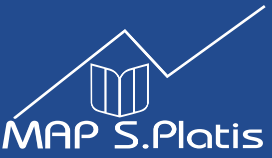

Issue 012 / September 2016

REGULATORY RADAR

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

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60 Second Summary

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

- **MiFID II**
  - Legal texts published to confirm that the application date of MIFID II has been delayed by one year to 3 January 2018 and that national transposition also delayed by one year to 3 July 2017
  - The new Market Abuse regime came into force across the EU on 3 July 2016

- **EMIR**
  - The first Interest Rate Swaps RTS was published in the Official Journal and the clearing obligation takes effect from June 2016 on a staggered basis depending on counterparty classification
  - The Credit default swap RTS was published in the Official Journal and the clearing obligation takes effect from February 2017 on a staggered basis depending on counterparty classification
  - The second Interest Rate Swaps RTS was published in the official Journal and the clearing obligation takes effect from February 2017 on a staggered basis depending on counterparty classification
  - NDF mandatory clearing abandoned for now; clearing for certain other Interest Rate Swaps in EEA currencies is in ESMA review process
  - ESMA consults on postponing application of clearing obligation for certain financial counterparties with a limited volume of activity
  - Mandatory margin requirements for non-cleared OTC derivatives introduced on a staggered basis: variation margin on 1 September 2016 for large institutions and 1 March 2017 for all other counterparties; initial margin from 1 September 2016 to 1 September 2020; variation margin requirements for physically settled FX forwards (as newly defined in MIFID II) delayed and do not apply till January 2018

- **Other**
  - Securities Financing Transactions Regulation in force from 12 January 2016: the Regulation introduces a reporting regime for securities financing transactions; disclosure obligations in EU fund documentation and disclosures/risk warning and consents for all financial collateral arrangements came into force on 12 July 2016

2. Anti-Money Laundering Legislation

- Financial Action Task Force (FATF) meeting Plenary meeting held on 22-24 June 2016 in Busan, Korea
- Commission issues a proposal to amend the Fourth Money Laundering Directive

3. Regulatory Developments in the European FX Industry

- The delineation of MiFID FX financial instruments vs spot FX contracts is resolved in MiFID II text
- ESMA issues a warning on financial contracts for difference (CFDs), binary options and other speculative products (such as rolling spot forex)
- ESMA issues further guidance, by way of updated Q&A, on to the marketing and sale of financial contracts for difference (CFDs) and other speculative products (such as binary options and rolling spot forex) to retail clients and states that it continues work on this topic

4. EU Financial Transaction Tax

- The ten participating Member States have postponed the deadline of 10 September 2016 for an agreement on the proposed Financial Transaction Tax

5. Taxation

- Announcements related to FATCA annual reporting for the year 2015
- Ministry of Finance Decree

6. Fund Regulation

- Money Markets Funds – the first political trilogue was on 14 July 2016
- UCITS 5 in force from 18 March 2016; Level 2 on depositaries will come in force 13 October 2016; the UCITS remuneration guidelines will apply from 1 January 2017
- AIFMD – ESMA advises on the extension of fund passports to 12 non-EU countries
- PRIIPS – The PRIIPS Regulation comes into force in December. On 1 September 2016, the European Parliament's Economic and Monetary Committee voted unanimously to reject the Commission's proposed PRIIPS delegated regulation. The European Parliament votes in plenary on 12 September.

7. UK – Developments of Interest to Investment Firms

- The UK votes by referendum to leave the EU. The FCA confirms that EU law continues to apply in the UK
- FCA report on its thematic review into UK equity dark pools published
- FCA announces next steps in its FX remediation programme for firms

8. Poland – developments to the interest of Investment Firms

- Guidelines for providing brokerage services on the OTC Derivatives Market to retail clients in Poland

9. CySEC Developments

- CIFs are required to review their remuneration policies and practices
- Updates in AML Directive formally permit the collection of plain copies of KYC documents subject to conducting one or more of the prescribed additional checks
- No KYC documents needed to allow clients to start trading for deposits up to 2,000 Euros and for maximum 15 days, subject to certain conditions
- Issuance of a proposed Circular for CIFs in relation to the selection, use and monitoring of liquidity providers/ market makers
- Issuance of a proposed Circular for CIFs in relation to their obligations when providing information to clients in relation to services and instruments offered
- CIFs must now submit information for statistic purposes on a quarterly basis
- New Directive on the organisation and functions of a CIF acting as an AIF external manager
- New Circular for CIFs that manage AIFs/AIFLNPs pursuant to the AIF Law
- Issuance of a proposed Directive regarding the terms and conditions of operation of AIFLNP
- Common and recurring observations of CySEC from on-site inspections regarding the AML regime
- New Directive for the prudential supervision of Investment Firms
- Belgium bans forex and binary options trading

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

04

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.

Originally, national transposition was required by 3 July 2016 and the new rules were to take effect from 3 January 2017.

However, on 10 February 2016, the EU Commission published a proposal to extend the application date of MiFID 2 by one year to 3 January 2018. The proposals set out an extension of the entire MIFID II and MIFIR package for one year to 3 January 2018 due to technical implementation challenges faced by ESMA and the national competent authorities and for the national transposition date to be moved by one year to 3 July 2017. The final legal texts in relation to the delay of MIFID II, a Directive amending MiFID 2 and a Regulation amending MiFIR, were published in the Official Journal on 30 June 2016 and came into force on 1 July 2016.

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. ESMA provided 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).

The Commission's **Delegated Acts** referred to above (which were due by the end of June 2015) have now been adopted by the Commission as follows:

- 7 April 2016 – Commission Delegated Directive on safeguarding of client assets and funds product governance and inducements
- 25 April 2016 – Commission Delegated Regulation on organisational requirements and operating conditions for investment firms
- 18 May 2016 - Commission Delegated Regulation on the ratio of an executed orders to transactions in order to prevent disorderly trading conditions with Annex.

The status of the various Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) is set out in this update table (this is the latest version dated as at 8 September 2016).

Level 3 measures

Complex debt instruments and structured deposits

On 4 February 2016, ESMA published its final report on guidelines on complex debt instruments and structured deposits. These guidelines cover the following products:

(i) bonds, other forms of securitised debt and money market instruments incorporating a structure which makes it difficult for the client to understand the risk involved, and

(ii) structured deposits incorporating a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term.

The guidelines relate to the assessment of these products for which execution-only services cannot be provided.

Knowledge and competence

Article 25(1) of MiFID II states that Member States shall require investment firms to ensure and to demonstrate to competent authorities on request that natural persons giving investment advice or providing information about financial instruments, investment services or ancillary services to clients on behalf of the investment firm possess the necessary knowledge and competence to fulfil their obligations under Article 24 and Article 25 of MIFID II. On 22 March 2016, ESMA published the final guidelines specifying criteria for the assessment of knowledge and competence of investment firms' personnel.

The guidelines will come into effect on 3 January 2017 (now 2018). The final guidelines cover: criteria for knowledge and competence for staff giving information about investment products, investment services or ancillary services; criteria for knowledge and competence for staff giving investment advice and organisational requirements for assessment, maintenance and updating of knowledge and competence.

Competent authorities must notify ESMA whether they intend to comply or not within two months of the date of publication by ESMA of the guidelines. Firms to which these guidelines apply are not required to report to ESMA whether they comply with these guidelines

Guidelines on transaction reporting, reference data, order keeping & clock synchronisation

On 22 December 2015, ESMA published a Consultation Paper on Guidelines on transaction reporting, reference data, order keeping & clock synchronisation. This consultation contains draft guidance on RTS 22, 23, 24 and 25.

Market Guidelines on Cross-Selling Practices

On 11 July 2016, ESMA published its Guidelines on Cross-Selling Practices under MiFID II to ensure investors are treated fairly when an investment firm offers two or more financial products or services as part of a package.

Competent authorities are directed to consider the following principles in their supervision of relevant firms:

- improving disclosures when different products are cross-sold with one another;
- requiring firms to provide investors with all relevant information in a timely and clear manner;
- addressing conflicts of interest arising from remuneration models; and

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- improving client understanding on whether purchasing the individual products offered in a package is possible.

The guidelines apply from 3 January 2018 to investment firms, credit institutions providing investment credit services in accordance with MiFID II, Undertakings for Collective Investment in Transferable Securities management companies and Alternative Investment Fund Managers (AIFMs) providing investment services and engaged in cross-selling practices.

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 came into force across the EU on 3 July 2016.

On 13 July 2016, ESMA published its Final Report on Guidelines on the Market Abuse Regulation – market soundings and delay of disclosure of inside information, following from the consultation paper published on 28 January 2015 – please see Issue 10 of MAP S.Platis Regulatory Radar. ESMA's final guidelines detail:

- the factors that such persons are to take into account when information is disclosed to them as part of a market sounding in order for them to assess whether the information amounts to inside information;
- the steps that such persons are to take if inside information has been disclosed to them; and
- the records that such persons are to maintain in order to demonstrate that they have complied with MAR.

On legitimate interests of issuers to delay disclosure of inside information and on situations in which the delay of disclosure is likely to mislead the public, ESMA's guidelines provide a non-exhaustive and indicative list of:

- legitimate interests of the issuer that are likely to be prejudiced by immediate disclosure of inside information; and
- situations in which delay of disclosure is likely to mislead the public.

Within two months of the issuance of the different language versions of these guidelines, national competent authority (NCA) will have to confirm whether or not they intend to comply with those Guidelines. In the event that a NCA does not comply or does not intend to comply, it will have to inform ESMA, stating its reasons.

ESMA's Questions and Answers document on the Market Abuse Regulation addressing the scope of the obligation of prevention and detection of market abuse dated 30 May 2016 is the current Question and Answers document.

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 has now been settled by MiFID II Level 2 measures. See Art 7 of the 25 April 2016 delegated act (referred to above).

EMIR implementation timetable - next phase: the clearing obligation

The EMIR Regulation was adopted 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.

- **1 December 2015**, the IRS RTS for the first batch of cleared OTC derivatives published in the OJ; for these specific OTC derivatives:
  - **21 June 2016**, clearing obligation takes effect for Category 1 counterparties
  - **21 December 2016**, clearing obligation takes effect for Category 2 counterparties
  - **21 June 2017**, clearing obligation takes effect for Category 3 counterparties
  - **21 December 2018**, clearing obligation takes effect for Category 4 counterparties

- **1 December 2016**, variation margin for non-cleared OTC derivatives and initial margin on a phased implementation timetable will begin.

- **19 April 2016**, the CDS RTS was published in the OJ; for these specific OTC derivatives:

- **9 February 2017**, clearing obligation takes effect for Category 1 counterparties
- **9 August 2017**, clearing obligation takes effect for Category 2 counterparties
- **9 February 2018**, clearing obligation takes effect for Category 3 counterparties
- **9 May 2019**, clearing obligation takes effect for Category 4 counterparties

- **20 July 2016**, the second IRS RTS was published in the OJ (with a corrigendum published on 21 July 2016); for these specific OTC derivatives:
  - **9 February 2017**, clearing obligation takes effect for Category 1 counterparties
  - **9 August 2017**, clearing obligation takes effect for Category 2 counterparties
  - **9 February 2018**, clearing obligation takes effect for Category 3 counterparties
  - **9 August 2019**, clearing obligation takes effect for Category 4 counterparties

IRS, CDS and NDF

On 1 December 2015, the first IRS RTS on the clearing obligation was published in the Official Journal. The RTS covers the following classes of OTC interest rate derivatives denominated in EUR, GBP, JPY or USD:

- fixed-to-float interest rate swaps;
- float-to-float swaps;
- forward rate agreements; and
- overnight index swaps

The RTS came into force on 21 December 2015 and the clearing obligation for this first batch of OTC derivatives takes effect as set out above in accordance with counterparty categorisation. Frontloading impacts Category 1 and Category 2 counterparties only.

On 19 April 2016, the Regulatory technical standard (RTS) for the central clearing of certain types of Credit Default Swap (CDS) was published in the official Journal pursuant to which mandatory clearing shall apply to the following two iTraxx Index CDS:

- Untranched iTraxx Index CDS (Europe Main, 5 year tenor, series 17 onwards, with EUR as the settlement currency)
- Untranched iTraxx Index CDS (Europe Crossover, 5 year tenor, series 17 onwards, with EUR as the settlement currency)

The RTS follows the first RTS in a number of areas, such as the categorisation of counterparties, scope of frontloading and treatment of intragroup transactions and takes effect as set out above.

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 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. We await feedback.

On 20 July 2016, the second IRS RTS on the clearing obligation was published in the Official Journal. The RTS covers fixed-to-float IRS and forward rate agreements denominated in Norwegian Krone (NOK), Polish Zloty (PLN) and Swedish Krona (SEK).

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

MAP S.Platis will continue to monitor all developments.

ESMA consultation paper on the clearing obligation for financial counterparties with a limited volume of activity

On 13 July 2016, ESMA published a consultation paper proposing to change the phase-in period for central clearing of OTC derivatives applicable to financial counterparties with a limited volume of derivatives activity under EMIR.

ESMA proposes to amend EMIR's Delegated Regulations on the clearing obligation to prolong, by two years, the phase-in for financial counterparties with a limited volume of derivatives activity - those ones classified in Category 3 under EMIR Delegated Regulations.

The consultation closed on 5 September 2016 and ESMA will consider all responses received with a view to publishing a final report by the end of 2016.

ESMA Q&As

On 28 July 2016, ESMA published a further 19th update to its Q&A. The updated Q&A includes a new answer on derivative contracts cleared by an entity which is not a CCP within the meaning of EMIR (e.g. a clearing house).

EMIR – Risk mitigation techniques for OTC derivatives not cleared by a Central Counterparty

On 8 March 2016, the European Supervisory Authorities published the final draft Regulatory Technical Standards on the risk mitigation techniques related to the exchange of collateral to cover exposures arising from non-centrally cleared over-the-counter derivatives under Article 11(15) of EMIR.

The draft RTS contain the following provisions:

1. For OTC derivatives not cleared by a Central Counterparty, the draft RTS prescribe that counterparties have to exchange both initial and variation margins.
2. The draft RTS outlines the list of eligible collateral for the exchange of margins, the criteria to ensure the collateral is sufficiently diversified and not subject to wrong-way risk, as well as the methods to determine appropriate collateral haircuts.

3. The draft RTS lay down the operational procedures related to documentation, legal assessments of the enforceability of the agreements and the timing of the collateral exchange.

On 28 July 2016, the European Commission endorsed the draft regulatory technical standards together with its Annex and an Addendum, with amendments which are explained in an accompanying explanatory letter. The European Supervisory Authorities have 6 weeks to respond to the Commission's amendments.

This is the summary of relevant dates (still subject to the final legislative texts):

- **1 September 2016**: Variation margining requirements for non-centrally cleared trades will apply for the largest institutions

- **1 March 2017**: Variation margining requirements for non-centrally cleared trades will apply for all other institutions that are within scope

- **1 September 2016** – 1 September 2020: Initial margining requirements for non-centrally cleared trades will apply from 1 September 2016 for the largest institutions. This will be followed by an annual phase in such that all other institutions that are within scope above a minimum threshold will be subject to initial margin from 1 September 2020.

- **Timing for physically settled FX Forward transactions**
  In the EU, there is currently no unique definition of physically settled FX forwards. This inconsistency at EU level is expected to be solved via the Commission delegated act defining theses type of derivatives under MiFID II. ESMA takes the view that introducing a requirement to exchange variation margins for physically settled FX forwards before such a common definition is introduced at Union level would have significant distortive effects.

  For this reason, the draft RTS has introduced a delayed application of the requirement to exchange variation margins for physically settled FX forwards to **the earlier of either (1) the date of entry into force of this delegated act or (2) 31 December 2018.**

III. Securities Financing Transactions Regulation (SFTR)

The SFTR was published in the Official Journal on 23 December 2015 and the Regulation came into force 20 days thereafter on 12 January 2016.

Securities financing transaction is defined as stocklending and borrowing, repo and reverse repo, buy/sell backs and sell/buy back and margin lending transactions.

The SFTR introduces:

1. a trade reporting obligation in respect of securities financing transactions

2. an obligation to make prescribed pre-contractual disclosures to UCITS and AIF investors in respect of securities financing transactions and total return swaps in the UCITS /AIF prospectus and annual return
3. provisions minimum transparency requirements relating to the "re-use" of collateral (financial instruments only) under financial collateral agreements

The fund prospectus disclosure obligation comes into force:

- from 12 January 2016, for funds constituted after the date of entry into force for funds
- from 12 July 2017, for funds constituted before the date of entry into force

The annual report disclosure requirement comes into force 12 months after the entry into force of the Regulation so 13 January 2017.

The collateral arrangement obligation came into force on 12 July 2016.

The reporting obligation is dependent on Level 2 measures and would enter into force 12/15/18/21 months after entry into force of the delegated act depending on the type of counterparty.

On 11 March 2016, ESMA issued a discussion paper on rules under the Securities Financing Transaction Regulation. The new rules on transparency require both financial and non-financial market participants to report details of their securities financing transactions. Details to be reported include the composition of the collateral, whether the collateral is available for reuse or has been reused, the substitution of collateral at the end of the day and the haircuts applied.

The discussion paper sets out proposals for implementing the reporting framework under the SFTR, including tables of the fields with the proposed data to be reported, and the registration requirements for those Trade Repositories which want to accept reports on security financing transactions.

The consultation closed on 22 April 2016. ESMA will use the responses to develop detailed rules on which it will publish a follow-up consultation in the second half of 2016. ESMA shall send its draft rules for approval to the European Commission by 13 January 2017.

2. Anti-Money Laundering

European Commission adopts measures to protect against money laundering and terrorist financing from high risk third countries

On 14 July 2016, the European Commission adopted a list of third countries having strategic deficiencies in their regimes on Anti-Money Laundering (AML) and Countering Terrorist Financing (CFT). This completes the package of stronger transparency rules to tackle terrorism financing and money laundering brought forward last week. Banks will have to carry out additional checks ('enhanced due diligence measures') on financial flows from these 11 countries. The draft Delegated Regulation and Annex will now be transmitted to the European Parliament and Council who have a one-month period to express objections (extendable to two months). If no objection has been expressed, it will be published in the Official Journal.

European Commission adopts proposal to amend the Fourth Money Laundering Directive

On 5 July 2016, as part of the implementation of the action plan for strengthening the fight against terrorist financing, the European Commission has proposed a Directive to amend the existing EU rules against money laundering and terrorist financing contained in the fourth Money Laundering Directive (MLD 4). The proposed Directive will increase transparency concerning beneficial ownership of companies and commercial trusts (the current rules are set out in Directive 2009/101/EC).

The proposed Directive contains the following changes:

- **Enhancing the powers of EU Financial Intelligence Units and facilitating their cooperation:** the scope of information accessible by the Financial Intelligence Units will be widened, and they will have access to information in centralised bank and payment account registers and central data retrieval systems, which Member States will have to establish to identify holders of bank and payment accounts;
- **Tackling terrorist financing risks linked to virtual currencies:** to prevent misuse of virtual currencies for money laundering and terrorist financing purposes, the Commission proposes to bring virtual currency exchange platforms and custodian wallet providers under the scope of the Anti-Money Laundering Directive. These entities will have to apply customer due diligence controls when exchanging virtual for real currencies, ending the anonymity associated with such exchanges;
- **Tackling risks linked to anonymous pre-paid instruments (e.g. pre-paid cards):** the Commission also proposes to minimise the use of anonymous payments through pre-paid cards, by lowering thresholds for identification from €250 to €150 and widening customer verification requirements. Proportionality has been taken into account, with particular regard paid to the use of these cards by financially vulnerable citizens;

- **Stronger checks on risky third countries:** As mandated by the Fourth Anti-Money laundering directive, the Commission proposes to harmonise the list of checks applicable to countries with deficiencies in their anti-money laundering and countering terrorist financing regimes. Banks will have to carry out additional checks ('due diligence measures') on financial flows from these countries. The list of countries, mirroring the FATF list, was formally adopted on 14 July 2016.
- **Full public access to the beneficial ownership registers:** Member States will make public certain information of the beneficial ownership registers on companies and business-related trusts. Information on all other trusts will be included in the national registers and be available to parties who can show a legitimate interest. The beneficial owners who have 10% ownership in certain companies that present a risk of being used for money laundering and tax evasion will be included in the registries. The threshold remains at 25% for all other companies.
- **Interconnection of the registers:** the proposal provides for the direct interconnection of the registers to facilitate cooperation between Member States.
- **Extending the information available to authorities:** The Commission has proposed that existing, as well as new, accounts should be subject to due diligence controls. This will prevent accounts that are potentially used for illicit activities from escaping detection. Passive companies and trusts, such as those highlighted in the Panama Papers, will also be subject to greater scrutiny and tighter rules.

In addition, the transposition date of MLD 4 will be brought forward to 1 January 2017. MLD 4 was to have been transposed into the national law of Member States by 26 June 2017.

Financial Action Task Force (FATF) meeting Plenary meeting

A Plenary meeting of the FAFT was held in Busan, Korea on 22-24 June 2016. The main issues dealt with by this Plenary meeting were:

- Work on terrorist financing, which remains the top priority for the FATF, including:
    - Update to the 2015 report on ISIL financing.
    - Revision of FATF Recommendation 8 and its interpretive note to protect non-profit organisations from terrorist financing abuse.
    - Approval of the Handbook to Assist Practitioners in their implementation of UNSCR 1373.
    - Approval of Detecting Terrorist Financing: Relevant Risk Indicators report for governments and relevant private sector.
    - Report to the G20 on FATF initiatives to improve global effectiveness of measures to combat terrorist financing.
- Two public documents identifying jurisdictions that may pose a risk to the international financial system:
    - Jurisdictions with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies for which a call for action applies
    - Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF

- Further work to improve the implementation of the FATF Standard on beneficial ownership information on legal persons and legal arrangements.
- Consolidation of FATF Standards on information sharing.
- Discussion of the mutual evaluation reports of Austria, Canada and Singapore.
- Statement on Brazil's progress in addressing the serious deficiencies identified in its mutual evaluation reports, and the issues that remain.
- An update on AML/CFT improvements in Myanmar and Papua New Guinea.
- Developments in the decline in correspondent banking.
- The establishment of the FATF Training and Research Institute.

3. Regulatory Developments in the European FX Industry

Definition of FX Forward

The issue of where the boundary between an FX financial instrument (i.e. an FX Forward) and a spot FX contract has been resolved. Article 7 of the 25 April 2016 delegated act defines a spot contract for the purposes of FX as being a 2 trading days for delivery or the period generally accepted in the market for that FX spot contact as being the standard delivery period, if it is longer than two days.

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.

ESMA issues a warning on financial contracts for difference (CFDs), binary options and other speculative products (such as rolling spot forex)

On 25 July 2016, ESMA issued a warning about the sale of contracts for differences (CFDs), binary options and other speculative products to retail investors who are unaware of the risks associated with these products, and also highlights the regulatory action taken in relation to several Cyprus-based investment firms.

The warning comes as ESMA and a number of national supervisors have observed an increase in the marketing of these products, often through aggressive practices, and at the same time, a rise in the number of complaints from retail investors who have suffered significant losses.

Steven Maijoor, ESMA Chair, said:
"ESMA and national regulators still have serious concerns that firms are selling these products, which are inherently risky and speculative, to people who do not understand them.

"These products are often advertised to the retail mass market via online platforms and sold without investment advice. When these products are marketed and sold in an aggressive manner or when firms otherwise fail to comply with their regulatory obligations, this creates the conditions for retail investors to suffer significant detriment, including unexpected losses."

"ESMA and national regulators are committed to working together to ensure investors receive proper protection across the EU."

Since mid-2015, ESMA has coordinated a group of national regulators focused on issues relating to a number of Cyprus-based investment firms that sell CFDs and binary options throughout Europe. The Cyprus Securities and Exchange Commission (CySEC) has imposed fines on, or reached settlement agreements with, eight firms, totalling EUR 2,072,000. It has also suspended the license of one firm. CySEC's work is ongoing in this area.

ESMA is also promoting common supervisory approaches in relation to the sale of speculative products to retail investors so that the same standards are applied across the EU. It has recently published an updated Questions and Answers document, which clarifies how rules relating to these products should be implemented. See next paragraph below.

ESMA updated questions and answers (Q&A) on CFDs and other speculative products (such as binary options and rolling spot forex)

On 25 July 2016, following on from the questions and answers (Q&As) on the provision of CFDs and other speculative products to retail clients in April, June and July 2016 (see Issue 11of MAP S.Platis Regulatory Radar), ESMA published a further version of its Questions and Answers relating to the provision of CFDs and other speculative products to retail investors under MIFID.

The Q&A includes 9 new questions and answers in sections 3 to 5, which address the following topics:

- The **information** provided to clients and potential clients about how CFDs and other speculative products work and the risks involved, including **marketing communications**;
- The assessment of a retail client or potential retail client's ability to understand the risks involved in order to determine whether trading in CFDs or other speculative products is **appropriate** for them; and
- Factors for supervisors to consider when firms offering CFDs or other speculative products to retail clients enter into certain commercial arrangements with other authorised firms.

ESMA's view is that the complexity of CFDs and other speculative products means it may be difficult for the majority of retail investors to understand the risks involved although they are widely advertised to the retail mass market by a number of firms, often via online platforms; that there is also a considerable degree of cross-border activity across Europe in these products; many competent authorities have concerns about the protection of investors in this area. The Q&As are targeted at competent authorities. The purpose of the Q&A is to promote common supervisory approaches and practices in the application of MiFID and its implementing measures to key aspects that are relevant when CFDs and other speculative products are sold to retail clients. However, the answers are also intended to help firms by providing clarity on MiFID rules.

ESMA has reiterated that it will continue to work on this topic and aims to publish further Q&As in the coming months. ESMA will also consider the need for any further work, in the medium term, in light of MiFID II requirements.

4. EU Financial Transaction Tax (FTT)

The 10 FTT Member States (Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, Spain; Estonia has dropped out and referred to as the FTT10) still have fundamental disagreements on the scope of the proposed Financial Transaction Tax. The FTT 10 have set a new deadline for October 2016.

The European Central Bank published at the end of August 2016 a Working Paper on the stock markets effects of a securities transaction tax: is quasi experimental evidence from Italy. Although the paper does not reflect the official position of the European Central Bank, it is consistent with views previously expressed that a broader scope of the tax might have negative consequences on monetary policy.

5. Taxation

Announcements related to FATCA

During the period between June – August 2016, the Cyprus Inland Revenue Department (IRD) issued several announcements in order to inform Cyprus Reporting Financial Institutions and their representatives about their annual FATCA Return submissions.

More precisely, the most important updates regarding the aforementioned annual submissions were the following:

- The Cyprus Reporting Financial Institutions and their representatives were requested to register with the Government Gateway Portal called "Ariadni" in order to be able to file their FATCA annual returns. Further to this, the Cyprus IRD also noted that parties which had no data to report (i.e. Nil Report) were not obliged to submit any FATCA return in respect to 2015.

- The deadline for the aforesaid submission was finally set on the 22nd of July, 2016.

Ministry of Finance FATCA Decree

On the 22 July 2016 through the issuance of a Decree (in Greek), the Ministry of Finance informed all interested parties about the provisions of FATCA in the Republic of Cyprus. Furthermore the most important provisions of the said Decree which may require some additional actions from the Cyprus Reporting Financial Institutions are the following:

- **Accounts information:**
  FIs must retain, for a period of six years, all relevant documents used for preparing the information submitted to the Cyprus Tax Department. The Cyprus Tax Department may request any financial institution (falling within the scope of FATCA) to provide all the relevant documents used to prepare its filings with the Cyprus Tax Department to verify that information submitted was correct and complete.

- **Definition of Controlling persons:**
  Controlling Persons as per the Decree are interpreted in the following manner:

  - For companies and partnerships, in which the beneficial owner is a physical person or persons, it is understood that due diligence procedures are applied when they have control of more than 25% over the entity through direct or indirect shareholding. Further to this, the FATCA Decree also notes that in cases in which the ultimate beneficial owner is not by any way identified, then the senior management is subject to providing required information in order to achieve transparency of the ownership;
  - For non-incorporated entities such as Associations, Foundations, Clubs and similar entities the members of the board and the administrators of the accounts; and
  - For trusts, the settlor and the trustee.

- **3rd party providers:**
  An FI can rely on third party service providers to fulfill its obligations arising under the IGA. However, where it does so, the obligations remain the responsibility of the FI and any failure to comply with the Regulations will be seen as a failure on the part of the FI.

- **Reporting Deadlines:**
  Going forward the deadline for FATCA reporting related to any particular financial year shall be 30 June of the subsequent year.

- **Cancellation of FATCA Decree issued in 2015:**
  It is noted that this particular Decree is issued in replacement to the FATCA Decree issued on 26 August 2015 which has now been cancelled.

6. Fund Regulation

Money Market Funds (MMFs)

On 14 July 2016, the first political trialogue discussions between the Commission, the Council and the European Parliament took place.

UCITS

UCITS 5 came into force on 18 March 2016. On 24 March 2016, the Commission Delegated Regulation on the obligations of depositories (the Level 2 text) was published in the Official Journal.

UCITS 5 contains amendments to the UCITS Directive to address perceived weaknesses in the UCITS regime in particular with regard to the duties and liability of depositories. This Regulation sets out detailed provisions about the obligations and rights of depositories text principally sets out the level 2 depositary requirements and broadly tracks the equivalent depositary provisions in AIFMD. This Regulation will apply from 13 October 2016.

On 31 March 2016, ESMA published the final new UCITS 5 remuneration guidelines. The UCITS Remuneration Guidelines provide clarity on the requirements under the UCITS Directive for management companies when establishing and applying a remuneration policy for key staff. The Guidelines will ensure a convergent application of these provisions and provide guidance on the governance of remuneration, requirements on risk alignment and disclosure. The Guidelines will apply to UCITS management companies and national competent authorities from 1 January 2017. Please also refer to Issue 11 of MAP S.Platis Regulatory Radar.

AIFMD – ESMA advice on the application of the AIFMD passport to non-EU AIFMs and AIFs

On 18 July 2016, ESMA published its advice on the application of the Alternative Investment Fund Managers Directive (AIFMD) passport to non-EU AIFMs and Alternative Investment Funds (AIFs) in Australia, Bermuda, Canada, Cayman Islands, Guernsey, Hong Kong, Japan, Jersey, Isle of Man, Singapore, Switzerland, and the United States.

Currently, non-EU AIFMs and AIFs must comply with each Member State's national regime when marketing funds in that country. ESMA has advised on the possible extension of the passport regime to non-EU AIFMs and AIFs so that they could market and manage funds throughout the EU.

For each of the non-EU countries, ESMA assessed whether there were significant obstacles regarding investor protection, competition, market disruption and the monitoring of systemic risks which would impede the application of the AIFMD passport.

ESMA's advice is being considered by the European Commission, Parliament and Council.

AIFMD remuneration guidelines

The amendments to the existing AIFMD remuneration guidelines relate to the section of the guidelines dealing with the application of the remuneration rules in a group context and are intended to acknowledge the potential outreach of the amended Capital Requirements Directive and associated Regulation rules in a banking group. The remuneration guidelines will apply from 1 January 2017.

AIFMD – ESMA updated Q&As

On 19 July 2016, ESMA published an updated questions and answers document (Q&A) for AIFMD. The updated document includes one new Q&A on the impact of the European Market Infrastructure Regulation (EMIR) on the AIFMD framework with respect to the valuation of centrally cleared OTC derivatives by AIFMs.

Packaged Retail and Insurance-based Investment Products (PRIIPs) – final draft RTS adopted by the Commission

On 7 April 2016, the Joint Committee of the European Supervisory Authorities published the final draft of the regulatory technical standards on Key Information Documents (KIDs) for Packaged Retail and Insurance-based Investment Products (PRIIPs). The proposed KIDs provide retail investors with simple and comparable information on investment products in the banking, insurance and securities sectors.

The new rules address the content and presentation of the KIDs and include:

- a common mandatory 3-page template for the KID, covering the texts and layouts to be used (see Annexes I, III, V and VII of the Report);
- a summary risk indicator of seven classes for the risk and reward section of the KID;
- a methodology to assign each PRIIP to one of the seven classes contained in the summary risk indicator, and for the inclusion of additional warnings and narrative explanations for certain PRIIPs;
- details on performance scenarios and a format for their presentation, including possible performance for different time periods and at least three scenarios;
- costs presentation, including the figures that must be calculated and the format to be used for these i.e. in both cash and percentage terms;
- specific layouts and contents for the KID for products offering multiple options that cannot effectively be covered in three pages;
- rules on revision and republication of the KID, to be done at least each year; and
- rules on providing the KID sufficiently early for a retail investor to be able to take its contents into account when making an investment decision.

The new rules were submitted to the European Commission for endorsement.

On 30 June 2016, the Commission adopted the Delegated Regulation and related annexes supplementing the PRIIPS KID Regulation. The Council of the EU and the European Parliament are currently scrutinising the delegated act. If neither body objects, it will enter into force 20 days after its publication in the Official Journal and will apply from 31 December 2016. On 1 September 2016, the European Parliament's Committee on Economic and Monetary Affairs unanimously voted to reject the Commission's proposed delegated regulation. The

European Parliament will meet in plenary and vote on the PRIIPS delegated regulation on 12 September 2016.

MAP S.Platis will continue to monitor all developments.

7. UK – Developments of Interest to Investment Firms

MIFID II Trade Association roundtable

On 26 May 2016, the FCA held a MiFID II Trade Association roundtable. The minutes were released on 5 August 2016.

FCA FX remediation programme - next steps

By way of background, the UK FX market is diverse and includes large global banks, smaller regional banks, niche investment firms, inter-dealer brokers, agency brokers, hedge funds, proprietary trading firms and spread betting/CFD firms. The FCA launched an industry-wide remediation programme in 2014 to ensure UK foreign exchange (FX) firms addressed the root causes of failings and to drive up standards across the market. More than 30 firms, representing around 70% of the UK FX market, participated in the programme, which required senior management to take responsibility for delivering the necessary changes and verifying that the work had been completed.

The participating firms were asked to carry out a detailed assessment of whether their culture, governance arrangements, policies, procedures, systems and controls were appropriate and adequate to manage the risks to their business. The firms have concluded their work, and the FCA is noting real improvements in their control environments, as well as in their overall culture and the quality of their governance arrangements.

On 29 July 2016, the FCA published its expectations on how firms who were not involved in the remediation programme should respond to the FCA's findings.

The FCA notes the following:

- it expects firms who were not involved in the remediation programme to carefully consider the details of the programme set out on its webpage, and to implement remediation plans that are appropriate for their FX business;
- all market participants must build on these improvements to ensure that this systemically important market works well. Firms will need to take account of future developments in the FX market, including the FX global code of conduct, which is expected to be published in May 2017 by the Bank for International Settlements foreign exchange working group (please also refer to Issue 11 of MAP S.Platis Regulatory Radar); and
- firms and responsible senior managers are expected to ensure their staff satisfy appropriate standards of market practice.

MIFID II Implementation – Second FCA Consultation

On 29 July 2016, the FCA published its second consultation CP16/19 on MIFID II implementation. This consultation paper covers a range of issues including position limits and reporting for commodity derivatives, systems and controls requirements for firms providing MiFID investment services and client asset protections. The closing date for responses to consultation paper is 28 October 2016.

There will be a further consultation paper later this year. This will mostly be on changes to the FCA Conduct of Business sourcebook.

FCA Thematic review into UK equity market dark pools

On 21 July 2016, the FCA published its report on its thematic review into UK equity market dark pools - Role, promotion and oversight in wholesale markets. Dark pools are trading venues with no-pre trade transparency where the price and volume of all orders are hidden and anonymous. The FCA considered the promotion undertaken by dark pool operators, the quality of the identification, management and disclosure of conflicts of interest and also reviewed relevant governance, oversight and controls. The FCA found that users of dark pools welcome the additional liquidity, the lower risk of information leakage on trading activity and the beneficial impact potential on pricing and costs that dark pools offer. Pre-trade price transparency was not viewed as a significant concern so long as dark pools, which rely directly on prices occurring in the lit markets, remain relatively small versus those lit markets.

The FCA has outlined some areas where improvements could be made for both operators and users. For operators these include:

- providing clear detail about the design and operation of a dark pool to users and, for investment banks, this includes describing precisely how their broker crossing network interacts with other components of their electronic trading platform;
- improving the monitoring of activity in their pools with a focus on operational integrity, best execution, client preferences and unwanted trading activity including market abuse;
- doing more to identify and manage conflicts of interest including the strengthening of policies and procedures for oversight and escalation and regularly refreshing independent assessments.

Best practice for users included being very clear about the rationale for using dark pools and conducting sufficient due diligence to understand thoroughly the operating model of each pool they access as there can be significant differences between pools. Users could also improve their monitoring of results versus expectations when using dark pools.

UK votes to leave the EU

On 23 June 2016, the UK voted by referendum to leave the EU by 51.9%.

On 24 June 2016, the Bank of England published the statement made by Dr Mark Carney, Governor.

On 24 June 2016, the FCA also issued a statement confirming that firms must continue to abide by their obligations under UK law, including those derived from EU law and continue with implementation plans for legislation that is still to come into effect.

8. Poland – Developments of Interest to Investment Firms

Guidelines for providing brokerage services on the OTC Derivatives Market to retail clients in Poland

The increased availability for transactions in leveraged and high risk products (such as CFDs and Binary Options) through the over-the–counter market and the limited investment knowledge or experience of the retail Clients that decide to deal in such products, have driven the Polish Financial Supervision Authority ("PFSA" or "KNF") to issue Guidelines for "providing brokerage services on the OTC derivatives market".

The aforesaid publication includes sixteen (16) Guidelines that investment firms shall follow in order to enhance retail clients' protection. These guidelines apply to both Polish investment firms and EU licenced investment firms when offering Binary Options, CFDs and any other derivative not traded in a Regulated Market, or an MTF, to retail clients in the Republic of Poland.

It is noted that the KNF expects that "the standards set forth in the Guidelines will be implemented by entities, to which they are addressed, no later than 30 September 2016. Information on the application of the Guidelines should be forwarded by means of a form drafted by the supervisory authority to be completed by investment firms as part of their own assessment of compliance with the Guidelines. The form will be one of the supervisory authority's means of verification of compliance with the requirements set out in the Guidelines. "

A very brief summary of some of the most important Guidelines is presented below.

Guideline 2

The investment firm shall conduct its advertising and promotional actions as well as information actions related to acquiring clients to perform brokerage services on the OTC derivatives market, always taking into account the client's or a prospective client's best interests. The KNF instructs inter alia to avoid introducing benefits in advertising and promotional actions to encourage clients or prospective to invest more in the OTC derivatives market, if the introduction of such a benefit becomes an objective per se or driver behind the Client's increased trading activity. As per the Guidelines such benefits are bonus amounts granted when the Client reaches a specific profit level in a specific timeframe often correlated to a deposited amount.

Guideline 3

The investment firm shall competently and fairly supervise third parties as regards the way of acquiring prospective clients by the third parties on behalf of the investment firm to whom brokerage services on the OTC derivatives market will be provided. When the third party solicits clients for the Investment Firm, the Investment Firm remains responsible for the material, information and communication method the third party uses to attract

Clients. In addition the Investment Firm and the third party enter into a well-defined contract that inter alia structures the third party's remuneration in a way that does not create conflicts of interest incentivising the third party to operate against the best interest of the Client. Further to this the third party's remuneration will be presented to the clients.

Guideline 4

The investment firm shall exercise due diligence to ensure that the client or a prospective client, prior to concluding a contract for providing brokerage services on the OTC derivatives market, be given the opportunity to carefully read reliable, complete and not misleading information on these services, financial instruments concerned and investment risk. The information must be available on the website and should include:

- detailed information on nature of financial instruments distinguishing between a derivative and an underlying instrument, which constitutes only a basis for calculating the financial result from the purchased or sold derivative;
- detailed information on swap points;
- detailed information on "roll-over" or equivalent etc.

Guideline 7

In pursuing the requirement to act in accordance with the client's best interests, the investment firm should construct its product offers for retail clients so that investing in OTC derivatives be of quality similar to investments on the capital market, related to real market conditions, by determining an adequate level of the margin and recommending that the client holds a higher margin than a minimum required.

Guideline 9

In pursuing the requirement to provide detailed information on the service provided and investment risk related to financial instruments, the investment firm, which executes clients' orders and keeps relevant records of derivatives and cash accounts for the clients, should publish on a quarterly basis on their website a percentage of profitable, loss making and break even clients broken down according to the following categories (at least):

- Currency CFDs (forex CFDs);
- Equity CFDs;
- Commodity CFDs;
- bonds and interest rate CFDs;
- options;
- any other OTC derivative.

Guideline 11

In a contract for providing brokerage services on the OTC derivative market, the investment firm shall include reliable, accurate and complete information on fees, commissions and other costs incurred by clients or cash benefits received by the investment firm from clients or third parties with regard to the contract with the client and its implementation. This information should include inter alia the profit margin of the investment firm itself (e.g. mark-up added to the market spread received by liquidity providers).

9. CySEC Developments

Regulation (EU) 2015/2365 - Transparency of securities financing transactions and of reuse

On 16 June 2016, through the issuance of Circular C137, CySEC informs the Regulated Entities that the Regulation (EU) 2015/2365 of the European Parliament and of the Council for the transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, was published in the Official Journal of the European Union. In relation to the main changes brought by the relevant Regulation, please refer to Issue 10 of MAP S.Platis Regulatory Radar.

Circulars C138 and C145 - Remuneration policies and practices

On 16 June 2016 and on 8 July 2016, through the issuance of Circulars C138 and C145 (for clarifications) respectively, CySEC reminds CIFs about their obligations concerning the remuneration policies and practices they adopt.

In particular, CIFs are requested to review their remuneration policies and practices and take, where necessary, corrective actions in order to ensure that they comply with the following:

- Sections 18(2)(b) and 29 of the Law 144(I)/2007 as amended, in relation to conflicts of interests;
- Section 36(1) of the Law 144(I)/2007 as amended, in relation to the conduct of business rules;
- Circular C031 of CySEC concerning the guidelines on remuneration policies and practices;
- The questions and answers 2 and 3 of Chapter 2 of ESMA document, ESMA/2016/904;
- Circular C030 regarding the obligations of the Compliance Functions;
- DI144-2014-14 regarding the remuneration requirements stem from the Regulation EU 575/2013 (CRR) and Directive 2013/36/EU.

CySEC emphasises that CIFs must identify the types of remunerations that may entail conflict of interests and conduct of business risks (examples are included in Circular C138) and take reasonable measures to prevent them, unless the CIFs can demonstrate, in an objective manner, that such conflicts and risks can be managed. In cases where a CIF is unable to manage appropriately such risks then it should adopt remuneration practices that do not create any incentives that may lead persons/staff/outsourcing functions to favour their own interests, or the CIF's interests, to the potential detriment of Clients.

It is noted that the same remuneration policies and practices adopted by the CIF, should also be applied to the outsourcing functions which act on behalf of the CIF, if any, as well as the staff of the same outsourcing functions.

Finally, all CIFs should submit a confirmation to CySEC (supervision@cysec.gov.cy), signed by all their board

members, as to their compliance with the above Circular not later than September 16, 2016. The said confirmation must be accompanied by an outline of the remuneration policies and practices established, implemented and maintained by the CIF and, where applicable, the corrective measures adopted for compliance purposes.

Circulars C140 and C141 - Effects due to Brexit

On 24 June 2016, through the issuance of Circulars C140 and C141 and following the issuance of Circular C130, CySEC has requested from the Regulated Entities to report back the following:

- The effects that Brexit had on their activities;
- Their own funds and capital adequacy ratio.

Amending Directive DI144-2007-08(A) of 2016 regarding the prevention of money laundering and terrorist financing

On 24 June 2016, CySEC announced the amendment of the Directive DI144-2007-08 of 2012 regarding the prevention of money laundering and terrorist financing with the amending Directive DI144-2007-08 (A) of 2016. Further to this, CySEC also published the unofficial consolidation of the said directives, which shall now be cited as Directive DI144-2007- 08 of 2012 & 08 (A) of 2016 (in Greek).

The said amendment mainly concerns the replacement of point 1 of the Fourth Appendix of Directive DI144-2007-08 of 2012 in relation to non face-to-face customers. Further to this, Financial Organisations (such as CIFs) are now allowed to collect and keep records of their Clients' identification information and documents in the form of a plain copy of the original, provided that at least one of the procedures referred below is followed:

i) Ensure the first payment of the operation is carried out through an account opened in the customer's name with a credit institution which operates in a country within the European Economic Area;

ii) The first payment of the operations is carried out through an account opened in the customer's name with a credit institution operating and licensed in a third country, which, according to the Advisory Authority's decision, imposes requirements on combating money laundering equivalent to those of the EU Directive;

iii) A direct confirmation of the establishment of a business relationship is obtained through direct personal contact, as well as, the true name, address and passport/identity card number of the customer, from a credit institution or a financial institution with which the customer cooperates, operating in a Member State or in a Third Country, which, according to the Advisory Authority's decision, imposes requirements on combating money laundering equivalent to those of the EU AML Directive (or a true copy of the confirmation);

iv) Telephone contact with the customer at his home or office, on a telephone number which has been verified from independent and reliable sources. During the telephone contact, the CIF shall confirm additional aspects of the identity information submitted by the customer during the procedure of opening his account;

v) Communication via video call with the customer, provided the video recording and screen shot safeguards apply to the communication. It is provided that a customer, whose identity was verified hereunder, cannot deposit an amount over €2,000.00 per annum, irrespective of the number of accounts that he keeps with

the CIF, unless an additional measure of those laid down in this section is taken in order to verify his identity. During the internet communication, the CIF shall confirm additional aspects of the identity details submitted by the customer when opening his account.

It is provided that the CIF shall apply appropriate measures and procedures in order to:

1. confirm and monitor both the amount of the customer's deposit and the risk for money laundering or terrorist financing and take additional measures to verify the customer's identity depending on the degree of the risk;
2. ensure the normal conduct of business is not interrupted where the amount of the deposit exceeds the amount of €2,000.00 per annum;
3. warn the customer appropriately and in due time for the above procedure in order to obtain the customer's express consent prior to its commencement.

vi) Communication with the customer through at an address that the CIF has previously verified from independent and reliable sources, in the form of a registered letter.

vii) Performing an electronic verification:

1. Electronic identity verification is carried out either directly by the CIF or through a third party. Both the CIF and the said third parties cumulatively satisfy the following conditions:

   i. the electronic databases kept by the third party or to which the third party or the CIF has access are registered to and/or approved by the Data Protection Commissioner in order to safeguard personal data (or the corresponding competent authority in the country the said databases are kept);

   ii. electronic databases provide access to information referred to both present and past situations showing that the person really exists and providing both positive information (at least the customer's full name, address and date of birth) and negative information (e.g. committing of offences such as identity theft, inclusion in deceased persons records, inclusion in sanctions and restrictive measures' list by the Council of the European Union and the UN Security Council);

   iii. electronic databases include a wide range of sources with information from different time periods with real-time update and trigger alerts when important data alter;

   iv. transparent procedures have been established allowing the CIF to know which information was searched, the result of such search and its significance in relation to the level of assurance as to the customer's identity verification;

   v. procedures have been established allowing the CIF to record and save the information used and the result in relation to identity verification.

2. The CIF evaluates the results of electronic verification in order the conditions of Article 61(3) of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 – 2016 (the 'AML Law') to be satisfied. The CIF establishes mechanisms for the carrying out of quality controls in order to assess the quality of the information on which it intends to rely.

3. Information must come from two or more sources. The electronic verification procedure shall at least satisfy the following correlation standard:
   (1) identification of the customer's full name and current address from one source, and
   (2) identification of the customer's full name and either his current address or date of birth from a second source.

4. For purposes of carrying out the electronic verification, the CIF shall establish procedures in order to satisfy the completeness, validity and reliability of the information to which it has access. It is provided that the verification procedure shall include a search of both positive and negative information.

Circular 143 - Application of Articles 61 and 62 of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007

On 24 June 2016, through the issuance of Circular C143, CySEC provided specific details, and its interpretation, in relation to the application of the recently amended articles 61 and 62 of the AML Law.

The recent amendments to the AML Law and the subsequent issuance of Circular C143:

a) clearly differentiate between the "identification" of a Client and the "verification" of a Client's identity;
b) clarify the application of the derogation to the general rule which requires that CIFs carry out Client identification and verification procedures before the establishment of a business relationship with a new Client.

In particular, as per the amended AML Law and Circular C143, CIFs may complete the verification of the identity of a new customer:

> "…during the establishment of a business relationship if this is necessary not to interrupt the normal conduct of business, where there is little risk of money laundering or terrorist financing occurring."

Kindly note that the derogation applies only to the timing of the verification of a new Client's identity i.e. the process of collecting documents (and taking other actions intended) to authenticate the information provided by the customer regarding his/her identity. Client Identification should still be carried out prior to the establishment of a business relationship. As per the clarifications provided by the regulator, Client Identification includes (where applicable):

i. Creation of an economic profile for the customer/beneficial owner;
ii. Carrying out a suitability test (for Investment Advice and Portfolio Management);
iii. Carrying out an appropriateness test (for Reception & Transmission and Execution of client orders).

Circular C143 clarifies that CySEC considers the AML risk being low, (and thus the aforementioned derogation may be applied) when at least the following minimum conditions apply.

a) The new Client's deposit(s) do(es) not exceed the amount of €2.000, (cumulatively) prior to the verification of his/her identity.
b) The Client funds his/her account through an account in his/her name held with a bank account or an EU e-money institution.
c) The verification of the Client's identity is concluded as soon as possible and no later than 15 days from initial contact (i.e. acceptance of the Terms & Conditions and/or Client Agreement). (Note that if a new Client funds his/her trading account 5 days after the initial contact, then the identity verification process will need to be carried out within the subsequent 10 days.).
d) During the aforementioned 15 day period the Client/beneficial owner undergoes at least one Enhanced Due Diligence measure (in accordance to article 64 of the AML Law).
e) The Company ensures that if the verification of the identity of the Client/beneficial owner is not concluded within the aforementioned 15 day framework the process of establishing a business relationship is terminated immediately (i.e. on the 15th day after initial contact) and all deposited funds are returned (immediately) at the same source from which they originated (irrespective of whether the customer has requested the return of his/her funds).
f) During the aforementioned 15 day period, the Company takes all reasonable measures to ensure that the percentage of customers that have not complied with the request to submit verification documents, is maintained low.

It is important to note that Circular C143 stipulates that CIFs must inform new customers about the aforementioned procedure (including for example about the policy for treating open positions, and about the procedure for possible return of funds), and receive their explicit consent as to the procedure that is to be followed.

It is noted that CySEC has issued Circular C157 (Re-Issuing of C143) and clarifies that the specificity of the derogation of Article 62 of the AML Law shall not apply in case of the Administrative Service Providers (ASPs) due to the nature of their activities.
In case an ASP tends to rely on the abovementioned derogation, then is obliged to fully justify its actions and to document the said justification as to the reasons why:

- the verification of the client/beneficial owner prior to the establishment of the business relationship would disrupt the normal conduct of its business, and
- the risk of money laundering or terrorist financing is low

Consultation Paper CP (2016-04) - Obligations of CIFs when providing information to clients in relation to services and instruments offered

On 28 June 2016, CySEC issued Consultation Paper CP (2016-04) in order to invite all market participants to submit comments and/or suggestions on a proposed Circular regarding the organisational requirements, qualifications and professional conduct of persons employed by a CIF when providing information to clients about the services and financial instruments offered by the CIF.

In particular, when providing information to clients, CIFs must comply with the following:

1. Articles 18(2) and 36(1) of the Law 144(I)/2007 as amended;
2. Paragraph 4 of Directive DI144-2007-01 of 2012 of the CySEC as amended;
3. Part III of Directive DI144-2007-02 of 2012;
4. Paper ESMA/2015/1886- Guidelines for the assessment of knowledge and competence ('the Guidelines').

The proposed Circular lays down, inter alia, the following organisational requirements for CIFs that maintain a special unit/department, which is responsible for communicating with Clients and providing information on the investment and ancillary services as well as the financial instruments provided by the CIF such as 'sales' and 'retention' units (hereinafter the "Units"):

- CIFs must clearly define the roles and responsibilities of persons employed in the Units. The duties of these persons should be disclosed in the CIF's internal operations manual.
- Personnel of the Units **cannot** provide investment advice (unless those persons are certified by CySEC and the CIF possesses the relevant authorisation granted by CySEC).
- CIFs must ensure that repeated telephone calls to clients and/or the use of aggressive language and/or the exercising of pressure **are not applied and cannot be applied**
- CIFs must ensure that the staff of the Units:

    i) receive specific training on a regular basis;
    ii) use their **real name** when communicating with clients;
    iii) are remunerated in accordance with Circular C138.

- CIFs must establish and maintain appropriate procedures for the assessment of the performance of the Units' staff and for taking measures in instances where the assessment is poor or negative.

In addition, the members of the staff of the Units must have the necessary knowledge and competence according to the aforementioned Guidelines and CIFs are expected to request from the staff of the Unit to be certified (success in Basic Examination and registration in the Public Register) in accordance with the Directive R.A.D. 174/2015.

In accordance with the said Guidelines, CIFs must ensure that the members of the staff of the Units are, inter alia, able to understand:

i) The key characteristics, risk and features of those investment (complex) products available through the firm;
ii) The total amount of costs and charges to be incurred by the Client in respect to the services provided;
iii) The characteristics and scope of investment services or ancillary services;
iv) How financial markets operate and how they affect the value and pricing of investment products;
v) Difference between past performance and future performance;
vi) Issues relating to market abuse and anti-money laundering;
vii) Valuation principles;

viii) Specific market structures.

Moreover, CIFs are advised to maintain such Units internally, either in the head office of the CIF or in a Branch in the Republic of Cyprus or in another Member State. Nonetheless, in case the CIF decides to outsource such function to external bodies/services providers, then the CIF must ensure that the following conditions are satisfied:

i) The service provider is situated in a Member State of the EU and either is authorised pursuant to the European Directive 2004/39/EC or if acting under the full and unconditional responsibility of the CIF, it is registered in accordance with Article 40 of the Law 144(I)/2007 as amended (i.e. Tied Agents);
ii) The provisions of Article 18(2)(d) of the Law 144(I)/2007and Part V of the Directive on outsourcing as well as the relevant circulars issued from time to time by the CySEC (e.g. C138), fully apply.

For outsourcing a Unit function to service providers situated outside the EU, CySEC proposes the following options:

(a) The outsourcing to a service provider situated outside the EU is allowed, provided that the CIF maintains, on an ongoing basis, in addition to Pillar 1, own funds to cover the risk of non-compliance that it may undertake due to the fact that the services provider is not situated in the EU. It is noted that the additional own funds should be no less than one million euro (€1,000,000.00) depending on the nature and level of the risk of non-compliance.

(b) The provisions of article 18(2)(d) of the Law 144(I)/2007and Part V of Directive DI144-2007-01 on outsourcing as well as the relevant circulars issued from time to time by the CySEC (e.g. Circular C138 on the Remuneration Policies and Practices), fully apply;

(c) The service provider as well as the staff of the service provider shall always comply with the requirements emanating from the provisions included in this proposed Circular.

The proposed Circular also requires CIFs to provide sufficient resources to their compliance function in order to enable the compliance function to monitor and regularly evaluate the operation of the Units.

Finally, and following the issuance of the proposed Circular, CIFs will be requested to:

i. maintain all necessary records in a way that enable CySEC to monitor compliance with the requirements of the proposed Circular
ii. review their policies and procedures, and where necessary to take corrective actions.
iii. provide to CySEC a confirmation signed by its directors as to their compliance and the corrective measures adopted.

The consultation closed on 15 July 2016.

Consultation Paper CP (2016-05) - Selection, use and monitoring of liquidity providers/market makers

On 29 June 2016, CySEC issued Consultation Paper CP (2016-05) in order to invite all market participants to submit comments and/or suggestions on a proposed Circular regarding the selection, use and monitoring of liquidity providers/market makers.

The proposed Circular firstly informs the CIFs on the selection and use of liquidity providers/market makers. CySEC notes that, albeit the current legislation does not prohibit CIFs from selecting only one liquidity provider/ market maker provided that they can demonstrate the delivery of best execution results at all times, CIFs which apply this model are not discharged from their best execution obligations. Moreover, such CIFs should not be 'over-reliant' on their single liquidity provider/market maker and should monitor the quality of execution.

In addition to their obligation for the exercise of due skill, care and diligence when establishing a contractual agreement with a liquidity provider/market maker, CIFs may not use liquidity providers/market makers that are not licenced and regulated by a competent authority of a Member State, unless the liquidity provider/market maker meets the following conditions:

- Is a regulated Investment Firm from a third country, with a valid/activated authorisation.
- Has such financial soundness and is in such a cash flow position which can justify the risk it undertakes.
- Either it is managing all its risks with a liquidity provider that is regulated and supervised within EU or it has sound financial records and can demonstrate a capital ratio of more than 10% (calculated in accordance with the European Directive 2013/36/EU and European Regulation 575/2013) or the CIF maintains, on an ongoing basis, in addition to Pillar 1, own funds to cover the risk of failure/insolvency that the CIF undertakes from contracting with non-EU liquidity provider/market maker. It is noted that the additional amount should be no less than two million euro (€2,000,000.00) depending on the nature and level of the risk of failure/insolvency.
- The capital ratio and own funds are calculated on a consolidated basis in case the liquidity provider/ market maker belongs to the same group with the CIF.

In addition, CySEC notes that CIFs should be transparent and clear to their clients about their trade flow, their hedging arrangements and where the trades are executed.

The proposed Circular further informs the CIFs of the need to regularly assess whether there are alternative liquidity providers/market makers that could be used to safeguard their Clients' best interests. For the CIFs which only use one liquidity provider/market maker that is established outside European Union, they must be able to check its financial performance and soundness (including capital ratio) at least quarterly. Moreover, the liquidity provider/market maker has to provide to the CIF, at least monthly, with a statement of all the transactions executed on behalf of the CIF's clients.

Finally, and following the issuance of the proposed Circular, CIFs will be requested, within 3 months, to review their policies and procedures, take corrective actions where necessary and provide to CySEC a confirmation signed by its directors as to their compliance and the corrective measures adopted if applicable.

The consultation closed on 18 July 2016.

Circular C144 - Cypriot Investment Firms' Quarterly Statistics – Request for the electronic submission of information

On 04 July 2016, through the issuance of Circular C144, CySEC requests from CIFs to complete and submit the Form T144/002 ("the Form") on a quarterly basis.

CySEC notes that since this is the first time of reporting the relevant Form, and for this time only, the Form will be submitted for the reference period 01/01/2016 – 30/06/2016 (i.e. for the first half of the year) and using as reference date 30/06/2016. Thus, according to the abovementioned Circular, CIFs that were authorised and operated, by June 30, 2016, inclusive, are required to submit the relevant Form for the aforesaid reference period between Monday, July 4 2016 and Friday, September 30, 2016.

Furthermore, CySEC emphasises that no extensions will be granted to the said deadline and it will examine the possibility of enforcement of actions (e.g. administrative fines, increase of own funds capital requirements) against any CIFs that will fail to submit the requested information within the abovementioned deadline.

Following the submission of the Form for the first time, CIFs will be required to complete and submit the relevant Form to CySEC, as follows:

Reference Period	Submission Date
01/01/20XX – 31/03/20XX	31 May 20XX
01/04/20XX – 30/06/20XX	31 August 20XX
01/07/20XX – 30/09/20XX	30 November 20XX
01/10/20XX – 31/12/20XX	End of February of the following year

Moreover, the basis for the preparation of the data to be reported is **solo** and the data to be reported can be based on non-audited financial statements, if audited financial statements are not available.

Finally, CIFs are required to keep, at their offices in the Republic, the relevant Form in hard copy, signed by the authorised person. CySEC reserves the right to inspect the hard copy Form at any time.

The relevant Form that was enclosed to Circular C144 has now been updated and can be found here.

Directive DI131-2014-04 - The organisation and functions of a CIF acting as an AIF external manager

On 11 July 2016, CySEC issued Directive DI131-2014-04 (in Greek) in relation to the organisational and operational requirements of the external manager of an AIF when the external manager is a CIF or an IF established in the EU. The Directive describes the licensing procedure for a CIF or an IF in the EU in order to be authorised as an external manager of an AIF or of an AIF with limited number of persons ("AIFLNPs").

The Directive covers matters such as the obligations and operating conditions of the external manager in order to secure AIFs and AIFs unitholders rights and execute his duties for the best interest of AIFs, the due diligence procedure that has to be implemented from the CIF acting as an external manager of an AIF during the execution of the investment transactions and during the selection and appointment of the counterparties and the prime brokers, the obligations and measures for a continuous compliance and risk management.

Under the Directive, the CIF that acts as an external manager of an AIF must implement a conflict of interests' policy and keep a record for five years in relation to every portfolio transaction. The record will include inter alia the type of each order, the price, the name of the person that transmits or executes the order etc.

Circular C147– Commencement of CySEC Portal

On 14 July 2016, through the issuance of Circular C147, CySEC informs CIFs that it commences the use of its Web Portal through which they can submit documents/forms/letters which are digitally signed. This method will replace the submission to CySEC through fax, email, post, messenger etc. (unless explicitly asked otherwise by CySEC) but it will not replace the TRS system yet until it is incorporated in the Portal.

In particular, CIFs are required to access the system through the electronic address https://portal.cysec.gov.cy and add their credentials (i.e. username and password) as indicated in the aforesaid Circular. Following their successful connection to the Portal System, CIFs are able to access a User Guide which explains the procedure for successful submission of documents through the Portal. Moreover, CIFs are urged to visit the section 'Reference Documents' frequently, in order to be informed which forms/documents can be submitted through the Portal.

Given that a document needs to be digitally signed in order to be submitted through the Portal, CySEC requests CIFs to renew on time and at least seven working days before its expiration their annual digital certificate since no extensions for submission of documents will be granted.
Finally, CySEC informs the CIFs that they can use the email address information.technology@cysec.gov.cy for technical assistance.

CySEC, through the issuance of Circular C156, informs the CIFs that they need to follow the above mentioned procedure in relation to the submission of the documents required under Circular C038.

Circular C150 - CIFs that manage AIFs/AIFLNPs pursuant to the AIF Law

On 19 July 2016, through the issuance of Circular C150 (in Greek), CySEC requested from CIFs that manage AIFs or AIFLNPs pursuant to the AIF Law to submit the following information in regards to:

i) the assets under their management; and

ii) the percentage of their income that derives from the collective management of AIFs and/or AIFLNPs in relation to their income from the provision of investment and ancillary services according to the Third Appendix of the Law 144(I)/2007, as in force.

Consultation Paper CP (2016-06) - Directive regarding the terms and conditions of operation of AIFLNP

On 19 July 2016, CySEC issued a Consultation Paper CP (2016-06) (in Greek) in order to invite all market participants to submit comments and/or suggestions on a proposed Directive regarding the terms and conditions of operation of AIFLNP. The proposed Directive will replace the existing Directive 131-2014-02.

Part A of the Proposed Directive describes the operating conditions for AIFLNP including but not limited to Depositary responsibilities and liability, organisational requirements for the AIFLNP's administrators and reporting obligations to investors and to CySEC.

Part B of the Proposed Directive describes the authorisation procedure for an AIFLNP.

Parts C and D of the Proposed Directive provide for the organisational requirements for the external manager of an AIFLNP and a self-managed AIFLNP respectively.

The Proposed Directive provides a six months transitional period from its issuance in order the existing self-managed AIFLNPs and the managers of AIFLNPs to comply with its provisions.

The consultation closed on the 19th of August 2016.

Common and recurring observations from on-site inspections regarding the prevention of money laundering and terrorist financing

On 25 July 2016, through the issuance of Circular C152, CySEC published its feedback that is subsequent to a series of on-site inspections that took place during the years of 2015 and 2016 and aimed to assess the compliance of Regulated Entities in relation to their obligations arising from the Republic's regime on the Prevention and Suppression of Money Laundering and Terrorist Financing.

On the one hand, the on-site inspections have revealed an overall development and strengthening in the internal controls and policies applied by the Regulated Entities. It is reminded that CySEC carried out a similar assessment during the years 2013 and 2014. For further information please also refer to Issue 2 of MAP S.Platis Regulatory Radar.

On the other hand, the aforementioned inspections have also revealed numerous deficiencies and an overall failure by the Regulated Entities to comply with specific aspects of the aforesaid regime. In addition to letters already communicated to a number of entities, CySEC urges all Regulated Entities to examine and where applicable take correction measures in regards to the following common and recurring shortfalls (in summary form):

A. Corporate Governance and Responsibilities

i) Enhanced collaboration between AML/CFT Compliance department and the Senior Management is required;
ii) Duties of the AML/CFT Compliance department must be distinct;
iii) The AML/CFT Compliance Officer shall avoid the performance of multiple roles within the Company;
iv) Entities shall always devote financial resources for the necessary training of their AML/CFT personnel and directors;
v) Companies should not neglect any AML/CFT deficiencies that have been previously identified by either their AML/CFT Compliance Department or their Internal Auditors.

B. Internal Operations Manual

i) The AML/CFT Manual discloses the basic requirements of the AML framework in a very broad way without expanding to specific procedures and controls that are implemented or should have been implemented by the Regulated Entities;
ii) The AML/CFT Manual must be kept always up-to-date.

C. Risk Based Approach

i) Risk assessment procedures and controls established by the Regulated Entities to identify high risk Clients were found to be insufficient in several aspects (e.g. incorporation of high risk variables.

D. Economic Profile

i) The construction as well as the update of Clients' economic profiles was lacking information required by the legislation;
ii) Difficulties in understanding specific terms;
iii) Clients' transactions were not adequately assessed over the Clients' economic profiles;
iv) Information obtained for the construction of economic profiles was unsound.

E. Monitoring of Client's accounts and transactions

i) Several shortcomings identified in regards to the way that Regulated Entities are scrutinising the validity and adequacy of the data and information available in their Clients' files. In addition, the Regulated Entities were unable to justify the performance of such reviews;
ii) Regulated Entities did not keep records of declined and/or terminated business relationships as well as whether they have filed a report to MOKAS;
iii) Some undertakings having large volume of Clients were found to perform monitoring of their Clients manually which raises concerns.
iv) Deficiencies in the established procedures in regards to the identification of Clients that are included in sanctions list.

F. Client Identification Procedures

i) Verification of the Clients' identity was not always performed prior the establishment of the business relationship;
ii) Failures to obtain certified true copies of the original documents and in translating these into Greek or English;
iii) Not adequate procedures when relying on third parties for the performance of the Client identification procedures.

G. AML/CFT Compliance Officer Reports

i) Difficulties in understanding the purpose for submitting to CySEC the Monthly Prevention Statement;
ii) The AML/CFT Compliance Officer Reports were not in full compliance with the requirements of the AML/CFT Directive.

DI144-2014-14(A) for the prudential supervision of Investment Firms

On 1 August 2016, CySEC announced the amendment of the Directive DI144-2014-14 of 2014 regarding the prudential supervision of Investment Firms with the amending Directive DI144-2014-14(A) (In Greek). The said amendment concerns the following changes made to paragraph 61 of Part IV regarding the limitation on exposures to directors and shareholders:

(a) The addition of the phrase "unless it concerns an exposure on the institution's trading book, subject to the conditions of Article 395(5) of Regulation (EU) No 575/2013" at the end of points f), g) and h) of sub-paragraph (1).

(b) The replacement of subparagraph (2) with the following: "(2) Every CIF shall, at all times, comply with all the limits laid down in subparagraph 1. If, in an exceptional case, exposures exceed any limit, the CIF shall report without delay to CySEC, the excess amount, the reasons that led to the excess and the actions taken and/or will be taken for compliance.

CySEC may, in exceptional and justified cases, grant to a CIF a timeframe in order to comply with the limits of this subparagraph."

(c) The addition of the new subparagraph (5) as follows:
"(5) The CIF must establish, implement and maintain appropriate monitoring arrangements on exposures to shareholders, which are approved by the Board of Directors. The CIF must ensure that the Board of Directors receives systematic information, at least quarterly, regarding the level of exposures to its shareholders."

Belgian Regulation for the distribution of OTC derivatives

On 17 August 2016, through the issuance of Circular C155, CySEC highlights the enactment of a new Belgian Regulation which, inter alia, prohibits the distribution of certain derivatives such as binary options and CFDs with leverage, to the Belgian retail market.

CySEC urges CIFs offering such products to take all the necessary actions in order to ensure compliance with the aforesaid regulation.

This Regulation came into effect on 18 August 2016.

Acronyms & Definitions used

ABS	Asset Backed Securities
AIF	Alternative Investment Fund under Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers
AIFLNP	Alternative Investment Fund with Limited Number of Persons
AIF	Alternative Investment Fund
AIFM	Alternative Investment Fund Manager
AIFMD	Alternative Investment Fund Managers Directive
AIPs	Alternative Investment Partnerships
AML	Anti-Money Laundering
ASP	Administrative Service Provider
AuM	Assets under Management
BRRD	Bank Recovery and Resolution Directive
CDS	Credit Default Swap
CFD	contracts for difference
CIF	Cyprus Investment Firm
Commission	European Commission
CP	Consultation Paper
CRS	Common Reporting Standard
CySEC	Cyprus Securities and Exchange Commission
CSE	Cyprus Stock Exchange
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
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
FAQ	Frequently Asked Questions
FCA	UK Financial Conduct Authority
FTT	Financial Transaction Tax
FX	Foreign Exchange
ICF	Investors Compensation Fund
IRS	Interest Rate Swap
ITS	Implementing Technical Standards
KIDs	Key Information Documents
KNF	Polish National Competent Authority
LIBOR	London Interbank Offered Rate
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
MOKAS	Unit for Combating Money Laundering
MTF	Multilateral Trading Facility
NDF	Non-deliverable forwards
MoU	Memorandum of Understanding
Official Journal	The Official Journal of the European Union
OTC	Over-the-Counter
PRIIPs	Packaged Retail and Insurance-based Investment Products
PSP	Payment Service Provider
Q&As	Questions and Answers
RAIFs	Registered Alternative Investment Funds
RBS-F	Risk Based Supervisions Framework
RTS	Regulatory Technical Standards
SFT	Securities Financing Transaction
SM AIF	Self-Managed Alternative Investment Fund
TA	Technical Advice
TRS	Transaction Reporting System
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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