
TO : **Cyprus Investment Firms (CIFs)**
FROM : **Cyprus Securities and Exchange Commission**
DATE : **June 28, 2019**
CIRCULAR No : **C323**
FILE No : **E.K. 02.03.001, E.K. 01.03.004 and E.K. 01.13.001.002.002**
SUBJECT : **Risk Based Supervision Framework ('RBS-F') – Electronic submission of information for the year 2018**

The present Circular is issued pursuant to section 25(1)(c)(ii) & (iii) of the Cyprus Securities and Exchange Commission Law ('the CySEC Law').

The Cyprus Securities and Exchange Commission ('the CySEC') wishes to inform CIFs about the following:

1. Information requested by CySEC

- 1.1. A new version of the form, **RBSF-CIF Version 2** ('the Form'), found in the [Appendix](#), is issued for the collection of various statistical information, on an annual basis. CySEC will use this information for the purposes of conducting statistical analyses, risk management and other purposes.
- 1.2. The Form must be completed and submitted to CySEC by **all CIFs that were authorised by December 31, 2018**. In this respect, CIFs that were authorised by December 31, 2018, but have not made use of their authorisation **must also submit the Form**.
- 1.3. The Form must be submitted electronically via the CySEC's Transaction Reporting System ('TRS') **by Thursday, July 18, 2019, at the latest**.
- 1.4. The steps that CIFs will have to follow for the successful submission of the Form to the TRS can be found [here](#). Upon submission, CIFs 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.
- 1.5. 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, CIFs must review the Form and ensure that all errors are addressed and corrected, before they digitally sign (only applicable for the Excel Files) and re-submit the Form. **The Form is regarded as being successfully submitted to CySEC only when a NO ERROR indication feedback file is received**. This feedback file is dispatched during CySEC regular hours only.

1.6. CySEC emphasises the importance of meeting the deadline of **Thursday, July 18, 2019** and stresses that **NO extension will be granted.**

1.7. **Failure to promptly and duly comply with the above will bear the administrative penalties of section 37(5) of the CySEC Law.**

2. **Changes to the Form according to ESAs Risk-Based Supervision Guidelines and AML 4th Directive**

This version of the Form has taken into consideration the provisions of the Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA, 'ESAs') published, on the 7th of April 2017, the guidelines on the characteristics of a risk-based approach to anti-money laundering and countering terrorist financing ('AML/CFT') supervision and the steps to be taken when conducting supervision on a risk-sensitive basis ('**The Risk-Based Supervision Guidelines**'). Further information regarding the Risk-Based Supervision Guidelines can be found in [Circular 252](#), dated December 21, 2017.

The Risk-Based Supervision Guidelines, Law 13(I)/2018 and the relevant Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2018 can be found on CySEC's website:

<https://www.cysec.gov.cy/en-GB/legislation/financial-crimes/>

2.1. **Section B – Clientele**

Section B now includes a revised set of **categories concerning High Risk customers**, which is defined as follows:

- Customers that are Politically Exposed Persons (PEPs), as per Article 64(1)(c) of the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2018 ('the AML Laws of 2007-2018').
- Customers that are established in European Commission High Risk Third Countries, as per Article 64(1)(a) of the AML Laws of 2007-2018.
- Customers that have complex and unusually large transactions, or unusual patterns of transactions, that have no obvious economic or lawful purpose, as per Article 64(4) of the AML Laws of 2007-2018.
- Other high risk customers, who are defined as high risk as per CIF's assessment and do not fall under any of the above three high-risk categories, as per Article 64(3) of the AML Laws of 2007-2018.

2.2. **Section K: Products, Services and Transactions**

A new section, Section K – Products, Services and Transactions, was included in the Form, containing a number of questions regarding the assessment of CIFs' **products/services transparency and complexity.**

2.3. Section L: Countries and Geographical Areas

A new section, Section L – Countries and Geographical Areas, was included in the Form containing a number of questions regarding the assessment of CIFs' **countries and geographical areas of**:

- CIFs' Customers or Customers' Beneficial Owners (BOs, for legal entities).
- CIFs' BOs, parent or subsidiary companies, branches or representative offices.
- Other Third Parties that the CIF has relationships/collaborations.

3. Other Changes

3.1. Changes related to Section B (Clientele) – Definition of Clients

For the purposes of the Form the terms "customers" and "clients" are used interchangeably.

Under the new definition, CIFs must report and analyse the total number of customers as at the reference date, by referring to Article 2 of the Prevention and Suppression of Money Laundering and Terrorist Financing Laws of 2007-2018 ('the AML Laws of 2007-2018') and specifically the definition given for "customer" and "business relationship".

3.2. Changes related to Section B & E (Volume of Transactions)

All CIFs are required to report Clients' Volume of Transactions, if they are authorised with any of the following services according to Part I, First Appendix Law 87(I)/2017:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Portfolio management;

In this respect, CIFs that provide only one of the above services, must also complete and report the respective volume of transactions in Section F of the Form.

3.3. One Section is deleted

Section K used in Version 1 (Quarterly Statistics Comparison) is deleted.

4. General Comments for the Form

- 4.1. The Form will be available **only** in the **English language**.
- 4.2. Reporting entities are required to report data in **Euro**, rounded to the nearest unit.
- 4.3. Please always ensure that you have the latest version of the Form, i.e. **Version 2**.

- 4.4. Instructions on the completion of the Form can be found in the 'Instructions' Worksheet of the Form.
- 4.5. Before submitting the Form, please ensure that all validation tests that are contained in the Form (Sections A, B, C, D, E, F, G, H, I, J, K, L) at the bottom of the page and Validation Tests Worksheet) are **TRUE** (Green Colour).

5. Method of creating, signing and submitting the Form to the CySEC

After populating the required Excel fields in the Form found in the [Appendix](#), the CIFs should name their Excel file in accordance to the following naming convention:

Username_yyyymmdd_RBSF-CIF

The information below explains the naming convention:

- (1) **Username** – is the username of the TRS credentials which should already be in the possession of the CIFs that have previously submitted any electronic file to the TRS system. This codification should be entered in capital letters.
For CIFs that have not previously requested the TRS credentials they can do so by referring [here](#) where further information are provided about TRS.
- (2) **yyymmdd** – this denotes the end of the reporting period of the Form. In this case the Form should have a 20181231 format. Future forms will have different reporting periods.
- (3) **RBSF-CIF** – this is the coding of the Form RBSF-CIF that it remains unchanged and should be inserted exactly as it appears.
- (4) **The Excel® must be of 2007 version and onwards.** Excel will add the extension .xlsx as soon as it is saved. This extension should not under any circumstances be inserted manually.

6. Support

6.1. Queries on how to complete the fields

Should you have any queries on the completion of Form RBSF-CIF, please submit them **only** in writing, any day **PRIOR to Friday, July 12, 2019**, by sending an email to the address riskstatistics.cifs@cysec.gov.cy

6.2. Technical Queries on digitally signing and submitting the Form

For technical matters on digitally signing and submitting the CIFs are advised to frequently visit the CySEC's specified [section](#). For further clarifications, the CIFs are asked to use the electronic address information.technology@cysec.gov.cy.

All email communication with CySEC should include, in the subject, the CIFs full name and the TRS coding.

Yours sincerely,

Demetra Kalogerou
Chairman, Cyprus Securities and Exchange Commission