

**TO : Regulated Entities:**

- i. Alternative Investment Fund Managers ('AIFMS')**
- ii. Internally Managed Alternative Investment Funds**
- iii. UCITS Management Companies**
- iv. Internally Managed UCITS**
- v. Internally Managed Alternative Investment Funds with Limited Number of Persons ('AIFLNP')**
- vi. Companies with sole purpose the management of AIFLNPs**
- vii. Small AIFMs**

**FROM : Cyprus Securities and Exchange Commission**

**DATE : 24 January 2024**

**CIRCULAR No : C617**

**SUBJECT : Recommendation 2022/9 of the European Systemic Risk Board (ESRB) on the vulnerabilities in the commercial real estate sector in the European Economic Area**

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**A.** The Cyprus Securities and Exchange Commission (the 'CySEC') wishes with this circular, to inform the Regulated Entities that the ESRB issued on 1 December 2022 the [Recommendation ESRB/2022/9](#) on the vulnerabilities in the commercial real estate sector in the European Economic Area (the 'Recommendation'). More specifically, the Recommendation:

- 1.** Is addressed to the European Union and EEA countries' national supervisory authorities in the banking and non-banking financial sectors as they can contribute to the resilience of the EEA's financial sector by monitoring, identifying, and addressing CRE-related vulnerabilities of the institutions under their remit, in close collaboration with each other. Monitoring the vulnerabilities related to the CRE sector is key to identifying potential risks to financial stability and to assessing possible responses to address these risks.
- 2.** States that the investment fund sector relevant authorities should:
  - (a) identify investment funds in their respective jurisdiction that have particularly large exposures to CRE markets;
  - (b) monitor and assess their current state of preparedness for an unexpected increase in redemptions and/or an increase in valuation uncertainty;

- (c) form a view as to how these investment funds might respond to potential future adverse shocks in the short term, including which liquidity management tools have been activated and how they have been used as well as the size of redemption requests and how the investment funds identified have responded to these requests.
3. States that where CRE-related exposures held by investment funds are material, supervisory authorities, promote the resilience of investment funds authorised in the respective EEA countries and mitigate vulnerabilities in the CRE sector as a source of risk to financial stability by considering measures that could potentially include:
- (a) an assessment of the risks arising from liquidity mismatch in the investment fund sector with respect to CRE market investment and lending; requiring, where appropriate and available, the use of appropriate liquidity management tools to ensure sound liquidity management for safeguarding financial stability and ensuring structural alignment between fund redemption terms and liquidity of underlying assets;
- (b) an assessment of the risks arising from leverage in the investment fund sector with respect to CRE investment and lending, in particular, by using, where appropriate, leverage limits for investment funds investing in CRE markets in accordance with Article 25 of Directive 2011/61/EU;
4. Concerns the entities as defined as per Article 4, paragraph 1, item (a) of Directive 2011/61/EU - **Alternative Investment Fund Managers (AIFMs)**, and collective investment undertakings as defined in Article 1, paragraph 2 of Directive 2009/65/EC - **Undertakings for Collective Investment in Transferable Securities (UCITS)**.

**CySEC, after taking into consideration all the above-mentioned, decided to adopt the Recommendation.**

## **B. Reporting Requirements**

### **1. Information Requested by CySEC**

**All Regulated Entities must complete and submit [Form CRE - IF](#) (the “Form”) to CySEC for each authorized/registered with CySEC sub-fund (in the case of an umbrella fund) or fund (for single scheme funds) under their management which has been authorized/registered until 30 June 2023. It is important to note that Regulated Entities must complete a separate Form for different sub-funds/funds.**

**CySEC will share this information with Central Bank of Cyprus which is the designated national macroprudential authority of the Republic of Cyprus.**

## 2. General Comments for the Form

### (a) Information to be collected:

- Total exposures Indicators – Stock (Template 1)
- Breakdown of exposures indicators – Stock (Template 2)
- Lending Standards indicators – Stock (Template 3)
- Total exposures indicators – Flows (Template 4)
- Breakdown of exposures indicators – Flows (Template 5)
- Lending standards indicators – Flows (Template 6)

### (b) Reporting Reference Dates/Periods:

- Stock Information should relate to balances as at 30.06.2023.
- Flows Information should relate to the transactions/flows in the period 01.01.2023 – 30.06.2023.

### (c) Instructions on the completion of the Form can be found in Section 'Instructions' of the Form.

### (d) Before submitting the Form, please ensure that cell D23 of Section 'Index' is "0".

## 3. Deadline for the submission of the Form

The Form must be successfully submitted electronically, via the CySEC's Transaction Reporting System ('TRS') **by Friday, February 23, 2024, the latest.**

CySEC wishes to emphasise the importance of meeting the deadline set, for successful submission of the Form.

**CySEC will not send any reminders to those who fail to submit the abovementioned form within the deadline. Failure to promptly and duly comply with the abovementioned reporting requirement, may result in the imposition of an administrative fine pursuant to section 37(5) of the CySEC Law.**

For future submissions, CySEC will notify the Regulated Entities about the frequency and the reporting periods and dates in due course.

## 4. Method of creating and submitting the Form to the CySEC

- a) The steps that the Regulated Entities will have to follow, for the successful submission of the Form to the TRS, can be found [here](#). Upon submission, the Regulated Entities are responsible to ensure that they have received a **feedback**

**file**, i.e. an official submission confirmation dispatched by the TRS, in the Outgoing directory.

The feedback file will either contain a NO ERROR indication or, in case that an error(s) has occurred during submission, the description of that error(s). In case of any errors detected during submission of the Form, Regulated Entities must review the Form and ensure that all errors, are addressed and corrected, before they re-submit the Form. **The Form is regarded as being successfully submitted to CySEC, only when a NO ERROR indication feedback file is received.**

- b) After populating the required Excel fields in the Form, Regulated Entities should name their Excel file in accordance to the following naming convention:

The filename should have the following format:

[ReferenceDate]\_[OrgShortName]\_[SubmissionBasis]\_[FlowName]\_[SubmissionDate]\_[SubmissionTime]\_[SubmissionNumber].xlsx

where,

[ReferenceDate]: this denotes the end of the reporting period of the Form. In this case, the Form should have a 20230630 format. Future forms will have different reporting periods.

[OrgShortName]: this is the TRS code of the sub-fund/fund (whatever is applicable) and should be the same as in the cell D10 of Section Index of the Form.

[SubmissionBasis]: Should be empty

[FlowName]: *CRE-IF* – this is the coding of the Form that it remains unchanged and should be inserted exactly as it appears

[SubmissionDate]: this is the date of submission and should be of the format yyyyMMdd.

[SubmissionTime]: this is the time of the submission and should be of the format HHmm.

[SubmissionNumber]: this should have value 0 (zero).

An example filename:

20230630\_AIF1\_\_CRE-IF\_20231213\_1520\_0.xlsx

## 5. Support

### (a) Queries on how to complete the fields of the Form

If you have any queries on the completion of the Form, please submit them only in writing any day **PRIOR to Tuesday, February 20, 2024**, by sending an email to the address [riskstatistics.fundmgrs@cysec.gov.cy](mailto:riskstatistics.fundmgrs@cysec.gov.cy).

**(b) Technical Queries on submitting the Form**

For technical matters on submitting the Form, and any further clarifications, Regulated Entities are requested to use the electronic address [information.technology@cysec.gov.cy](mailto:information.technology@cysec.gov.cy).

All email communication should include in the subject, the Entity's full name and the TRS coding.

Yours sincerely

George Karatzias  
Vice Chairman  
Cyprus Securities and Exchange Commission