
TO : **Cyprus Investment Firms**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **July 9, 2024**

CIRCULAR NO. : **C651**

SUBJECT : **Thematic Review on the handling of clients' uninvested funds by CIFs**

The Cyprus Securities and Exchange Commission ('the CySEC') hereby informs the Cyprus Investment Firms ('CIFs') that is launching a thematic review regarding the handling of uninvested funds held by CIFs on behalf of their (potential) clients, including the payment of interest or returns on these uninvested funds ('the Exercise').

The aim of the Exercise is to assess the processes followed by CIFs in the abovementioned activity to ensure compliance with relevant regulatory requirements.

The Exercise will cover, among other aspects:

1. The methods and arrangements CIFs employ in this activity.
2. The information provided to clients, including the terms of the agreement signed between the parties.
3. The controls CIFs implement to ensure adherence to all relevant regulatory requirements, including those pertaining to marketing communications. These include the requirements laid down in articles 5(5), 17(2), 17(4), 17(9), 25(1) and 25(3) of Law 87(I)/2017, as well as articles 21, 44, 46(5) and 49 of MiFID II Delegated Regulation 565.

CySEC believes that this initiative will not only ensure compliance with Law 87(I)/2017 but also enhance the protection of investors' interests, in alignment with CySEC's objectives.

Next steps

Through this circular, CySEC announces the commencement of the Exercise, which will be conducted via a desk-based review method on a sample of CIFs. In the coming days, CySEC intends to send a relevant questionnaire to selected CIFs. These firms will be required to complete and return the questionnaire to CySEC within a specified timeframe, accompanied by supporting documents.

Upon completion of the Exercise, CySEC will issue a relevant circular detailing its findings.

Sincerely,

George Theocharides
Chairman
Cyprus Securities and Exchange Commission