



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

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
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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
	Bank of Cyprus Public Company Ltd	PQ0RAP85KK9Z75ONZW93	Highest level of consolidation
	Hellenic Bank Public Company Ltd	CXUHEGU3MADZ2CEV7C11	Highest level of consolidation
	Eurobank Cyprus Ltd	5493004KSNEM4U7L8714	Individual level
	RCB Bank Ltd	253400EBCBBVB9TUHN50	Individual level
	Astrobank Ltd	549300VB6UM9TUOCYW67	Individual level
	Alpha Bank Cyprus Ltd	529900VS0F7BA91P4I60	Individual level
2.2 Level of the buffer applied	Credit institution name		O-SII Buffer requirement
	Bank of Cyprus Public Company Ltd		2,0%
	Hellenic Bank Public Company Ltd		1,5%
	Eurobank Cyprus Ltd		1,0%
	RCB Bank Ltd		0,5%
	Astrobank 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.	JEUVK5RWVJEN8W0C9M24
	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 and to all banking related subsidiaries of Hellenic Bank Public Company Ltd.
3. Timing of the measure	
3.1 Timing of the Decision	The CBC took its decision on 6 April 2020.
3.2 Timing of the Publication	One month after the decision is taken.
3.3 Disclosure	The measure is being communicated to the ESRB, the EBA and the Commission. One month after the decision is taken, the CBC will publish the measure on its website and will send circular letters to the O-SII institutions informing them of this decision.
3.4 Timing of Application	1 January 2021.
3.5 Phasing in	The CBC will, as in the previous annual reviews, continue to apply the phasing-in of the OSII buffer. So far, the first two phases of the phasing-in have been implemented, on 1 January 2019 and 1 January 2020. In order to alleviate O-SII credit institutions from the adverse financial impact of COVID-19, the existing phasing-in period is adjusted, so that the third and fourth (last) phases are delayed by 12 months each i.e. the third phase will apply on 1 January 2022 and the last phase on 1 January 2023. So far, 50% of the O-SII buffer requirement has been fulfilled and the remaining 50% will be fulfilled on 1 January 2022 and 1 January 2023 in two equal annual increments of 25%, such that by 1 January 2023 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 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 credit institutions established in Cyprus, including branches of EU credit institutions and branches of credit institutions of third countries.</p> <p>A separate designation process will be performed for investment firms.</p>
4.3 Supervisory judgement	Not applicable.

<p>4.4 Calibrating the O-SII buffer</p>	<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. 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. As in previous annual reviews, the following mapping table was used:</p> <table border="1" data-bbox="560 450 1426 689"> <thead> <tr> <th>Total O-SII Score</th> <th>O-SII buffer rate</th> </tr> </thead> <tbody> <tr> <td>350 – 1.000</td> <td>0,5%</td> </tr> <tr> <td>1.001 – 1.750</td> <td>1,0%</td> </tr> <tr> <td>1.751 – 2.500</td> <td>1,5%</td> </tr> <tr> <td>Greater than 2.500</td> <td>2,0%</td> </tr> </tbody> </table>	Total O-SII Score	O-SII buffer rate	350 – 1.000	0,5%	1.001 – 1.750	1,0%	1.751 – 2.500	1,5%	Greater than 2.500	2,0%
Total O-SII Score	O-SII buffer rate										
350 – 1.000	0,5%										
1.001 – 1.750	1,0%										
1.751 – 2.500	1,5%										
Greater than 2.500	2,0%										
<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, and facilitates their ability to absorb future losses. The phasing-in period of the O-SII buffer, is not expected to adversely affect their economic activities. In addition, no inwards spillovers 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 continues to be moderate. The introduction of additional capital buffers in full at this juncture could limit the provision of credit. In order to mitigate this risk, the phasing-in period continues to apply and due to the COVID-19 is adjusted, so that the third and fourth (last) phases are delayed by 12 months each i.e. the third phase will apply on 1 January 2022 and the last phase on 1 January 2023. 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 characteristics of the measure and the phasing-in period adopted, no material effect is expected on economic growth.</p>										

5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Leakages and regulatory arbitrage within Cyprus are not likely, since no substitute services are available from unregulated providers.
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	Not applicable.
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. The relevant CRD provisions were followed.
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.cy</p> <p>Mr Constantinos Trikoupis Head Macroprudential Oversight Section, Financial Stability Department, Central Bank of Cyprus phone: +357 22714342, email: constantinostrikoupis@centralbank.cy</p>
7.2 Any other relevant information	The CBC will conduct a separate assessment for the designation of O-SII investment firms.