counterparty categorisations as expected in the IRS RTS referred to above.

ISDA classification letter

The International Swaps and Derivatives Association (ISDA) has published a classification letter that will enable counterparties to notify each other of their status for the purposes of clearing and other regulatory requirements under EMIR.

"Frontloading"

The Commission has adopted the frontloading phase-in periods as expected in the IRS RTS referred to above. Please refer to Issue 4 of MAP S.Platis Regulatory Radar for more information.

MAP S.Platis will continue to monitor all developments.

ESMA Q&As

The latest ESMA Q&As are dated 27 April 2015.

Mandatory rules for margin for non-cleared trades

For the latest position with all relevant dates, please refer to Issue 5 of MAP S.Platis Regulatory Radar.

III. Securities Financing Transactions (SFT) proposal

The Commission, the Council and the European Parliament have reached political agreement on this proposal. The formal adoption of the regulation is expected later in 2015.

Please refer to Issue 1 of MAP S.Platis Regulatory Radar for more information regarding the SFT proposal.

2. Anti-Money Laundering

On 1 July 2015, Financial Action Task Force (FATF) President Je-Yoon Shin presented his objectives for the Korean Plenary year (July 2015 - June 2016) to the June meeting of FATF Plenary. The list of priorities is as follows:

1. Enhancing FATF and Financial Stability Review Board's efforts in countering terrorist financing
2. Addressing the challenges faced by the fourth round of mutual evaluations
3. Addressing capacity constraints
4. Work prioritisation and strategic allocation of resources
5. Mid-term review of FATF Mandate
6. Reinforcing the global Anti-Money Laundering (AML)/Counter Terrorist Financing (CTF) network
7. Closer engagement with the private sector and civil society

The main issues dealt with by the FATF at its plenary meeting on 24-26 June 2015 were:

a) issuing a statement and setting out a future work plan on "de-risking";

b) producing two public documents identifying jurisdictions that may pose a risk to the international financial system:

   (i) jurisdictions with strategic anti-money laundering and combating the financing of terrorism (anti-money laundering and counter-terrorist financing) deficiencies for which a call for action applies; and

   (ii) jurisdictions with strategic AML/ CFT deficiencies for which they have developed an action plan with the FATF;

c) continuing its work on terrorist financing, which remains a priority;

d) receiving an update on AML/ CFT improvements in Indonesia;

e) discussing the mutual evaluation report on compliance with the FATF recommendations of Malaysia;

f) welcoming the Kingdom of Saudi Arabia as an observer to the FATF;

g) adopting and publishing:

   (i) revised best practices on combating the abuse of non-profit organisations under recommendation 8;

   (ii) guidance for a risk-based approach to virtual currencies; and

   (iii) a typologies report on the money laundering and/or terrorist financing risks and vulnerabilities associated with gold; and

h) indicating its support for a proposal from the Republic of Korea to establish an AML/CFT training and research institute in the Republic of Korea.

3. Regulatory Developments in the European FX Industry

The issue of where the boundary between an FX financial instrument (i.e. an FX Forward) and a spot FX contract should be set remains unresolved for the time being. See Section 1 Part II (EMIR) of Issue 5 of MAP S.Platis Regulatory Radar, for more details. MAP S.Platis shall continue to monitor all developments.

ESMA has considered the application of the clearing obligation under EMIR to non-deliverable foreign-exchange forwards (NDFs) and stated that it is not proposing a clearing obligation on the NDF classes at this stage. See Issue 4 of MAP S.Platis Regulatory Radar, for more details.

Binary options: Under current UK legislation binary options (i.e. a form of financial contract which pay a fixed sum if the option is exercised or expires in the money, or nothing at all if the option is exercised or expires out of the money) are classified as bets and are supervised by the Gambling Commission rather than the FCA. However, in the context of MiFID II implementation, the UK Government is considering treating binary options as financial instruments under the existing MiFID.

Note the FCA's comment on including FX spot in the market abuse regime in Section 7 below.

4. EU Financial Transaction Tax (FTT)

There is no further public information since February 2015. Please refer to Issue 5 of MAP S.Platis Regulatory Radar for the latest position.

5. Foreign Account Tax Compliance Act (FATCA)

Further to the Cyprus-US Inter-governmental Agreement that was singed on 2 December 2014 all Cyprus Reporting Financial Institutions had to file their first FATCA return for 2014 and report high-value pre-existing individual accounts, new U.S. Reportable accounts and accounts held by non-Participating Financial Institutions. The FATCA return had to be submitted to the IRD electronically, by 31 August 2015.

Moreover, from 2016 and onwards the submission deadline would be the 30 June of each subsequent year when reporting in respect to the previous financial year.

Please refer to Issue 1 of MAP S.Platis Regulatory Radar, Issue 3 of MAP S.Platis Regulatory Radar and Issue 5 of MAP S.Platis Regulatory Radar for more information regarding FATCA.

6. Fund Regulation

Money Market Funds (MMFs)

On 28 April 2015, the European Parliament in plenary session voted to adopt the draft Regulation on Money Market Funds (MMFs). Once the position of Member States in the Council of the EU is agreed, trilogue negotiations can begin between the European Parliament, the Council and the Commission.

7. UK – Developments of Interest to Investment Firms

First LIBOR manipulation trial

Tom Hayes, a former derivatives trader, has been convicted of eight counts of conspiring to manipulate Yen LIBOR, following a two and a half year criminal investigation by the Serious Fraud Office.

Hayes was convicted of offences relating to collusion with colleagues to submit false or misleading information into the Yen LIBOR setting process between 2006 and 2010. The judge's issued the following sentencing remarks.

FCA Fair and effective markets review

The FCA published a speech by Tracey McDermott, the FCA's director of supervision (investment, wholesale and specialists), on the Fair and Effective Markets Review (FEMR).

In the speech, Ms McDermott commented on the FEMR which published its final report and recommendations in June 2015. She noted the following themes in the recommendations as being of particular importance to the FCA:

- individual responsibility;
- collective responsibility by the market for high standards;
- extending the regulatory perimeter- this is intended to maintain credible deterrence and act as a back-stop for when standards slip - for example, closing the current gap in the market abuse regime so that it covers spot FX markets; and
- international authorities working collectively to raise standards - since the markets are international in nature, international authorities will need to work together to raise standards. In relation to this, the board of the International Organization of Securities Commissions (IOSCO) has recently committed to the formation of a working group that will look at carrying forward the conduct.

8. CySEC Developments

Clarifications on the applications of International Collective Investment Schemes

On 12 June 2015, through the issuance of an announcement and following the issuance of Circular CI131-2014-30 regarding the compliance of International Collective Investment Schemes (ICIS) with the Alternative Investments Funds Law (the 'AIF Law') of 2014, CySEC reminds all market participants about the following:

- Pursuant to Article 120(1) of the AIF Law, ICIS, which have been authorised under the International Collective Investment Schemes Laws of 1999 and 2000 (the "ICIS Laws"), may continue to operate either as Alternative Investment Funds (AIF) with a Limited Number of Persons, or as AIF of Part II of the AIF Law, or as Alternative Investment Fund Managers (AIFMs), if they inform the Commission within eight months from the date the AIF Law came into force.

- Further to the point above, ICIS that have failed to meet the aforementioned deadline (i.e. 25 March 2015) must be dissolved in accordance with the provisions of Article 120(2) of the AIF Law and the ICIS Laws.

- Moreover, according to Article 120(4) of the AIF Law, ICIS that have applied to continue their operation as AIF with Limited number of Persons, can dispose units following a written notification from CySEC.

Considering the above, CySEC is examining the possibility of granting priority to the ICIS applications wishing to proceed directly to the disposal of units to raise capital. As such, CySEC urges all interested parties to submit their interest to the Authorisation Department.

Risks of investing in complex products

On 18 June 2015, through the issuance of Circular C073 and following the issuance of Circular CI144-2014-09, CySEC reminds Cyprus Investment Firms (CIFs) regarding the risks to their clients when offering complex products. CIFs trading in complex products must adopt practices, which shall always be in compliance with the requirements emanated by Chapter C, Part V of the Investment Services and Activities and Regulated Markets Law, as in force (the 'Law') and Directive DI144-2007-02 of 2012 for the professional competence of CIFs.

Specifically, CySEC urges CIFs to follow the below requirements as these are determined by the provisions of the aforementioned parts of the legislation:

- Applying high level due diligence with regards to the offering of complex products and assessing their appropriateness/suitability towards the client prior to their distribution.
- The dissemination/advertisement of complex products must be fair, clear and not misleading. A clear warning regarding the risks must always be provided.
- CIFs' staff must be adequately trained and experienced in order to be able to understand their clients' risk characteristics and assess whether a complex product is suitable for them.

- The offering of complex products should always meet the CIF's best execution obligations.
- A CIF's compliance function must frequently and thoroughly monitor the above requirements.

Finally, CySEC notes that CIFs should always act in the best interest of their clients and within the provisions of the Law.

Investor warning on investment in complex products

On 19 June 2015, through the issuance of an investor warning notice and following its announcement issued on 4 March 2014, CySEC urgently draws the attention of investors to the risks of investing in complex financial products.

CIFs usually use aggressive techniques in order to lure unsuspecting and inexperienced retail investors to trade in complex financial products. Consequently, many retail investors find themselves in disadvantage and often incurring losses they cannot afford since they are not in a position to entirely understand and appreciate the inherent risks.

Legislation regarding the level of a margin call for derivative instruments being offered in Poland

On 22 June 2015, through the issuance of Circular C074 and following a request from the Polish Financial Supervision Authority - KNF, CySEC informed CIFs, providing investment services through the establishment of a branch or on cross border basis in the territory of the Republic of Poland, regarding a new legislative provision enacted in Poland that allows a retail investor to invest in derivatives having a margin deposit that amounts to at least 1% of the nominal contract value of that instrument. The relevant law came into effect on the 16 July 2015.

The appointment of CySEC and Central Bank of Cyprus as the competent authority for the licensing and supervision of Central Securities Depositories

On 6 July 2015, through the issuance of an announcement and following a notification issued by the Minister of Finance, CySEC notified all interested parties of its appointment as the competent authority for the following:

(a) authorisation and supervision of Central Securities Depositories («CSD») regarding:
  (i) core services listed in Section A of Regulation (EU) No. 909/2014
  (ii) non-banking type ancillary services listed in Section B of Regulation (EU) No. 909/2014
(b) cooperation with other competent authorities.

As a result of the said notification, the Central Bank of Cyprus is appointed as the competent authority for the authorisation and supervision of the banking-type ancillary services listed in Section C of the aforementioned regulation.

Activation procedure for authorised firms

On 9 July 2015, through an announcement, CySEC informed all interested parties, who have already obtained a relevant licence but have yet to be activated or who have applied for authorisation, that the process starting from the date of granting the authorisation of a new firm until the date of its activation, is amended as follows:

- CySEC will continue the assessment of applications for authorisations as per its current practice.
- CySEC's decision to grant authorisation to a new firm will be published on its website with the reference 'Non Activated'. Hard copy certificate will not be issued.
- Further to the point above, the authorised firm shall expect to receive a letter from CySEC specifying the conditions the firm must comply with before its activation. CySEC notes that a firm will not be permitted to provide any type of its authorised services, until it has fully complied with the said conditions.
- Non-compliance within any given timeframe will result to an automatic lapse of the existing authorisation and without any further notification from CySEC.
- A firm, upon the fulfilment of its authorised conditions and before its activation, must inform CySEC in written form. In return, CySEC will proceed to carry out an on-site inspection at the firm's premises (registered offices).
- The on-site inspections will primarily focus on satisfying CySEC that the firm has taken all required actions within the context of its application and the relevant law. Upon CySEC's consent for the firm's activation, the relevant section of the firm's website shall be updated.

The application of the definitions in Sections C6 and C7 of Annex I of (MiFID I) (ESMA-2015-675)

On 13 July 2015, through the issuance of Circular C078, CySEC announced the adoption of ESMA's guidelines regarding the application of the definitions in Sections C6 and C7 of Annex I of Directive 2004/39/EC (MiFID I) (ESMA/2015/675).

The purpose of the said guidelines is to ensure a common, uniform and consistent application of the definitions and classification of commodity derivatives under C6 and C7 of Annex I of the Markets in Financial Instruments Directive.

Publication of a prospectus when offering Binary Options services in the territory of Belgium

On 14 July 2015, through the issuance of Circular C079 and following a request from the Financial Services Authority of Belgium (the 'FSMA'), CySEC informed CIFs providing investment services relating to Binary Options and CFDs through the establishment of a branch or on cross border basis in the territory of Belgium, regarding the Belgian Law on public offers of investment instruments and admissions of investment instruments to trading on regulated market (the "Belgian PO Law"). According to the Belgian PO Law, the abovementioned CIFs are required to publish a Prospectus which should be in harmonization with the requirements under the note issued by the FSMA on 25/07/2014.

Furthermore, CySEC points out that any CIF offering such services on a cross-border basis in Belgium must

comply with all relevant laws, rules and regulations of the said jurisdiction. As such, CySEC urges such CIFs to immediately proceed with the issuance of a Prospectus to be first approved by the FSMA or should immediately terminate the offering of such services in the territory of Belgium.

Amendment of the Open-Ended Undertakings for Collective Investment (UCI) Law

On 14 July 2015 CySEC announced the amendment of Open-Ended Undertakings for Collective Investment (UCI) Law of 2012, with Amending Law 88(I)/2015 (In Greek). Further to this, CySEC has proceeded with the amendments for the purpose of harmonization with the Directive 2013/14/EU, the Directive 2014/91/EU and the Directive 2009/65/EC of the European Parliament where the most major amendments are the following:

(a) Section 10(2);In the case where the Depositary is not a credit institution, it should comply with the following cumulative conditions:

(i) is subject to the capital adequacy requirements under the Regulation (EU) no.575/2013 and the capital of this entity should be more than the value of the initial capital as referred in the Directive 2013/36EU

(ii) is subject to the rules of prudential and constant supervision and complies at least with a set of pre-specified requirements as outlined in this law.

(b) Section 16(3); The sale price of the units is calculated in line with the valuation date, as this date is specified in the rule or incorporation documents of the UCITS and this price must not be calculated prior to the date of submitting the application. The issue of units of the UCITS is realised only on a valuation date.

(c) Section 18(5); The repurchase price of the units is calculated in line with the valuation date, as this is specified in the rule or incorporation documents of the UCITS and ascribed by section 60, and this price should not be calculated prior to the date of submitting the application. The repurchase of units of the UCITS is effected only on a valuation date.

(d) Section 19(4); Unit-holders must always be notified without any delay and by a durable medium means, for the suspension of the repurchase, extension, expiration or revocation, as well as the reasons that led to the suspension and the time of expiration. Moreover, a relevant announcement shall be posted on the website of the Management Company or the UCITS.

(e) Section 41(1)(a)-(c); Should the Management Company of the UCITS that it manages or, the Variable Capital Investment Company itself, requires to proceed with the establishment of a risk-management process, then it shall ensure that this process does not rely exclusively or mechanically on credit ability assessments issued by credit rating agencies in accordance with Article 3(1)(b) of the Regulation (EC) no1060/2009. The Commission, taking into consideration the nature, scale and complexity of the UCITS, shall monitor the adequacy of the assessment of credit ability procedures applied by the Management Companies or, the Variable Capital Investment Company itself, assesses the use of references to credit

rating assessments and where appropriate, encourages the mitigation of the impact of these reports, in order to reduce the exclusive and mechanical reliance on such credit ability ratings.

(f) The deletion of Part III: Foreign Undertaking for collective Investments and in particular the following sections:

a. Collective Investment Undertakings which may market their shares in the Republic,
b. Obligations of the collective investment undertakings,
c. Supervision, and
d. Delegation of powers.

(g) Section 110(4); The Securities and Exchange Commission may allow a Management Company not to provide up to 50% of the additional amount of own funds if it benefits from a guarantee of the same amount given by a credit institution operating within the territory of the Republic or other member state or third country whose rules of prudential supervision are considered by the Securities and Exchange Commission equivalent to the rules of prudential supervision of the European Union law.

(h) Section 136(1); Should a licence to provide services on a cross border basis deemed necessary the Securities and Exchange Commission shall provide the said licence to a Management Company established in the Republic, in order to provide its services in the territory of a third country, through the establishment of a branch.

(i) The deletion of Section 161 of the Law titled "Compliance of the Undertaking for Collective Investments with this Law".

Amendment of Alternative Investment Fund Managers Law

On 17 July 2015 CySEC announced the amendment of the Law of Alternative Investment Fund Managers of 2013 & 2015 the 'Law' with Amending Law 97(I)/2015 (In Greek). The most major and relevant changes in the said amendment were the following:

- Section 41(1); An AIFM of the Republic may, directly or by establishing a branch:

  (a) manage an EU AIF established in a Member State other than the Republic given that the AIFM authorisation covers the management of that type of AIF; and

  (b) offer the services stated under subsection (6) of section 6 of the Law and which are covered by the AIFM licence in an another Member State other than the Republic.

- Section 41(2); An AIFM of the Republic, which plans to manage for the first time an EU AIF established in a Member State other than the Republic or/and offer in a Member State other than the Republic the services stated under subsection (6) of section 6 of the Law, communicates to the Commission the following information:

(a) the Member State in which it proposes to manage directly AIFs or/and establish a branch or/and provide the services referred to subsection (6) of section 6 of the Law;

(b) a programme of operations stating in particular the services which the AIFM of the Republic intends to perform or/and identifying the AIFs it intends to manage.

- Section 42(1); An AIFM of another Member State, which is authorised under Directive 2011/61/EU, may, directly or by establishing a branch:

(a) manage AIFs established in the Republic, provided that the AIFM is authorised to manage that type of AIF; and

(b) offer in the Republic the services stated under subsection (6) of section 6 of the Law and which are covered by the AIFM licence.

- Section 42(2); The AIFM which plans to manage AIFs established in the Republic for the first time, or/ and provide in the Republic for the first time its services may start to do so upon the receipt of transmission notification from the competent authorities of its home Member State in accordance with the third subparagraph of paragraph 4 of Article 33 of Directive 2011/61/EU.

Definition of "significant CIF"

On 28 July 2015, through the issuance of Circular C081, CySEC informed the CIFs regarding the exact definition under which CIFs are considered significant.

According to the said Circular, a CIF is considered to be 'significant CIF' if it meets, at any time, one or more, of the following criteria:

Criteria	Thresholds (€)
Total assets	> 43m
Annual fees /commission income/ turnover	> 50m
Clients' money	> 60m
Clients' assets	> 2b

The above criteria determine the:

- number of directorships an individual may hold:
  - > Members of the board of directors may not hold more than one of the following combinations of directorships at the same time:
    a) one executive directorship with two non-executive directorships; or,
    b) four non-executive directorships.

- establishment of a nomination committee:
  - > Composition of members of the board of directors who do not perform any executive function in the CIF.

- establishment of an independent risk committee:
  - > Composition of members of the board of directors who do not perform any executive function in the CIF concerned. Members of the risk committee shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the CIF.

- establishment of an independent remuneration committee:
  - > The remuneration committee must be constituted in such a way as to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity.

  - > The remuneration committee must be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the CIF concerned and which are to be taken by the board of directors.

Further to the above, a CIF must inform CySEC when it becomes a 'significant CIF' and takes all the necessary measures to comply with the requirements that apply to a 'significant CIF', submitting also a new organisational structure of the CIF.

Finally, a CIF may request in writing to the CySEC to waive any one or more of the criteria, if it believes that one or more of the governance requirements that apply to a 'significant CIF' may be disproportionate to it. In this respect, the CIF should demonstrate that it should not be considered as significant.

Update of relevant COREP and other CySEC Forms

During July 2015, CySEC notified all interested parties regarding the following updated/amended forms:

I. Form 144-00-04 Notification regarding free provision of services activities (13/07/2015)
II. Forms 144-14-06.1 Calculation of own funds and capital adequacy ratio (24/07/2015)
III. Forms 144-14-08.1 Large exposures to institutions and non-institutions (24/07/2015)

Acronyms & Definitions used

AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Managers
AMLD 4	The fourth Anti-money Laundering Directive
CDS	Credit Default Swap
CSD	Central Securities Depositaries
Commission	European Commission
CP	Consultation Paper
CySEC	Cyprus Securities and Exchange Commission
EMIR	European Market Infrastructures Regulation – Regulation (EU) 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories
ESMA	European Securities and Markets Authority
ETD	Exchange-Traded Derivative
EU	European Union
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FCA	UK Financial Conduct Authority
FSMA	Belgian Financial Services and Markets Act
FTT	Financial Transaction Tax
FX	Foreign Exchange
ICIS	International Collective Investment Schemes
IRS	Interest Rate Swap
ITS	Implementing Technical Standards
KNF	Polish Financial Supervision Authority (Komisja Nadzoru Finansowego)
MAD	Directive no.2014/57/EU of the European Parliament and of the Council on criminal sanctions for market abuse
MAR	Regulation no. 596/2014 of the European Parliament and of the Council on insider dealing and market manipulation (market abuse)
MiFID	Markets in Financial Instruments Directive – Directive 2004/39/EC of the European Parliament and the Council
MiFID II	Directive no. 2014/65/EU of the European Parliament and of the Council on markets in financial instruments repealing Directive 2004/39/EC of the European Parliament and of the Council (compromise reached, number to be assigned)
MiFIR	Regulation no. 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories [EMIR]
MMF	Money Market Fund
NDF	Non-deliverable forwards
Official Journal	The Official Journal of the European Union

OTC	Over-the-Counter
Q&As	Questions and Answers
RTS	Regulatory Technical Standards
SFT	Securities Financing Transaction
TA	Technical Advice
UCITS	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009, on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
UCITS V	Directive of the European Parliament and of the Council amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions

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