

## **Course**

### **Safeguarding of financial instruments and funds**

#### **Course Description**

This course provides a comprehensive, practical understanding of safeguarding client financial instruments and funds, a core regulatory obligation for Cyprus Investment Firms (CIFs). It explains the legal, operational, and governance framework that ensures clients' assets remain protected at all times, with emphasis on the requirements arising from MiFID II, the Delegated Regulation, Cyprus Law 87(I)/2017, and CySEC directives and circulars.

The course introduces the concept and purpose of safeguarding, highlighting that client assets must be segregated, accurately recorded, and never used for the firm's own purposes. It outlines the four key objectives of safeguarding: preservation of ownership rights, promotion of market confidence, systemic stability, and strong governance accountability.

A central part of the course focuses on the risk landscape - including operational, governance, legal, counterparty, and reputational risks - and illustrates these risks through major real-world failures such as Lehman Brothers (2008), MF Global (2011), Wirecard (2020), and CySEC enforcement cases. These examples demonstrate how weak segregation, poor reconciliations, governance failures, and inadequate oversight can lead to catastrophic client losses.

Participants are guided through the regulatory framework, including segregation rules, daily reconciliation requirements, third-party due diligence expectations, and CySEC's supervisory powers. The course explains how proper internal controls, governance structures, Board oversight, and the role of the Safeguarding Officer are essential for effective safeguarding.

Practical components include detailed coverage of reconciliation types, best-practice workflows, third-party risk management frameworks, and structured reporting obligations, including the Independent Limited Assurance Report (ILAR) required annually from external auditors. The course emphasizes the importance of timely, accurate reporting and the consequences of breaches.

Finally, the course underscores the need for ongoing staff training, cultural awareness, and operational discipline across all business units. Through case studies, templates, and governance tools, participants learn how to identify gaps, strengthen controls, and embed safeguarding into daily operations, ensuring full compliance and robust protection of client assets.

#### **Topics covered**

The course is split into the following sections:

##### **Section 1: Introduction to Safeguarding**

- Defining Safeguarding
- The Purpose of Safeguarding
- Risk Landscape
- Historical Failures
- Best Practices Emerging from Failures
- Sample Safeguarding Risk Matrix

##### **Section 2: The Regulatory Framework for Safeguarding**

- Introduction
- MiFID II Directive 2014/65/EU
- Delegated Directive (EU) 2017/593
- Cyprus Law 87(I)/2017



- CySEC Directives and Circulars
- CySEC Enforcement Powers
- ESMA Guidance
- Comparative Perspectives
- Interactions with Other EU Regulations
- Supervisory Trends and Conclusion

### **Section 3: Segregation of Financial Instruments and Funds**

- Why Segregation Matters
- Legal Foundations of Segregation
- Operational Mechanics of Segregation
- Daily Reconciliations
- Use of Buffers
- Escalation Procedures
- Risks and Common Pitfalls
- Case Study: MF Global
- Hypothetical CIF Scenario
- Governance of Segregation
- Sample Reconciliation Log
- Sample Segregation Policy (Outline)
- Safeguarding Governance Chart

### **Section 4: Internal Controls and Governance**

- Introduction
- The Legal Basis for Governance
- The Role of the Board of Directors
- The Safeguarding Officer
- The Compliance Function
- The Internal Audit Function
- Governance Risks and Pitfalls
- Case Studies
- International Best Practices
- Terms of Reference – Safeguarding Officer
- Matrix for Safeguarding
- Governance Reporting Template

### **Section 5: Regular Reconciliations and Procedures**

- Introduction
- Legal and Regulatory Basis
- Cyprus Law 87(I)/2017 and CySEC Circulars
- Types of Reconciliations
- Best Practice Process for Daily Reconciliation
- Escalation and Governance
- Case Studies
- Automation vs Manual Reconciliations



- Buffers and Settlement Timing
- Reconciliation Log (Sample)
- Escalation Policy (Extract)
- Role of External Auditors (ILAR)
- Comparative Perspective

#### **Section 6: Managing Third-Party Risks and Developing a Risk Management Framework**

- Introduction
- Legal and Regulatory Basis
- Types of Third-Party Risks
- Case Studies of Third-Party Failures
- Building a Third-Party Risk Management Framework
- Practical Procedures
- Third-Party Due Diligence Checklist
- Risk Scoring Matrix
- Custodian Diversification Log
- Role of Auditors and Regulators
- International Best Practices

#### **Section 7: Reporting to Regulators and Structured Reporting Workflows**

- Introduction
- Legal and Regulatory Basis
- Types of Regulatory Reporting
- The ILAR Framework
- Structured Reporting Workflows
- Reporting Breaches
- Wirecard and BaFin (2020)
- Best Practices for Reporting
- Regulatory Reporting Calendar
- Breach Notification Template
- ILAR Preparation Checklist
- International Comparisons

#### **Section 8: Training for Relevant Employees**

- Introduction
- Legal and Regulatory Basis
- Objectives of Safeguarding Training
- Who Needs Training?
- Training Methods
- Case Studies for Training
- Embedding a Culture of Safeguarding
- Measuring Training Effectiveness
- Training Matrix
- Training Log Template
- Sample Quiz Questions



- International Best Practices

#### **Section 9: Case Studies and Real-World Failures**

- Introduction
- Lehman Brothers
- MF Global
- Wirecard
- Comparative International Failures
- Thematic Failures Across Cases
- Using Case Studies in Training and Governance

#### **Section 10: The ILAR Framework and CySEC's Expectations**

- Introduction
- Purpose of ILAR
- Scope of ILAR
- ILAR Process
- CySEC's Use of ILAR
- Challenges for CIFs
- Best Practices for ILAR Readiness
- ILAR Preparation Checklist
- Board ILAR Reporting Template
- International Comparisons

#### **Section 11: Identifying and Fixing Compliance Gaps, Developing Internal Governance and Third-Party Risk Management**

- Introduction
- Regulatory Expectations
- Types of Compliance Gaps
- Identifying Compliance Gaps
- Fixing Compliance Gaps
- Governance Enhancements
- Third-Party Risk Enhancements
- Case Studies
- Gap Analysis Template
- Compliance Remediation Log
- Third-Party Risk Register
- Embedding a Continuous Improvement Culture

#### **Section 12: The most important provisions of the relevant legislation**

- Commission Delegated Regulation (EU) 2017/565
- CySEC Directive DI87-01 & Circular C458
- Title Transfer Collateral Arrangement
- Single officer responsibilities and duties related to TTCA



### Course Duration

This course may take up to 5 hours to be completed. However, actual study time differs as each learner uses their own training pace.

### The course is addressed to:

This course is addressed to all individuals who are involved in Investment Firms (forex, brokers, etc) and funds such as:

- Executive Directors, Non-executive directors, Senior Managers, Compliance Officers, Risk Managers, Product Managers, Portfolio Managers, Investment Advisors, Dealers, Marketing Managers and in general employees of investment firms and funds.
- Internal Auditors
- Consultants

It is also suitable to professionals pursuing CPD for the renewal of CySEC Certificate (CySEC Basic and CySEC Advance Certificate) or other relevant professional certificates in other jurisdictions.

### Training Method

The course is offered fully online using a self-paced approach. The learning units consist of power point presentations. Learners may start, stop and resume their training at any time.

At the end of the course, participants take a Quiz to complete the course and earn a Certificate of Completion once the quiz has been passed successfully.

### Accreditation and CPD Recognition

The course may be accredited by regulators and other bodies for 5 CPD Units that require CPD training in financial regulation.

Eligibility criteria and CPD Units are verified directly by your association or other bodies in which you hold membership.

### Registration and Access

To register to this course, click on the [Take this course](#) button to pay online and receive your access instantly. If you are purchasing this course on behalf of others, please be advised that you will need to create or use their personal profile before finalizing your payment.

Access to the course is valid for 90 days.

If you wish to receive an invoice instead of paying online, please Contact us by [email](#). Talk to us for our special Corporate Group rates.

### Instructor

George Papanicolaou has more than 20-years experience in the Financial industry. He worked for several years in managerial positions as area Manager, Head of Brokerage, Compliance Officer, Anti Money Laundering Officer, General Manager and Executive Director in Cypriot Investment Firms as well as Managing Director of GP GLOBAL LTD offering consulting services and training courses to Investment Firms, focuses in Internal Audit, compliance & AML issues. He offered numerous courses/seminars both in Cyprus and abroad in



Investment Firms Law as well as in Compliance & Anti Money Laundering. George Papanicolaou is also a Chairman of a Nomination Committee in a company listed in the Oslo Stock Exchange.

George Papanicolaou holds a BSc in Electronic Engineering from the University of Texas at Austin (USA), an MBA with specialization in Finance from Leicester University (UK) and a Postgraduate Certificate in the Mechanics of Risk Management from Middlesex University (UK).

He also holds an ICA International Diploma in Anti Money Laundering from the International Compliance Association and the University of Manchester, as well as an Advance and Money Laundering certificate from the Cyprus Securities and Exchange Commission for the provision of investment services/activities.

He is a Member of the AML and Compliance Committee of the Institute of Certified Public Accountants of Cyprus (ICPAC), Fellow of the International Compliance Association (FICA), Mentor of ICA new students, member of the Cyprus Institute of Internal Auditors and the first Network chair for Cyprus of the International Compliance association.