

Template for notifying national macroprudential measures not covered by CRR/CRD

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB.

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 and scope of the notification		
1.1	Name of the notifying authority.	Central Bank of Cyprus (CBC)
1.2	Name of the macroprudential measure that is notified.	LTV Limit on credit facilities granted to real estate developing companies for financing the acquisition or the construction of luxurious properties.
2. Description of the measure		
2.1	Description of the measure.	<p>A stricter LTV limit of 50% is applied on credit facilities granted to real estate developing companies for financing the acquisition or the construction of luxurious properties. For the purposes of this measure, luxurious properties are defined as properties with market value, or expected market value after the completion of construction, exceeding €5.000 per square metre.</p> <p>The present measure is complementary to the LTV limits of 80% (for the borrowers' primary residence) and 70% (for all other property types) already in place for credit facilities financing the acquisition / construction / renovation / completion of immovable property.</p>

2.2	Legal basis and process of implementation of the measure.	Legally binding circular letter issued by the CBC.
2.3	Coverage	All credit institutions authorised and operating in Cyprus.
2.4	Any other relevant information.	The present measure is complementary to the LTV limits of 80% (for the borrowers' primary residence) and 70% (for all other property types) already in place for credit facilities financing the acquisition / construction / renovation / completion of immovable property.
3. Timing		
3.1	Timing of the decision	9 November 2020
3.2	Timing of the publication	19 March 2021
3.3	Disclosure	The measure is communicated to all credit institutions authorised and operating in Cyprus through a legally binding circular letter. The measures is not published through any other means of communication.
3.4	Timing of the application	The measure applies from 19 March 2021. No phase-in arrangements were implemented.
3.5	End date (if applicable)	The measures has no end-date.
4. Reason for the activation of the measure		

4.1	Description of the macroprudential risk to be addressed.	<p>The CBC identified a possible risk of price corrections with regard to luxurious properties, stemming from the increased supply of such properties as a result of the Cyprus Investment Programme (CIP).</p> <p>The criteria of the CIP included the investment in real estate, with a minimum investment of at least €500.000 for a permanent residence, which could be complemented with further possible investment of €1.500.000 in real estate. As a result, developing companies started developing luxurious properties that would meet the above investment criteria.</p> <p>The abrupt termination of the CIP elevated the possible risk of price corrections in this segment, due to the oversupply of luxurious properties and the sudden drop in demand.</p>
4.2	Description of the indicators on the basis of which the measure is activated.	<p>The indicators used for the activation of the measure are the following:</p> <ul style="list-style-type: none"> -Residential Real Estate Price Index -Production of new RRE and CRE loans -Supply of luxurious properties -Ad-hoc data for loans to real estate developing companies for the purposes of the CIP.
4.3	Effects of the measure.	<p>The measure is envisaged to limit excessive credit growth for the financing of the construction or acquisition of luxurious properties, thus limiting the supply of luxurious properties in the Cyprus property market and containing the risks from a possible abrupt drop in demand.</p>
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 (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	<p>Due to the nature of the measure, the limited cross border financing observed in Cyprus and the overall size of the Cyprus financial system, the measure is not expected to have cross border effects or impact on the internal market.</p>

5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	Bank lending constitutes the dominant channel of financing in Cyprus, with limited substitute services available from unregulated providers. As such, no leakages and regulatory arbitrage is expected.
5.3	Request for reciprocation	No reciprocation is requested.
6. Miscellaneous		
6.1	Contact person(s) at notifying authority.	<p>Pany Karamanou, Assistant Director Financial Stability Department +35722714428 Panykaramanou@centralbank.cy</p> <p>Christos Phanopoulos, Director Financial Stability Department +35722714391 Christosphanopoulos@centralbank.cy</p>
6.2	Any other relevant information.	Not applicable