Asset Management and Investment Funds newsletter

February 2021

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A. Cyprus Updates

Welcome to the third issue of our newsletter with all the latest news in the asset management industry for the period July-December 2020 in Cyprus and Europe.

At any time you may unsubscribe from our newsletter by clicking the "opt out" link at the bottom of our emails. We welcome any feedback or comments you may have regarding our newsletter and look forward to sharing exciting information with you.

1. Cysec press release 17 september 2020 for the establishment and operations of mini managers

Following the enactment of the Mini-Manager Law 81(I)/2020 (the "Law"), Cyprus Investment Firms (CIFs) that have already been approved by CySEC to provide management operations to Alternative Investment Funds are subject to transitional provisions. CIFs must adapt their operations to comply with the provisions of the Law and update CySEC accordingly by submitting a certification by its Board of Directors Members, within nine months from the date that the Law came into effect (i.e. by 03 April 2021).

2.Council of ministers appoints the registrar of companies to maintain the register of ubos

In view of the transposition of the 4th EU AML Directive (EU 2015/849) into national law (Section 61A(4) of L.188(I)/2007), the Cyprus Council of Ministers on 16/12/2020, resolved to appoint the Registrar of Companies and Official Receiver as the competent authority to maintain a centralised register of Ultimate Beneficial Owners ("UBO") of companies and other legal entities incorporated within Cyprus territory, which must include adequate, accurate and current information on their beneficial ownership. The collection of UBO information will commence on 22/02/2021 and must be fully complied with by 23/08/2021.

Further information can be found on the relevant announcement of the Registrar revised on 15.01.2021 which can be accessed here.

3. Brexit impact on cyprus alternative investment fund managers ("aifms") and ucits management companies("mancos").

As of 1st January 2021, EU firms lost their passport rights into the UK.

Currently there is no agreement in place dealing with the cross-border provision of services after Brexit, and therefore, the UK will be considered as a third country (meaning it is outside the EU).

Some practical examples that follow Brexit:

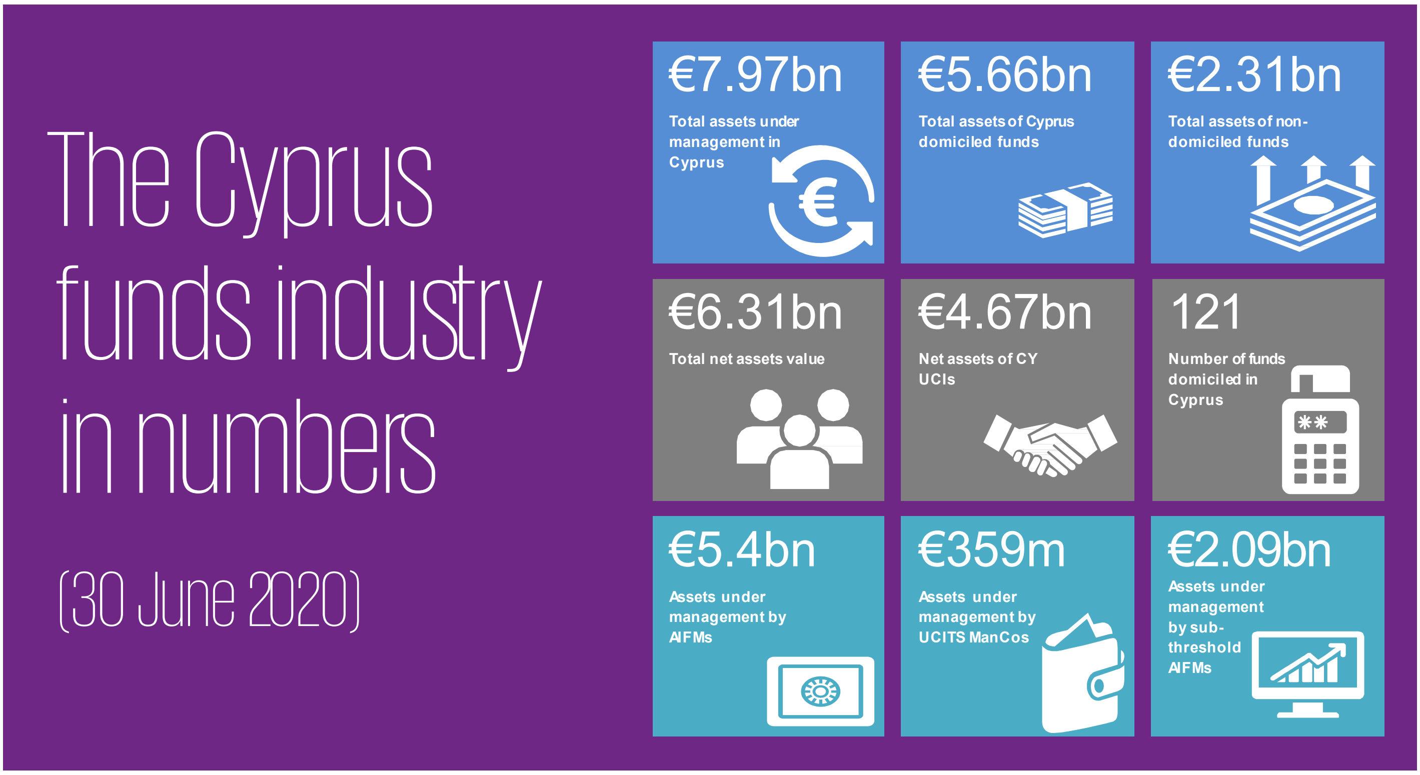
- Marketing by full-scope EU AIFMs in the UK: Full-scope Cyprus AIFMs are no longer permitted to market their funds in the UK under the AIFMD marketing passport. Unless they have obtained transitional relief to continue to market existing funds already approved for marketing under the UK's Temporary Permissions Regime ("TPR"), they would need to obtain approval for fund marketing under the UK's National private placement (NPPR) regime. The TPR shall apply until 31 March 2022.
- Marketing by sub-threshold EU AIFMs in the UK: Sub-threshold Cyprus AIFMs will be able to market in the UK via the UK NPPR regime.
- Management by a Cyprus AIFM of a UK AIF which is not marketed in the EU: the Cyprus AIFM must comply with AIFMD other than the rules on depositaries and annual reports and a co-operation agreement must be in place under Article 34 of AIFMD.

- Management by a Cyprus AIFM of a UK AIF which is marketed in an EU Member State: under Article 36 of AIFMD, this will be subject to the relevant NPPR.
- Delegation of portfolio, risk or investment management: Delegation of certain functions such as portfolio management or risk management (or investment management for a UCITS/AIF) can be made to a UK entity (as a third country firm) only where there is a cooperation agreement between the competent authority of the ManCo's or AIFM's home Member State and the FCA.

The FCA confirmed on 17 July 2020, that the Memoranda of Understanding covering cooperation and exchange of information, which it had reached with ESMA in February 2019 remain relevant.

4. CySEC quarterly statistics

Based on the latest available statistics for the 2nd quarter of 2020 the Total Assets Under Management (AUM) for the 2nd quarter of 2020 reached €7.97 billion, recording a 3.7% decrease compared to the 4th quarter of 2019 and 5.3% increase since the 1st quarter of 2020 and the UCIs, managed by the Management Companies had a Net Asset Value (NAV) of €6.3 billion. Approximately 67.8% of the AUM relate to Assets managed by the AIFMs, 24.4% by the Sub-threshold AIFMs, 4.5% by the UCITS Management Companies, 2% by the CIFs and only 1.3% by the Regulated UCIs that are managed by Foreign Fund Managers.



B. European updates

5. European securities and markets authority (esma)

5.1 Esma annual statistics issued on january

ESMA has not yet published its third statistical report on European Union (EU) Alternative Investment Funds (AIF) for the year 2020.

5.2 Esma updates guidelines on stress tests for money market funds

On December 2020 ESMA published a report containing the 2020 update of the guidelines on MMF liquidity stress tests under the Money Market Funds Regulation (MMFR). The updates take account of MMFs recent experience during March 2020, particularly in relation to redemption scenarios.

The Guidelines will now be translated into the official EU languages and subsequently published on ESMA's website. They will become applicable two months after the publication of the translations.

The new 2020 parameters set out in the updated guidelines will have to be used for the purpose of the first reporting period following the start of the application of the updated guidelines. These guidelines shall be updated at least every year considering the latest market developments.

The new guidelines are found here.

5.3 Statistical report on eu securities markets

ESMA has published on 18 November 2020 its first statistical report on European Union securities markets , to be published in the future on an annual basis. The Report uses new regulatory data sources to give, for the first time, a comprehensive overview of European equity and bond markets in 2019, including the number, characteristics, volumes traded and transparency data on the equity and bond instruments subject to MiFID II.

The statistical report can be found here.

5.4 Esma publishes q3 risk dashboard highlighting potential for sudden reversal in investors' risk assessment

On 11 November 2020 ESMA published its second risk dashboard for 2020, which notes the continued risk of decoupling between asset valuations and economic fundamentals. ESMA notes that during Q3 EU financial markets had continued their recovery. However, there are increasing signs of strong geographical and sectorial differentiation in equity market valuations, with fixed income markets seeing large-scale valuation increases across various segments such as emerging markets, investment grade and high yield. Further, credit rating downgrades have slowed in Q3, and investment funds recorded inflows across asset classes, especially for bond funds. Taken together, ESMA considers that these developments highlight the ongoing risk of decoupling between asset valuations and economic fundamentals.

ESMA considers that the potential for a sudden reversal in investors' risk assessment is the key risk for EU financial markets at present, and thus maintains its "very high risk" market assessment for the risks within its overall remit. Further, ESMA predicts a prolonged period of risk to institutional and retail investors of further, and possibly significant, market corrections. To the extent that such risks might materialise, ESMA considers that this will depend on three drivers, namely: the economic impact of the pandemic; market expectations on monetary and fiscal support measure; and any occurrence of additional relevant events in an already fragile global environment.

The full report can be found here.

5.5 Consultation paper on firms' disclosure obligations on environmentally sustainable activities

ESMA has published on 5 November 2020 its Consultation Paper containing ESMA's draft advice to the European Commission on Article 8 of the Taxonomy Regulation. Article 8 obliges undertakings covered by the Non-Financial Reporting Directive ('NFRD') to publish information on how and to what extent their activities are associated with economic activities that qualify as environmentally sustainable under the Regulation.

The Consultation paper specifies the content, methodology and presentation of the key performance indicators (KPIs) that non-financial undertakings and asset managers are required to disclose. It proposes a KPI calculation model that is based on eligible investments aligned to the taxonomy, together with advice on how the KPI should be both calculated and presented to allow uniform disclosure on how the activities concerned are directed at funding environmentally sustainable economic activities.

The consultation closed on 4 December 2020 and ESMA will deliver its final advice to the European Commission by 28 February 2021.

The Consultation Paper can be found here.

B. European updates (cont.)

5.6 Esma consults on guidance for funds' marketing communications

ESMA launches a consultation on guidelines on marketing communications under the Regulation on facilitating cross-border distribution of collective investment undertakings.

The purpose of the draft guidelines is to specify the requirements for marketing communications sent to investors in order to promote UCITS and AIFs, including EuSEFs, EuVECAs and ELTIFs. These requirements are that the material shall:

- be identifiable as marketing material;
- describe the risks and rewards of purchasing units or shares of an AIF or units of a UCITS in an equally prominent manner; and
- contain information which is fair, clear and not misleading.

The guidelines take into account the on-line aspects of marketing communications.

ESMA invited feedback from interested stakeholders on the proposed guidelines by 8 February 2021 and will consider this feedback with a view to issue final guidelines by 2 August 2021.

The Consultation can be found here.

5.7 Esma work programme

ESMA has published on 2 October 2020 its 2021 Work Programme (WP), setting out its priorities and areas of focus for the next 12 months in support of its mission to enhance investor protection and promote stable and orderly financial markets.

The work programme can be found here.

5.8 Esma responds to eu green bond standard consultation

ESMA on the 23 September 2020 has responded to the European Commission's targeted consultation on the establishment of the EU green bond standard (GBS). ESMA highlighted the following:

- The success of the EU GBS will, to a large extent, be determined by whether it is seen as a reliable indicator of investment in sustainable economic activities. In order to ensure reliability and alignment with the Taxonomy, the GBS will require external reviewers conducting rigorous assessments of an issuer's green bond framework;
- The best way of ensuring high quality assessments is to introduce a formal EU registration and supervision regime of these external reviewers. This will ensure that the entities conducting such assessments have adequate resources, are using robust methodologies and have measures in place to protect against conflicts of interest;
- It is important to ensure that the final regime will not result in market concentration of external reviewers which may disadvantage issuers, especially SMEs, as well as smaller external reviewers, while still ensuring that the market develops in a properly regulated and supervised way at EU level; and
- It supports the development of a social EU Taxonomy as a prerequisite for reliable standards for social bonds

The response can be found here

5.9 Esma recommends priority topics in aifmd review

ESMA has written to the European Commission on the 18 August 2020 highlighting areas to consider during the forthcoming review of the Alternative Investment Fund Managers Directive (AIFMD).

AIFMD has provided a successful framework for alternative funds in Europe since 2011. However, ESMA and national competent authorities have through the years gathered experience with the framework and have identified areas that could be improved in the legislation to enhance the supervision of alternative fund managers in Europe. ESMA has also learned from its role in the reporting framework under AIFMD where improvements could be made.

ESMA's letter includes recommendations for changes in 19 areas including:

- Harmonisation of the AIFMD and UCITS regimes through more granular rules for UCITS and harmonised UCITS reporting;
- Harmonisation of the scope of additional MiFID services and application of rules;
- Additional legislative clarifications in the AIFMD and UCITS frameworks with respect to delegation and substance requirements;
- Liquidity management tools governed through a common EU framework;
- Leverage and the need to amend the current reporting of the gross method calculation; and
- Harmonisation of supervision of cross-border

B. European updates (cont.)

entities, particularly with respect to cross-border marketing, management and delegation.

- The review of AIFMD provides the EU with an opportunity to apply these lessons learned. Policy enhancements are proposed in Annex I to the letter and reporting recommendations are made in Annex II. Many of the recommendations made also require consideration of changes to the UCITS legislative framework.
- ESMA encourages the Commission to support the areas identified in the letter in order to improve the effectiveness and soundness of the AIFMD.

ESMA recommendations can be found here.

5.10 Esma responds to european commission consultation on renewed sustainable finance strategy

ESMA has submitted on the 15 July 2020 a response to the European Commission's consultation on the renewed sustainable finance strategy. The response covers a broad range of topics from strengthening the foundations for sustainable finance, increasing opportunities for citizens, financial institutions and corporates to have a positive impact on sustainability, to managing and reducing risks relating to environmental, social and governance (ESG) factors.

In ESMA's view, the future strategy on sustainable finance should aim to set up a robust and proportionate European regulatory framework that adequately supports the shift towards a more sustainable financial system. ESMA believes that facilitating access to sustainability data would constitute an essential contribution to putting sustainability at the forefront of the financial sector.

In its response to the consultation, ESMA focused on the following aspects:

- ESG disclosures – currently there is a lack of a standardised disclosure regime for issuers relating to sustainability reporting. ESMA has brought this point to the EC's attention in response to the NFRD consultation in June 2020, and notified its readiness to assist the EC regarding standard setting in this area;
- ESG ratings – the lack of a legally binding definition and comparability among providers and no legal requirements to ensure transparency of underlying methodologies;
- ESG benchmarks – the growing need in Europe for methodologically robust and reliable ESG benchmarks which encompass the entire ESG spectrum, including social and governance aspects;
- EU green bonds – the establishment of supervision of third-party verifiers of green bond standards at the European level; and
- Ecolabels for retail sustainable financial products – the effects of eco-labelling of products and whether broadening the scope of ecolabels to a wider range of financial products is necessary.

The Chairs of the European Supervisory Authorities (ESMA, the European Banking Authority and the European Insurance and Occupational Pensions Authority) have submitted a joint letter to the EC highlighting common main messages which are of particular importance for Europe's strategy in the area of sustainable finance.

5.11 Esma publishes report highlighting priority areas for ucits and aifmd fund managers with significant exposures to corporate debt and real estate assets

In May 2020 ESMA published a statement expressing support for the recommendation issued by the European Systemic Risk Board (ESRB) aimed at addressing the COVID-19 pandemic from a macroprudential perspective that competent authorities across the EU, coordinated by ESMA, undertake focused supervisory engagement with investment funds with significant exposure to corporate debt and real estate as being less liquid asset classes, and to report to the ESRB on its analysis and conclusions.

On 12 November, ESMA published a report setting out ESMA's analysis and conclusions on the preparedness of the investment funds reviewed, and presents five priority areas to enhance the preparedness of funds to potential adverse shocks.

The findings showed that the funds overall managed to adequately maintain their activities when facing redemption pressures and/or episodes of valuation uncertainty, and that during the market stress linked to the COVID-19 pandemic, only a limited number of the funds suspended subscriptions and redemptions, with the vast majority being able to meet redemption requests and maintain their portfolio structure.

The report cautions, however, that these results should be viewed with caution since the redemption shock was concentrated over a short period of time, amid significant government and central bank interventions providing support in the funds markets. Further, concerns around the valuation of portfolio assets have emerged, in

B. European updates (cont.)

particular for real estate funds for which the crisis could have a more significant impact over the longer term.

Against this background, ESMA has identified five priority areas that would enhance the preparedness of such investment funds, namely:

- Ongoing supervision of the alignment of the funds' investment strategy, liquidity profile and redemption policy;
- Ongoing supervision of liquidity risk assessment, to ensure all factors are taken into account that could have an impact on funds' liquidity;
- Fund liquidity profile reporting;
- Increasing the availability and use of liquidity management tools;
- Supervision of valuation processes in a context of valuation uncertainty.

In its report, ESMA notes that it will follow up with National Competent Authorities (NCAs) in respect of priority areas 1, 2, and 5 in order to foster supervisory convergence among national supervisors, to include the sharing of experiences. Priority areas 3 and 4 are considered more appropriately dealt with in the context of the AIFMD review. Against these recommendations, ESMA also notes that it supports the development and operationalisation of the macroprudential framework for non-banks, which could be taken forward by the ESRB in conjunction with ESMA and national regulatory authorities

6. European commission updates

6.1 Aifmd ii: european commission kicks off the review process with a consultation

On 22 October 2020, the European Commission (EC) launched a consultation on the review of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (AIFMD) seeking the views of stakeholders on how to ensure a more effective and efficient functioning of the EU AIFM market.

The consultation focuses on improving the utility of the AIFM passport and overall competitiveness of the EU AIF industry, and seeks stakeholders' views on the following areas:

- the scope of the AIFM license, whether it is achieving its objectives, and what other functions could be included;
- investor protection and the conditions that would make it possible to open up the AIF regime to a larger pool of investors, as well as rules on depositaries;
- international relations - seeking where to strike the balance of having a functioning efficient AIF market and ensuring that it operates under the conditions of fair competition without undermining financial stability, as well ways in which the EU market could interact with international partners;
- financial stability – seeking views as to whether the intervention powers available to supervisors are sufficient to take account of severe market disruption, in addition to modifications to the Level II reporting template;
- investment in private companies - whether existing rules were delivering on their stated objectives, and whether there are alternative means of achieving same;
- sustainability/ESG – seeking input as to the appropriateness of the AIFMD rules in assessing sustainability risks, and the integration of non-financially material factors into the investment decision process.

The deadline for submission of responses was 29 January 2021.

The Consultation can be found here.

6.2 European commission consults on the eu rules for long-term investment funds ('eltif')

On 19 October, the European Commission launched a public consultation on the EU rules for or long-term investment funds ('ELTIF'). The ELTIF regulation, adopted in 2015, sets out an investment regime designed to attract investors seeking long-term investments in companies and projects, with such funds aimed at enhancing the finance available to companies across a range of sectors.

However, with only 27 ELTIFs in the EU and a relatively small amount of net assets under management (<€2bn), the Commission wishes to consult with interested parties to gather evidence and stakeholders' feedback on the challenges, barriers and opportunities for improvements to the ELTIF regulatory framework, with the aim of boosting the attractiveness of ELTIFs for long-term investment projects, and increasing the amount of non-bank funding available to companies investing in the real economy.

B. European updates (cont.)

The deadline for submissions was 19 January 2021.

The Consultation can be found here.

6.3 Notice to stakeholders withdrawal of the united kingdom and eu rules in the field of asset management

On 9 July 2020, the European Commission published an Advice to stakeholders reminding UCITS ManCos and AIFMs of the need to take appropriate action in good time ahead of the UK's transition period coming to an end on 31 December 2020.

The Advice can be found here.

6.4 European commission launches consultation on taxonomy criteria

On 20 November 2020, the European Commission launched a public consultation on a draft Delegated Regulation under the EU Taxonomy Regulation relating to the technical screening criteria for determining the conditions under which economic activities qualify as contributing substantially to climate change mitigation and adaptation, and whether economic activities cause no significant harm to any of the other environmental objectives under the Regulation.

The Annex I and Annex II to the Delegated Act set out the screening criteria across a range of nine economic activities, including: agriculture and forestry; manufacturing; energy, transport, construction and real estate and professional, scientific and technical activities.

The deadline for feedback was 18 December 2020.

7. European paliament

7.1 European parliament clears rules for eu crowdfunding platforms

On 20 October 2020, the EU Directive 2020/1504 and EU Regulation 2020/1503 of 7 October 2020 on European crowdfunding service providers were published in the Official Journal. Both texts entered into force on 9 November 2020 and will be applicable from 10 November 2021. By 10 May 2021, Member States should adopt and publish the laws, regulations and administrative provisions necessary to comply with the Directive.

The Regulation creates a single European authorisation for the provision of crowdfunding services, granted to providers upon approval by the competent authority. Once approved, a crowdfunding service provider may offer crowdfunding services in the form of crowdequity and/or crowdlending, depending on the scope of its authorisation.

The main points are as follows:

- Crowdfunding service providers will be subject to various organisational and transparency requirements.
- Two new categories of investors are created and defined by the Regulation: sophisticated and non-sophisticated investors. Non-sophisticated investors benefit from additional and appropriate investor protection safeguards before they can invest (such as a knowledge test, a simulation of the ability to bear losses and a specific warning for any investment exceeding a certain amount). In addition, a pre-contractual reflection period of 4 days allows non-sophisticated investors to cancel their offer to invest or expression of interest in a crowdfunding offer.
- Crowdfunding projects offered on the platform must concern business activities.
- The maximum amount that can be raised by a project owner is set at 5,000,000 euros over twelve months throughout the European Union.
- Each crowdfunding offer is subject to a six-page key investment information sheet whose content is standardised. This document is not approved by a competent authority.

The Regulation does not prohibit the exercise by crowdfunding service providers of other regulated activities under other regulated statuses (such as the investment firm status), provided that the rules applicable to those other statuses allow it and that the provider has obtained the relevant authorisations.

8. Industry updates - european and fund asset management association (efama)

8.1 Efama publishes annual asset management report

On 26 November 2020, EFAMA published its 12th annual asset management report, providing an overview of the European asset management industry. Among the key findings and observations identified include:

- Industry growth over the past decade, with assets under management rising from €10.8tn in 2008 to €23.1tn by end-2018, and investment fund assets representing 54.6% total AuM (€12.6tn) at end-2018.
- At end-2018, pension funds became the largest industry clients with a market share of 29%, with

B. European updates (cont.)

bond assets accounting for 42% of investment portfolios. Domestic clients are the largest group of clients of European asset managers, with their share of total AuM reaching 73% in 2018.

- Asset managers held an estimated 25% of debt securities and 30% of listed shares issued by euro-area residents at end-2018, and it was estimated that the industry directly employed 115,000 people across Europe by end-2018, with an additional 525,000 individual indirectly employed by the industry through related services.

The Report can be found here.

8.2 Efama publishes report on the level and nature of sustainable investment by the european asset management industry

On 19 November 2020, EFAMA published its first ESG-focused market insights on sustainable investment in the European asset management industry. The research conducted confirms that a wide variety of sustainable investment approaches are followed, which underlines the need to exercise caution when quantifying the size of the European ESG market.

However, the publication highlights that firm-level ESG selection strategies represented a total of €10.7tn (45%) of total AUM at end-2019 in the 16 countries assessed (which did not include Ireland). Further, the report highlights that firm-level exclusions (i.e. prohibiting certain types of investments from a firm, fund or portfolio) were one of the most basic and common forms of ESG selection strategy, with approximately €8tn of assets subject to firm-level exclusion criteria. With respect to firm-level ESG integration (i.e. the systematic and explicit integration of ESG risks and opportunities in the investment decision-making process), €8.8tn of assets are subject to an ESG integration framework, making this the most popular ESG selection strategy.

The report can be found here.

8.3 Efama publishes response to esma consultation paper on guidelines to address leverage risk under aifmd

On 31 August 2020, the European Fund and Asset Management Association (EFAMA) issued its response to ESMA's consultation paper on guidelines to address leverage risk under AIFMD. ESMA's consultation paper seeks to promote supervisory convergence on how NCAs: (a) assess the systemic risk of the use of leverage; and (b) set limits on the amount of leverage an AIF can employ.

Among the main points are:

- That the use of a holistic approach was welcome in establishing whether the use of leverage in AIFs poses leverage-related systemic risk and materially contributes to financial instability. EFAMA emphasises the importance of focusing on the potential procyclicality of increasing margin calls during stressed situations more than on the level of leverage in a fund, particularly as high leverage is rare in AIFs;
- The need to ensure international consistency and alignment with IOSCO recommendations, noting that the ESMA requirements may have unintended effects of extending the scope of requirements beyond those required at a global level, which may harm competitiveness of EU-based funds;
- That there is no need for new reporting requirements, which would be costly and difficult to implement. In this regard, EFAMA requests that ESMA uses data already provided through existing AIFM fund reporting.

The deadline for submission of feedback to the ESMA consultation was 1 September 2020. ESMA is now expected to finalise the guidelines for publication.

The EFAMA response can be accessed here.

8.4 Efama's european fund classification updated

On 26 August 2020, EFAMA published the second edition of "The European Fund Classification – EFC Categories", adapting the classification criteria to meet market evolutions. The EFC is a pan-European classification system of investment funds developed by EFAMA in order to provide a single methodology for comparing funds, first published in 2012.

8.5 Efama statistics

On 21st January 2021, EFAMA published its latest monthly Investment Fund Industry Fact Sheet, which provides net sales data of UCITS and AIFs for November 2020. It was noted that "Net sales of UCITS equity funds soared to an unprecedented EUR 59 billion in November 2020, surpassing the previous record of EUR 48 billion set in January 2018. This exceptional outcome was initiated by the confidence and hope of investors that the arrival

B. European updates (cont.)

of the first COVID-19 vaccines would mark the end of the pandemic and lead to the return of sustained economic growth."

The main developments in Q3 2020 based on EFAMA's latest quarterly international statistics published on 21st December 2020 are as follows:

Growth in worldwide net assets of investment funds

- Net assets of worldwide investment funds increased by 1 percent in Q3 2020 to EUR 52.2 trillion. Measured in U.S. dollars, the growth in assets reached 5.6 percent. The smaller asset growth measured against the euro reflects the depreciation of the dol-lar vis-à-vis the euro during Q3 2020. Calculated in local currency, the United States and Europe registered a net asset growth of 4.3% and 2.7%, respectively. Among the sev-en largest regions/countries in terms of net fund assets, Brazil recorded the strong-est growth (5.6%). Sustained net inflows of long-term funds at a high level

- Worldwide long-term funds recorded net inflows of EUR 411 billion in Q3 2020, compared to EUR 387 billion in Q2 2020. Europe and emerging markets accounted for the highest net sales (EUR 156 billion and EUR 104 billion, respectively), followed by the United States (EUR 90 billion) and other advanced economies (EUR 61 billion).
- Bond funds attracted most long-term fund sales (EUR 279 billion), mostly in the United States (EUR 221 billion) and Europe (EUR 65 billion).
- Net sales of equity funds turned negative (EUR 24 billion), due to large net outflows in the United States (EUR 124 billion) and despite net inflows in Europe (EUR 45 bil-lion), other advanced economies (EUR 33 billion) and emerging markets (EUR 23 bil-lion).
- Multi-asset funds recorded robust net inflows (EUR 100 billion), with China ac-counting for the lion's share of net sales (EUR 91 billion). Net sales of money market funds turned negative
- Worldwide money market funds (MMFs) recorded net outflows of EUR 168 billion, compared to net inflows of EUR 441 billion in Q2 2020. The reversal of the trend was mainly driven by the turnaround in the United States, from net inflows of EUR 270 billion in Q2 2020 to net outflows of EUR 197 billion in Q3 2020.
- At the same time, MMFs continued to attract net inflows in Europe (EUR 41 bil-lion), albeit less strong than in Q2 2020 (EUR 136 billion).

9. Financial action task force - fatf

9.1 Fatf publishes report on virtual assets – aml/cft red flag indicators

On 14 September 2020, the Financial Action Task Force (FATF) published a report entitled "Virtual Assets - Red Flag Indicators of Money Laundering and Terrorist Financing". The purpose of this report is to help national authorities, and to assist reporting entities, including financial institutions (FIs), designated non-financial businesses and professions (DNFBPs), and virtual asset service providers (VASPs), to detect whether virtual assets are being used for criminal activity, and to facilitate the application of a risk-based approach to their Customer Due Diligence (CDD) requirements.

The Report can be accessed here.

Main Contact

Michalis G. Vasiliou
Board Member
Head of Asset Management services
T: + 357 22 209 113
E: mvasiliou@kpmg.com

Marie-Helene Angelides
Senior Associate,
Asset Management
T: + 357 22 209 227
E: mangelides@kpmg.com

Contact us

Nicosia
T: +357 22 209 000
F: +357 22 678 200
E: nicosia@kpmg.com.cy

Limassol
T: +357 25 869 000
F: +357 25 363 842
E: limassol@kpmg.com.cy

Larnaca
T: +357 24 200 000
F: +357 24 200 200
E: larnaca@kpmg.com.cy

Paralimni
T: +357 23 820 080
F: +357 23 820 084
E: paralimni@kpmg.com.cy

Paphos
T: +357 26 943 050
F: +357 26 943 062
E: paphos@kpmg.com.cy

Polis Chrysochous
T: +357 26 322 098
F: +357 26 322 722
E: paphos@kpmg.com.cy

www.kpmg.com.cy