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**TO : Investment Firms**  
**FROM : Cyprus Securities & Exchange Commission**  
**DATE : August 2, 2006**  
**CIRCULAR NO. : IF (2006-08)**  
**FILE NO. : E.K. 6.1.14**  
**SUBJECT : Implementation of the European Directive 2006/48/EC - Capital Requirements of the Investment Firms (IFs)**

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The Cyprus Securities & Exchange Commission (the 'Commission') wishes hereby to:

1. Inform the Cypriot Investment Firms (the 'CIFs') that the European Parliament and Council has:
  - amended the Directive 2000/12/EC regarding taking up and pursuit of the business of credit institutions (the said directive consists articles relating to IFs) and the Directive 93/96/EEC for own funds adequacy of IFs and Credit Institutions,
  - issued a new European Directive [2006/48/EC](#), which covers the above issues (the 'Directive').
2. Inform the CIFs that the Directive provides the possibility to the persons that is addressed (banks, IFs) to choose by themselves the methods of calculating their capital adequacy requirements, which are the following:

<b>Credit risk</b>	<b>Operational risk</b>	<b>Market risk</b>
• Standardised Approach	• Basic Indicator Approach	• Standardised approach
• Internal Ratings Based Approach (IRB) - Foundation	• Standardised Approach	• Internal Models
• Internal Ratings Based Approach (IRB) - Advanced	• Advanced Measurement Approach (AMA)	

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3. Inform the CIFs that the implementation date of the Directive is the 1<sup>st</sup> January 2007. In case a CIF chooses to implement the advanced methods mentioned in the table of point 2 above, the implementation date might be the 1<sup>st</sup> January 2008.
4. Encourage the CIFs, for better planning, to start preparing for the implementation of the Directive.
5. Ask the CIFs to inform the Commission, the soonest as possible as and not later than **31<sup>st</sup> August 2006**, as to the methods they intend to adopt for the calculation of their capital requirements. It is noted that the answers, which they will be received by CIFs, will not be binding in the future.

Yours sincerely

Akis Hadjipieris  
Vice Chairman, Cyprus Securities & Exchange Commission