

Press Release

CySEC sends warnings to Board Members of CIFs

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Nicosia, 23 October 2023 - The Cyprus Securities and Exchange Commission (CySEC) has warned Board Members of Cyprus investment Firms (CIFs) of their role and responsibility to “enhance their performance and promote a culture of integrity and high ethical standards” following supervisory actions that exposed gaps in compliance. CySEC has already issued a series of warnings to the industry following the introduction of stricter supervision measures.

The Chairman of CySEC Dr George Theocharides, stressed there would be no tolerance for CIFs that do not comply with the regulatory framework. “Cyprus is open for business, but only to the ones that take into consideration the best interest of their clients by fulfilling at all times their regulatory requirements. This is the basis for a healthy, strong market, with new products and services deploying financial technology and innovation.” he said.

Dr Theocharides’ remarks came as he set out CySEC’s expectations and the current regulatory environment in Europe, at online workshops for CIFs Board Members, highlighting regulatory compliance and investor protection.

Outlining actions by the European Securities and Markets Authority (ESMA) and CySEC to further strengthen the supervision of cross-border retail financial services, he said: “There are a lot more restrictions on the way and only firms with a strong compliance culture will be able to survive within this intense regulatory environment.”

Dr Theocharides also added “CySEC takes any misconduct by supervised entities seriously and firmly believes that through intense supervision and continuous monitoring, investors’ protection and market integrity will be enhanced. To this end, CySEC is determined to bring non-compliant operations to a halt.”

He also added that the provision of cross border services, especially the high-risk products offered to retail clients, continue to pose significant investor protection concerns. The fast-paced developments in the digitalisation of financial services and the increasing use of social media to promote investments provide retail investors with easy access to financial products that can exhibit diverse risk profiles and are not always fully understood by all retail investors.

Enhanced supervision and fines

Over the last three years CySEC has imposed fines amounting to €5,3 million against CIFs for infringements of the Investment Services and Activities and Regulated Markets Law of 2017, including a million euros fine against one firm alone.

CySEC is also investing in human resources and new supervisory systems that strengthen CySEC's supervisory infrastructure and enhance its overall efficiency and effectiveness. A key acquisition is a specialised system that analyses and monitors the online marketing materials and social media activities of CIFs. CySEC has also placed financial literacy and promoting awareness of investor education among its key strategic objectives.

Stricter enforcement and supervision measures introduced by CySEC include potential personal liability for the key persons found responsible for the CIF's non-compliance, and there are currently several administrative procedures against natural persons. CySEC has also moved to reject applications for acquiring a CIFs licence, withdraw licences, and suspended licenses until specific actions were taken to remediate weaknesses or omissions identified during supervisory checks.

Supervisory reviews

In line with its annual Supervisory Action Plan, CySEC conducted desk-based and thematic reviews of CIFs, and carried out on-site inspections, while its AML/CFT Department carried out further checks to evaluate the adequacy of specific measures and procedures implemented by supervised entities. The checks included reviewing compliance reports and internal audits.

Dr Theodorides told the Board members "We urge you to consider the issues raised today regarding your responsibilities as members of the Boards of CIFs and take immediate actions to ensure that you respond and fulfill your duties. There is no more tolerance and/or grace period for firms with non-compliance behaviour."

"The exercise of effective supervision and further enhancement of a strong compliance function within supervised entities is one of CySEC's utmost objectives.", added.

CySEC currently supervises 838 entities out of which 250 are Investment Firms (2023), compared to 248 in 2022 and 243 in 2021. From these, 159 firms provide forex products (CFDs) for retail investors and 90 firms offer traditional products.

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