



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

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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	<p>The measure applies to the following investment firms which have been designated as O-SII:</p> <ul style="list-style-type: none"> - Renaissance Securities (Cyprus) Ltd - (IK9CLH4U15AXJVV22968) – Individual level - SIB (Cyprus) Ltd - (F68F5WN6OGTEHIP5ZT82) – Individual level - BrokerCreditService (Cyprus) Ltd - (5493008C22FNI0QEEF10) – Individual level - Alfa Capital Holdings (Cyprus) Ltd - (549300XTCMOUXC51WZ58) – Individual level - Etoro (Europe) Ltd - (213800GIFQMSV7HROS23) – Individual level 												
2.2 Level of the buffer applied	<table border="1"> <thead> <tr> <th>Investment Firm's name</th> <th>O-SII Buffer requirement</th> </tr> </thead> <tbody> <tr> <td>Renaissance Securities (Cyprus) Ltd</td> <td>1.5%</td> </tr> <tr> <td>SIB (Cyprus) Ltd</td> <td>1.0%</td> </tr> <tr> <td>BrokerCreditService (Cyprus) Ltd</td> <td>1.0%</td> </tr> <tr> <td>Alfa Capital Holdings (Cyprus) Ltd</td> <td>1.0%</td> </tr> <tr> <td>Etoro (Europe) Ltd</td> <td>0.5%</td> </tr> </tbody> </table>	Investment Firm's name	O-SII Buffer requirement	Renaissance Securities (Cyprus) Ltd	1.5%	SIB (Cyprus) Ltd	1.0%	BrokerCreditService (Cyprus) Ltd	1.0%	Alfa Capital Holdings (Cyprus) Ltd	1.0%	Etoro (Europe) Ltd	0.5%
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2.3 Name of the EU ultimate parent institution	Not applicable.												
2.4 Names of subsidiaries	Not applicable.												
3. Timing of the measure													
3.1 Timing of the Decision	17 December 2018.												

3.2 Timing of the Publication	One month after the date of this notification, i.e. 21 January 2019.
3.3 Disclosure	The measure is communicated to the ESRB, the EBA and the Commission. One month after the date of this communication, the CBC will publish the measure on its website and circular letters will be sent to the O-SII investment firms informing them of this decision.
3.4 Timing of Application	1 April 2019
3.5 Phasing in	Not applicable.
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 investment firm, 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 relevant EBA guidelines for the assessment of O-SII investment firms. As this assessment relates specifically to investment firms, a number of indicators that were considered as specific to banking were replaced by indicators that are more relevant to investment firms.</p> <p>The following mandatory indicators do not in general apply to the operations of Cyprus investment firms and for this reason they were not taken into account in this assessment:</p> <ol style="list-style-type: none"> a. Value of domestic payment transactions b. Cross-jurisdictional liabilities c. Cross-jurisdictional claims and d. Debt securities outstanding. <p>The following indicators are more relevant to the operations of Cyprus investments firms and for this reason they have been used in this assessment process:</p> <ol style="list-style-type: none"> a. Total assets (after the application of ISDA/CSA netting agreements) b. Funds guaranteed under the Investor Compensation Fund scheme (as a proxy of the optional indicator “deposits guaranteed under deposit guarantee system”) c. Number of retail customers and d. Value of trading and available for sale securities. <p>The designation threshold was set to 350 basis points as per the relevant EBA guidelines.</p> <p>The assessment covered all investment firms registered in Cyprus that are authorised to provide the investment services listed in points 3 and 6 of Section 1 of Annex I to Directive 2004/39/EC (i.e. Dealing on own account and/or Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis), as required by the CRD.</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 investment firms at 350 basis points. Thus, five investment firms were identified and designated as O-SII investment firms.</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 which investment firms 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). Investment firms 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>
4.5 Effectiveness and proportionality of measure	Investment firms are 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 systemically important investment firms, is considered an effective measure to increase their resilience, so as to ensure that these investment firms can withstand future losses without adversely affecting the stability of the financial system.
5. Cross-border and cross-sector impact of the measure	
5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)	<p>The imposition of the O-SII buffer increases their resilience, making them more capable of absorbing future losses. The imposition of the O-SII buffer is not expected to adversely affect their economic activities. No inward or outward spillovers are expected.</p> <p>Effect on financial stability</p> <p>The measure is not only expected to improve the financial stability of the Cyprus investment firms sector, but also contribute towards the financial stability of the internal market.</p> <p>Effect on lending</p> <p>These investment firms are in general not active in lending activities. As a result, no adverse effects on lending are expected.</p> <p>Effect on economic growth</p> <p>Based on the above characteristics of the measure, and the small size of the Investment firms sector of Cyprus in relation to the size of the internal market, we do not expect any material effect on economic growth.</p>
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Leakages and regulatory arbitrage within the financial system are not likely, since the services that the O-SII investment firms provide, can only be provided by authorised investment firms. 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)	Not applicable.
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, Central Bank of Cyprus phone: +357 22714342, email: constantinostrikoupis@centralbank.cy</p>
7.2 Any other relevant information	A separate assessment took place for the designation of O-SII credit institutions.