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**TO** : **Regulated Entities**  
i. **Cyprus Investment Firms (CIFs)**  
ii. **UCITS Management Companies<sup>1</sup> ('UCITS MC')**  
iii. **Alternative Investment Fund Managers<sup>2</sup> (AIFMs)**

**FROM** : **Cyprus Securities and Exchange Commission**

**DATE** : **October 12, 2023**

**CIRCULAR No.** : **C603**

**SUBJECT** : **ESMA Guidelines on MiFID II product governance requirements (ESMA35-43-3448)**

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1. The Cyprus Securities and Exchange Commission (the 'CySEC') wishes to inform the Regulated Entities that the European Securities and Markets Authority (ESMA) published the Guidelines on MiFID II product governance requirements (the '[Guidelines](#)') on August 3, 2023, translated in all official languages of the EU.
2. The Guidelines apply to Firms<sup>3</sup> and to competent authorities.
3. The Guidelines apply in relation to the manufacturing or distribution of financial instruments and structured deposits. In particular, the Guidelines apply in relation to the following requirements:
  - ii. Article 9(3) of Directive 2014/65/EU1 (MiFID II);
  - ii. Article 16(3) and 16(6) of MiFID II;
  - iii. Article 24(1) and 24(2) of MiFID II;

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<sup>1</sup> As defined in Article 2(1)(b) of UCITS Directive (Directive 2009/65/EC), when providing the investment services of individual portfolio management or non-core services [within the meaning of Article 6(3)(a) and (b)(i) of UCITS Directive].

<sup>2</sup> As defined in Article 5(1)(a) of the AIFMD (Directive 2011/61/EU), when providing the investment services of individual portfolio management or non-core services [within the meaning of Article 6(4)(a) and (b)(i) of the AIFMD].

<sup>3</sup> The term 'Firms' includes the investment firms (as defined in Article 4(1)(1) of MiFID II) and credit institutions (as defined in Article 4(1)(27) of MiFID II) when providing investment services and activities (as defined in Article 4(1)(2) of MiFID II), investment firms and credit institutions when selling or advising clients in relation to structured deposits, UCITS management companies (as defined in Article 2(1)(b) of UCITS Directive) and external Alternative Investment Fund Managers (AIFMs) (as defined in Article 5(1)(a) of the AIFMD) when providing the investment services of individual portfolio management or non-core services (within the meaning of Article 6(3)(a) and (b) of the UCITS Directive and Article 6(4)(a) and (b) of the AIFMD), in each case excluding where financial instruments are marketed or distributed exclusively to eligible counterparties (in accordance with the exemption in Article 16a of MiFID II).

- iv. Articles 9 and 10 of the Commission Delegated Directive (EU) 2017/5932 (MiFID II Delegated Directive).
4. The Guidelines are based on Article 16(1) of the ESMA Regulation. The purpose of the Guidelines is to establish consistent, efficient and effective supervisory practices within the European System of Financial Supervision and to ensure the common, uniform and consistent application of the MiFID II requirements on product governance. In complying with these guidelines, ESMA anticipates a corresponding strengthening of investor protection.
  5. CySEC has adopted the Guidelines by incorporating them into its supervisory practices and regulatory approach.
  6. The Guidelines apply as from two months from the date of publication of the Guidelines on ESMS's website on all EU official languages (i.e. from 3 October 2023).
  7. The Regulated Entities are urged to read the Guidelines carefully and apply them where and when required.

Yours sincerely,

Dr. George Theocharides  
Chairman, Cyprus Securities and Exchange Commission