
TO : **Investment Fund Managers:**

i. Cyprus UCITS Management Companies and Self-Managed Cyprus UCITS ('CUCITS MCs')

ii. Cyprus Alternative Investment Fund Managers and Self-Managed Cyprus AIFs ('CAIFMs')¹

FROM : **Cyprus Securities and Exchange Commission**

DATE : **August 23, 2023**

CIRCULAR NO. : **C594**

SUBJECT : **ESMA launches a Common Supervisory Action ('CSA') with NCAs on the sustainability-related disclosures and the integration of sustainability risks in the Investment Fund Sector**

1. The Cyprus Securities and Exchange Commission ('CySEC') wishes, with this circular, to inform the Investment Fund Managers that the European Securities and Markets Authority (ESMA) has launched the [2023 and 2024 Investment Fund Sector CSA](#) with national competent authorities (NCAs), on the sustainability-related disclosures and the integration of sustainability risks.
2. The aim of the CSA 2023 is set as follows:
 - to assess the compliance of supervised asset managers with the relevant provisions in the Sustainable Finance Disclosure Regulation (SFDR), the Taxonomy Regulation and relevant implementing measures, including the relevant provisions in the UCITS and AIFMD implementing acts on the integration of sustainability risks,
 - to assess whether market participants adhere to applicable rules and standards in practice,
 - to gather further information on greenwashing risks in the investment management sector,
 - to identify further relevant supervisory and regulatory intervention to address the issue.
3. In the context of the CSA, CySEC is planning to engage in relevant supervisory actions on samples of Investment Fund Managers. Such actions will allow CySEC to assess compliance regarding the integration of sustainability risks and disclosures.

¹ For the purposes of compliance with the SFDR Regulation (EU) 2019/2088 and the Commission Delegated Regulation (EU) 2022/1288 supplementing the SFDR, the term CAIFM includes Sub-Threshold CAIFMs (refer to relevant Question and Answer in page one(1) of the European Commission document [Q&As related to SFDR Regulation \(EU\) 2019/2088](#))

4. For the purposes of the CSA 2023, the following regulatory framework will be considered ('the Regulatory Framework'):
- [Commission Delegated Regulation 2021/1255 EU](#) amending Delegated Regulation (EU) No 231/2013 as regards the sustainability risks and sustainability factors to be taken into account by Alternative Investment Fund Managers.
 - [Commission Delegated Directive 2021/1270/EU](#) amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS), transposed into National Legislation through an amendment of CySEC [UCITS Directive OΔ78-2012-3Γ](#).
 - [SFDR Regulation \(EU\) 2019/2088](#) of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
 - [Commission Delegated Regulation \(EU\) 2022/1288](#) supplementing the SFDR.
 - [Taxonomy Regulation \(EU\) 2020/852](#) of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.
 - [ESMA Supervisory Briefing on Sustainability risks and disclosures in the area of investment management \(ESMA 34-45-1427\) published on 31 May 2022](#).
5. In addition, below are some EU publications relevant to the Regulatory Framework:
- [Q&As related to SFDR Regulation \(EU\) 2019/2088](#).
 - [Consultation Paper on Guidelines on funds' names using ESG or sustainability-related terms](#) (responses to this consultation can be found [here](#)).
 - [Joint Consultation Paper on the Review of SFDR Delegated Regulation regarding PAI and financial product disclosures](#)

CySEC expects Investment Fund Managers, to adhere to the content of this Circular and get well attained with the content of the Regulatory Framework in order to ensure their compliance with the applicable legal obligations regarding the integration of sustainability risks and disclosures.

Sincerely,

George Karatzias
Vice Chairman
Cyprus Securities and Exchange Commission