
TO : **Regulated Entities:**
i. **Cyprus Investment Firms**
ii. **UCITS Management Companies¹ and Alternative Investment Fund Managers²**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **March 10, 2021**

CIRCULAR NO. : **C431**

SUBJECT : **ESMA launches a Common Supervisory Approach with NCAs on MiFID II Product Governance rules**

1. The Cyprus Securities and Exchange Commission ('the CySEC') wishes, with this circular, to inform the Regulated Entities that the European Securities and Markets Authority ('ESMA') published on February 1, 2021 an announcement regarding the 2021 Common Supervisory Approach ('CSA') on '[MiFID II Product Governance rules](#)'.
2. As per the aforementioned announcement, ESMA is launching the CSA 2021 with national competent authorities (NCAs) on the application of MiFID II product governance rules across the European Union (EU). The CSA will be conducted during 2021.
3. The CSA 2021 will allow ESMA and the NCAs to assess the progress made by manufacturers and distributors of financial products in the application of these key requirements. The CSA will help in the analysis of:
 - how manufacturers ensure that financial products' costs and charges are compatible with the needs, objectives and characteristics of their target market and do not undermine the financial instrument's return expectations;
 - how manufacturers and distributors identify and periodically review the target market and distribution strategy of financial products; and
 - what information is exchanged between manufacturers and distributors and how frequently this is done.
4. In the context of the CSA, CySEC is planning to conduct on-site visits and/or desk based reviews on a sample of Regulated Entities that fall within the scope of the said CSA providing investment services to retail clients. This action will allow CySEC to

¹Management companies when providing services pursuant to section 109(4) of Law 78(I)/2012, as in force.

²AIFMs when providing services pursuant to section 6(6) of Law 56(I)/2013, as in force.

assess how the Regulated Entities apply the MiFID II product governance rules and it will also enhance the protection of investors in line with ESMA's objectives.

5. For the purposes of the CSA 2021, CySEC will consider the following regulatory framework:
 - a. Articles 17 (3) and 25 (2) of Law 87 (I) / 2017
 - b. Part III of Directive DI87-01 of the Cyprus Securities and Exchange Commission
 - c. [Guidelines on MiFID II product governance requirements](#) (ESMA 35-43-620)
 - d. [Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics](#) (ESMA 35-43-349)
 - e. CySEC Circular 236

Therefore, CySEC expects the Regulated Entities to adhere to the content of this Circular as this will form part of CySEC's supervisory review for the purpose of the 2021 CSA.

Sincerely,

Demetra Kalogerou
Chairman Cyprus Securities and Exchange Commission