



Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

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Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority			
1.1 Name of the notifying authority	The Central Bank of Cyprus (CBC).		
2. Description of the measure			
2.1 Concerned institution or group of institutions	Credit institution name	LEI code	Application level
	RCB Bank Ltd	253400EBCBBVB9TUHN50	Individual level
	Bank of Cyprus Public Company Ltd	PQ0RAP85KK9Z75ONZW93	Highest level of consolidation
	Hellenic Bank Public Company Ltd	CXUHEGU3MADZ2CEV7C11	Individual level
	Cooperative Central Bank Ltd	5493007F6CE5P22TJ731	Individual level
	Eurobank Cyprus Ltd	5493004KSNEM4U7L8714	Individual level
	Alpha Bank Cyprus Ltd	529900VS0F7BA91P4I60	Individual level
2.2 Level of the buffer applied	Credit institution name		O-SII Buffer requirement
	RCB Bank Ltd		2,0%
	Bank of Cyprus Public Company Ltd		2,0%
	Hellenic Bank Public Company Ltd		1,0%
	Cooperative Central Bank Ltd		1,0%
	Eurobank Cyprus Ltd		0,5%
	Alpha Bank Cyprus Ltd		0,5%
2.3 Name of the EU ultimate parent institution	CY credit institution name	EU ultimate parent	EU ultimate parent LEI code
	Eurobank Cyprus Ltd	Eurobank Ergasias S.A.	JEUVK5RWWJEN8W0C9M24
	Alpha Bank Cyprus Ltd	Alpha Bank A.E.	5299009N55YRQC69CN08

2.4 Names of subsidiaries	The measure will also apply to all banking related subsidiaries of Bank of Cyprus Public Company Ltd.
3. Timing of the measure	
3.1 Timing of the Decision	The CBC is expected to take its final decision on 5 October 2016.
3.2 Timing of the Publication	One month after the decision is taken.
3.3 Disclosure	The measure is communicated to the ESRB, the ECB, the EBA and the Commission. One month after the decision is taken, the CBC will publish the measure on its website and circular letters will be sent to the O-SII institutions informing them of this decision.
3.4 Timing of Application	1 January 2019.
3.5 Phasing in	The phase-in period will continue to apply between 1 January 2019 and 1 January 2022. As from 1 January 2019, 25% of the O-SII buffer requirement must be fulfilled and in four equal annual increments, by 1 January 2022 100% of the O-SII buffer requirement will apply.
3.6 Review of the measure	Annual review, as required by the CRD.
4. Reason for O-SII identification and activation of the O-SII buffer	
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	For the detailed scores of each identified O-SII credit institution, please refer to the attached file.
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>The CBC followed the guidelines issued by the EBA and has set the threshold for the designation of O-SII institutions at 350 basis points.</p> <p>Only the mandatory indicators included in the EBA guidelines were used in the designation process. The designation covered all authorised credit institutions established in Cyprus.</p> <p>A separate designation process will be performed for investment firms.</p>
4.3 Supervisory judgement	Not applicable.
4.4 Calibrating the O-SII buffer	<p>The CBC followed the relevant guidelines issued by the EBA and set the threshold for the designation of O-SII institutions at 350 basis points.</p> <p>To ensure a level playing field and to reflect the hierarchy between O-SIIs in terms of systemic importance, the CBC calibrated the O-SII buffer in relative proportionality with the O-SII scores. A mapping table was developed under</p>

	<p>which institutions that scored between 350 and 1,000 basis points are assigned an O-SII Buffer of 0.5% of the Total Risk Exposure amount (TRE). Institutions with scores greater than 2,500 basis points are assigned an O-SII Buffer of 2% of TRE, the maximum allowed under the CRD. The space between 1,000 and 2,500 basis points is divided into two equal categories where for every 750 basis point increment, an additional 0.5% O-SII buffer is required.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>Credit institutions can be considered systemic because of their size, interconnectedness and importance to the economy of Cyprus. In addition, their activities entail a number of risks and they contribute to the pro-cyclicality of the financial system. The imposition of the O-SII buffer on systemic credit institutions is considered an effective measure to increase their resilience, so as to ensure that systemic credit institutions can withstand future losses without adversely affecting the stability of the financial system.</p>
<p>5. Cross-border and cross-sector impact of the measure</p>	
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>The imposition of the O-SII buffer increases the resilience of the O-SII credit institutions, making them more capable of absorbing future losses. The phasing-in period of the O-SII buffer is not expected to adversely affect their economic activities. In addition, no inwards spill overs are expected, since the measure does not entail the loosening of credit standards.</p> <p>Effect on financial stability</p> <p>The measure is not only expected to improve the financial stability of the Cyprus banking sector, but also contribute towards the financial stability of the internal market.</p> <p>Effect on lending</p> <p>Provision of credit to the real economy is currently subdued. The introduction of additional capital buffers at this juncture could limit the provision of credit. In order to mitigate this, a phase-in period is adopted. The phasing-in period would facilitate the provision of credit and any necessary capital planning.</p> <p>Effect on economic growth</p> <p>Based on the above characteristics of the measure, and the phase-in period adopted, no material effect is expected on the economic growth.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Leakages and regulatory arbitrage within Cyprus are not likely, since no substitute services are available from unregulated providers.</p>
<p>6. Combinations and interactions with other measures</p>	
<p>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>Not applicable.</p>

6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	Not applicable.
6.3 O-SII requirement for a subsidiary (Article 131.8)	Eurobank Cyprus Ltd and Alpha Bank Cyprus Ltd both have parent institutions located in the EU. Once the O-SII buffer requirement applicable to these parent institutions is announced, we will follow for these subsidiaries the relevant CRD provisions.
6.4 Interaction with other measures	Not applicable.

7. Miscellaneous	
7.1 Contact person(s) at notifying authority	<p>Mr Angelos Kapatais Director Financial Stability, Central Bank of Cyprus phone: +357 22714427, email: angeloskapatais@centralbank.gov.cy</p> <p>Mr Constantinos Trikoupis Head Macprudential Oversight Section, Central Bank of Cyprus phone: +357 22714342, email: constantinostrikoupis@centralbank.gov.cy</p>
7.2 Any other relevant information	A separate assessment will take place for the designation of O-SII investment firms.