
TO : **Regulated Entities:**
i. **Cyprus Investment Firms**
ii. **UCITS Management Companies and Alternative Investment Fund Managers**¹

FROM : **Cyprus Securities and Exchange Commission**

DATE : **March 06, 2020**

CIRCULAR NO. : **C359**

SUBJECT : **ESMA launches a Common Supervisory Approach with NCAs on MiFID II Suitability 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 5, 2020 an announcement regarding the 2020 Common Supervisory Approach ('CSA') on '[MiFID II suitability requirements](#)'.
2. ESMA is launching the CSA 2020 with national competent authorities (NCAs) on the application of MiFID II suitability rules across the European Union (EU). The CSA will be conducted during 2020.
3. The CSA 2020 will focus on the application on the assessment of suitability as performed by the relevant entities and, where applicable, by their branches in host Member States².
4. In the context of the CSA, CySEC is planning to conduct on-site visits and desk based reviews on a sample of Regulated Entities that provide the Investment Services of Investment Advice and/or Portfolio Management. This action will allow CySEC to assess how the Regulated Entities apply the MiFID II suitability requirements and it will also help in the analysis of whether, and how, the costs of investment products are taken into account by the Regulated Entities when recommending an investment product to a client and/or when providing portfolio management services.
5. For the purposes of the CSA 2020, CySEC will consider the following documents:

¹This circular is also addressed to UCITS Management Companies and Alternative Investment Fund Managers when providing the investment services of individual portfolio management and/or investment advice.

² The branches established by CIFs in other EU Member States, for the purpose of the CSA, are subject to the supervision of the competent authorities of the host Member States.

- a. [Guidelines on certain aspects of the MiFID II suitability requirements](#) (ESMA 35-43-869)
 - b. [MiFID II Supervisory briefing on suitability](#) (ESMA35-43-1206)
6. The abovementioned documents have been published by ESMA in 2018 and CIFs were informed accordingly through the following CySEC Circulars:
- a. Circular C290 [‘Guidelines on certain aspects of the MiFID II suitability requirements \(ESMA35-43-116\)’](#)
 - b. Circular C311 [‘ESMA’s MiFID II supervisory briefing on a\) appropriateness and execution only, and b\) suitability’](#)

Therefore, CySEC wishes to remind Regulated Entities of the content of the said Circulars and to urge them to ensure that they fully comply with the MiFID II suitability requirements.

Sincerely,

Demetra Kalogerou
Chairman Cyprus Securities and Exchange Commission