

Guide for the implementation of CRD IV package

A. Regulatory framework of CRD IV package

1. The CRD IV package, consisting of the Capital Requirements Directive (“CRD” or Directive 2013/36/EU) and the Capital Requirements Regulation (“CRR” or Regulation (EU) No 575/2013) is applicable from 1 January 2014 and repeals Directives 2006/48/EC and 2006/49/EC.
2. In light of the above, CySEC has proceeded with the following actions:
 - i. Amended the Investment Services and Activities and Regulated Markets Law – Law144(1)/2007;
 - ii. Implemented Regulation (EU) 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 648/2012;
 - iii. Released Directive DI144-2014-14 for the prudential supervision of Investment Firms;
 - iv. Released Directive DI144-2014-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013;
 - v. Released new supervisory reporting templates.
3. As a result of the above, the changes outlined in the following sections will be effected.

B. Scope of application

4. Investment firms which fulfil the definition of investment firm in Article 4(1), point (2) of CRR are covered by the requirements of the CRD IV package.
5. It is noted that the aforementioned definition **excludes** firms which are not authorised to provide “safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management”, which provide only one or more of the following investment services and activities: (i) Reception and transmission, (ii) Execution of orders on behalf of clients, (iii) Portfolio management, (iv) Investment advice, and are not permitted to hold money or securities belonging to their clients and which for that reason may not at any time place themselves in debt with those clients.
6. However, even firms that are excluded from the above definition have to comply with certain prudential requirements (please refer to Section D).
7. The scope of CRD IV package for investment firms therefore depends on the type of investment services and/or investment activities and any ancillary services for which the Cyprus Securities and Exchange Commission has granted authorisation.

C. Supervisory reporting requirements

8. The Capital Requirements Regulation brings in a new EU-wide supervisory reporting framework for Common Reporting (“COREP”) with the first submission to be done on 28 February 2015 based on data for the year ended 31 December 2014.
9. The European Commission has adopted implementing technical standards (“ITS”) which harmonise the content and format of data to be reported by institutions in order to comply with the Capital Requirements Regulation and Capital Requirements Directive. These ITS specify uniform formats, frequencies, dates of reporting, definitions and IT solutions to be applied by institutions on both an individual and consolidated level (additional information can be found in the following link <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:191:FULL&from=EN>).
10. The new supervisory reporting templates in relation to own funds, own funds requirements, large exposures as well as leverage are presented below and in detail in Annex I – IV of this Guide.

CySEC New COREP forms	Description	Mapping with EC Implementing Regulation on supervisory reporting (please refer to Annex I - IV)
Form 144-14-06.1	Reporting on own funds and own funds requirements	C 01.00 – C 07.00, C 11.00 – C 25.00
Form 144-14-07	Reporting on leverage	C 40.00 – C 46.00
Form 144-14-08.1	Reporting on large exposures to institutions and non-institutions	C 26.00 – C 31.00
Form 144-14-08.2	Reporting on exposures to directors	N/A
Form 144-14-08.3	Reporting on exposures to shareholders	N/A
Form 144-14-09	Geographical breakdown of exposures	C 09.01, C 09.03

11. Investment Firms should be taking the following, among others, into consideration for the completion of the supervisory reporting templates:
 - i. Minimum own funds requirements as set out in Article 92 of the CRR as well as the provisions of Section 67 (1) and (2) of the Investment Services and Activities and Regulated Markets Laws of 2007 to 2014 must be satisfied.

- ii. Eligible capital is defined in Article 4(1)(71) of CRR. Between the period 1 January 2014 and 31 December 2016, transitional provisions apply as per Article 494 of CRR.
- iii. With regards to Own Funds additional information is collected via “memorandum items”, which should be reported in template C 04.00.
- iv. The CRD IV package contains a number of transitional provisions amongst which are the introduction of new rules on own funds, the grandfathering of capital instruments, the application of regulatory adjustments to own funds, etc. During the periods where transitional provisions apply, their effect needs to be reported in templates C 05.01 and C 05.02.
- v. Information on the geographical distribution of exposures by country is required to be submitted by CIFs in Form 144-14-09 (C 09.01 and C 09.03 templates). Specifically:
 - ✓ Form 144-14-09 needs to be submitted to the Commission even if no figures are included. Template C 09.01 shall be reported only if non-domestic original exposures in all ‘non-domestic’ countries in all exposures classes are equal to or higher than 10% of total domestic and non-domestic original exposures (please refer to Article 5(4)(1) of Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council). Template C 09.01 needs to be completed by CIFs falling in the above threshold.
 - ✓ With regards to C 09.03 template, this will always need to be submitted to the CySEC regardless of the aforementioned threshold.
 - ✓ Form 144-14-09 needs to be submitted only by CIFs that are authorised to provide the investment services specific in points 3 or 6 of the Third Appendix of Law L144(I)-2007 (hereafter referred to as the “Law”).

D. Investment firms with limited authorisation to provide investment services

12. Fixed overheads requirement (Section 2, Chapter 1, Title 1, Part Three of CRR) shall apply to firms falling under Articles 95, 96 and 98 of CRR. It is noted that a number of firms excluded from the definition of investment firm (as per Article 95 of CRR) shall meet the provisions of Article 97 of CRR.
13. In this context, investment firms falling under Articles 95, 96 and 98 of CRR should:
 - i. report fixed overheads in the “FIXED OVERHEAD” template included in Form 144-14-06.1,
 - ii. report all the remaining templates included in Form 144-14-06.1 *apart from* the Operational Risk templates (i.e. C 16.00 and C 17.00).

E. Large exposures and exposures to directors and shareholders

14. Under the CRR, investment firms shall comply with the requirements limiting large exposures as the excessive concentration of exposures to a single client, or group of connected clients, may result in an unacceptable risk of loss and can be considered prejudicial to the solvency of an investment firm. Limits to large exposures as well as compliance with large exposures requirements are set out in Articles 395 and 396 of CRR.
15. Information on large exposures to clients and groups of connected clients is reported in templates C 26.00 – C 31.00, information on exposures to directors and shareholders is disclosed under “Disclosure of exposures to directors” and “Disclosure of exposures to shareholders” (please refer to Annex II and III) respectively on a quarterly frequency.
16. It is noted that:
 - i. reporting on large exposures is not required for investment firms falling under Article 95(1) and Article 96(1) of the CRR (as per Article 388 of CRR), and
 - ii. reporting on exposures to directors and shareholders is not required for firms excluded from the definition of investment firm (please refer to Section 1).

F. Leverage ratios

17. Leverage ratio, as a supplementary measure to the Basel II framework, is a new regulatory and supervisory tool. The CRD IV framework requires leverage ratio reporting to allow appropriate review and calibration, with a view to migrating to a binding measure in 2018.
18. Investment firms that are required to report information on their leverage ratio, as per Article 430 of the CRR, shall report it using templates C 40.00 – C 46.00 (please refer to Annex IV) on a quarterly basis. It is noted that reporting on leverage is not required for investment firms falling under Article 95(1) and Article 96(1) of the CRR (as per Article 6(5) of CRR).
19. Additional instructions for the leverage ratio templates are included in “Annex XI – Reporting on leverage” which can be found under: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2014:191:FULL&from=EN>

G. Summary table on supervisory reporting

20. The following table provides an overview of the CIF's reporting submission deadlines to CySEC.

CySEC new COREP forms	Reporting frequency	Reporting reference dates	Reporting remittance dates
Form 144-14-06.1	Quarterly	31 March (Q1); 30 June (Q2); 30 September (Q3); 31 December (Q4)	12 May (Q1); 11 Aug (Q2); 11 Nov (Q3); 11 Feb (Q4)
Form 144-14-07			
Form 144-14-08.1			
Form 144-14-08.2			
Form 144-14-08.3			
Form 144-14-09			

21. In Annex VI you can find a table that provides an overview of the supervisory reporting package of CIFs to CySEC.

ANNEX I - REPORTING ON OWN FUNDS AND OWN FUNDS REQUIREMENTS

COREP TEMPLATES		
Template code	Name of the template /group of templates	Short name
	CAPITAL ADEQUACY	CA
C 01.00	OWN FUNDS	CA1
C 02.00	OWN FUNDS REQUIREMENTS	CA2
C 03.00	CAPITAL RATIOS	CA3
C 04.00	MEMORANDUM ITEMS	CA4
	TRANSITIONAL PROVISIONS	CA5
C 05.01	<i>TRANSITIONAL PROVISIONS</i>	CA5.1
C 05.02	<i>GRANDFATHERED INSTRUMENTS: INSTRUMENTS NOT CONSTITUING STATE AID</i>	CA5.2
	GROUP SOLVENCY	GS
C 06.01	GROUP SOLVENCY: INFORMATION ON AFFILIATES - TOTAL	GS Total
C 06.02	GROUP SOLVENCY: INFORMATION ON AFFILIATES	GS
	CREDIT RISK	CR
C 07.00	CREDIT AND COUNTERPARTY CREDIT RISKS AND FREE DELIVERIES: STANDARDISED APPROACH TO CAPITAL REQUIREMENTS	CR SA
	GEOGRAPHICAL BREAKDOWN	CR GB
C 09.01	<i>Table 9.1 - Geographical breakdown of exposures by residence of the obligor (SA exposures)</i>	CR GB 1
C 09.03	<i>Table 9.3 - Breakdown of total own funds requirements for credit risk of relevant credit exposures by country</i>	CR GB 3
C 11.00	SETTLEMENT/DELIVERY RISK	CR SETT

C 12.00	CREDIT RISK: SECURITISATIONS - STANDARDISED APPROACH TO OWN FUNDS REQUIREMENTS	CR SEC SA
C 14.00	DETAILED INFORMATION ON SECURITISATIONS	CR SEC Details
	OPERATIONAL RISK	OPR
C 16.00	OPERATIONAL RISK	OPR
C 17.00	OPERATIONAL RISK: GROSS LOSSES BY BUSINESS LINES AND EVENT TYPES IN THE LAST YEAR	OPR Details
	MARKET RISK	MKR
C 18.00	MARKET RISK: STANDARDISED APPROACH FOR POSITION RISKS IN TRADED DEBT INSTRUMENTS	MKR SA TDI
C 19.00	MARKET RISK: STANDARDISED APPROACH FOR SPECIFIC RISK IN SECURITISATIONS	MKR SA SEC
C 20.00	MARKET RISK: STANDARDISED APPROACH FOR SPECIFIC RISK IN THE CORRELATION TRADING PORTFOLIO	MKR SA CTP
C 21.00	MARKET RISK: STANDARDISED APPROACH FOR POSITION RISK IN EQUITIES	MKR SA EQU
C 22.00	MARKET RISK: STANDARDISED APPROACHES FOR FOREIGN EXCHANGE RISK	MKR SA FX
C 23.00	MARKET RISK: STANDARDISED APPROACHES FOR COMMODITIES	MKR SA COM
	CREDIT VALUATION ADJUSTMENT RISK	CVA
C 25.00	CREDIT VALUATION ADJUSTMENT RISK	CVA
	EXCESS ON LARGE EXPOSURES IN THE TRADING BOOK	MKR SA LE TB
	MKR SA EXCESS ON LE IN TB	MKR SA LE TB
	OWN FUNDS REQUIREMENTS BASED ON FIXED OVERHEADS	FO
	FIXED OVERHEAD	FO

ANNEX II - TEMPLATES FOR REPORTING LARGE EXPOSURES AND CONCENTRATION RISK

LARGE EXPOSURES TEMPLATES		
Template code	Name of the template /group of templates	Short name
	LARGE EXPOSURES	LE
C 26.00	Large Exposures limits	LE LIMITS
C 27.00	Identification of the counterparty	LE 1
C 28.00	Exposures in the non-trading and trading book	LE 2
C 29.00	Detail of the exposures to individual clients within groups of connected clients	LE 3
C 30.00	Maturity buckets of the exposures in the non-trading and trading book	LE 4
C 31.00	Maturity buckets of exposures to individual clients within groups of connected clients	LE 5

ANNEX III - TEMPLATES FOR REPORTING EXPOSURES TO DIRECTORS AND SHAREHOLDERS

EXPOSURES TO DIRECTORS AND SHAREHOLDERS TEMPLATES		
Template code	Name of the template /group of templates	Short name
Director	Disclosure of exposures to directors	
Shareholder	Disclosure of exposures to shareholders	

ANNEX IV - REPORTING ON LEVERAGE

LEVERAGE RATIO REPORTING TEMPLATES		
Template code	Name of the template	Short name
C 45.00	Leverage ratio calculation	LRCalc
C 40.00	Alternative treatment of the exposure measure	LR1
C 41.00	On- and Off-Balance Sheet items - Additional breakdown of exposures	LR2
C 42.00	Alternative definition of capital	LR3
C 43.00	Breakdown of leverage ratio exposure measure components	LR4
C 44.00	General information	LR5
C 46.00	Entities that are consolidated for accounting purposes but are not within the scope of prudential consolidation	LR6

ANNEX V – COLOR INDEX IN TEMPLATES

Color index in templates		
Color	Description	Locked / Unlocked cell
	Not applicable for Investment Firms regulated by CySEC	Locked
	Not applicable for investment firms under certain methods	Locked
	Cell linked to the Template CA	Locked
	Cell that includes formula and is not to be completed by the Investment Firm	Locked
	Supporting/ Additional Columns	Locked
	Dropdown list	Unlocked
	To be completed by the Investment Firm	Unlocked

ANNEX VI – Summary of reporting requirements

Category	Minimum initial capital	Form 144-14-06.1	Form 144-14-07	Form 144-14-08.1	Form 144-14-08.2	Form 144-14-08.3	Form 144-14-09
Full scope ¹	€730.000	submit	submit	submit	submit	submit	Submit
Under art. 95(1) of CRR ²	€125.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	exempted
Under art. 95(2) of CRR ³	€50.000	Submit (calculation based on FOH)	exempted	exempted	exempted	exempted	exempted
Under art. 96(1) (a) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Under art. 96(1) (b) of CRR	€730.000	Submit (calculation based on FOH)	exempted	exempted	submit	submit	submit
Exempted under art. 4(1) (2) of CRR ⁴	€50.000	exempted	exempted	exempted	exempted	exempted	exempted

¹ CIFs that are authorized for Dealing on own account or Underwriting

² CIFs that are not authorized for Dealing on own account or Underwriting

³ CIFs that are exempted based on art. 4(1) (2) of CRR but are authorized for execution of orders or portfolio management

⁴ CIFS that are exempted based on art. 4(1) (2) of CRR but are not authorized for execution of orders or portfolio management