

OPINION OF THE EUROPEAN SYSTEMIC RISK BOARD

of 7 December 2017

regarding Cypriot notification of a stricter national measure based on Article 458 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms

(ESRB/2017/5)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board¹, and in particular Article 3(2)(j) thereof,

Having regard to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012², and in particular Article 458(4) thereof,

Having regard to Decision ESRB/2015/4 of the European Systemic Risk Board of 16 December 2015 on a coordination framework for the notification of national macroprudential policy measures by relevant authorities, the issuing of opinions and recommendations by the ESRB, and repealing Decision ESRB/2014/2³,

Whereas:

- (1) The Central Bank of Cyprus (CBC), acting as designated authority for the purpose of Article 458 of Regulation (EU) No 575/2013, notified the European Systemic Risk Board (ESRB) on 21 November 2017 of its decision to adopt a national measure laying down stricter prudential liquidity requirements.
- (2) This proposed stricter national measure consists, in particular, of the imposition, on all domestic credit institutions and foreign (European Union and third country) controlled subsidiaries, of a macroprudential liquidity buffer in the form of a liquidity coverage requirement (LCR) add-on, which will come into force on 1 January 2018 and will be gradually phased out over the following 12

¹ OJ L 331, 15.12.2010, p. 1.

² OJ L 176, 27.6.2013, p. 1.

³ OJ C 97, 12.3.2016, p. 28.

months. However, one credit institution is exempted from the proposed stricter national measure since, due to its business model, it is already subject to higher liquidity requirements imposed under the LCR than under the national prudential liquidity requirements currently in place.

- (3) To assess the draft stricter national measure, notified by the CBC, the ESRB's assessment team referred to in Decision ESRB/2015/4 issued an assessment note, which is annexed hereto,

HAS ADOPTED THIS OPINION:

1. The draft stricter national measure notified by the CBC under Article 458 of Regulation (EU) No 575/2013 is, under the current circumstances, justified, proportionate, effective and efficient. In particular:
 - (a) the changes in the intensity of macroprudential or systemic risk are of such nature as to pose risk to financial stability at national level;
 - (b) Articles 124 and 164 of Regulation (EU) No 575/2013 and Articles 101, 103 to 105, 133 and 136 of Directive 2013/36/EU of the European Parliament and of the Council⁴ do not adequately address the macroprudential or systemic risk identified, taking into account the scope and/or the relative effectiveness of those measures;
 - (c) the draft stricter national measure does not entail disproportionate adverse effects on the whole or parts of the financial system in other Member States or in the Union as a whole, thus forming or creating an obstacle to the functioning of the internal market;
 - (d) the issue concerns only one Member State;
 - (e) the risks have not already been addressed by other measures in Regulation (EU) No 575/2013 or Directive 2013/36/EU.
2. The draft stricter national measure does not have a negative impact on the internal market that outweighs the financial stability benefits resulting in a reduction of the macroprudential or systemic risk identified.
3. The attached assessment note entitled 'Assessment of the notification by Cyprus in accordance with Article 458 of Regulation (EU) No 575/2013 concerning the application of stricter prudential liquidity requirements' is an integral part of this Opinion.

Done at Frankfurt am Main, 7 December 2017.

Francesco Mazzaferro

Head of the ESRB Secretariat, on behalf of the General Board of the ESRB

⁴ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).