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**TO** : Cyprus Investment Firms

**FROM** : Cyprus Securities and Exchange Commission

**DATE** : 1<sup>st</sup> August 2017

**CIRCULAR NO.** : C232

**SUBJECT** : Capital instruments that can be qualified as Common Equity Tier 1

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The Cyprus Securities and Exchange Commission ('the CySEC') wishes to provide the Cyprus Investment Firms ('the CIFs') with clarifications regarding the capital instruments that can be qualified as Common Equity Tier I ('CET 1'). More specifically:

1. According to article 28(1)(b) of Regulation (EU) No. 575-2013 on prudential requirements for credit institutions and investment firms ('the [CRR](#)'), capital instruments shall qualify as CET 1 instruments only if the instruments are paid up and their purchase is not funded directly or indirectly by the institution.
2. [Question ID 2013 8](#) of the Single Rulebook Q&A published by the European Banking Authority repeats the provisions of article 28(1)(b) of the CRR and in addition, it clarifies that this condition is to ensure that the institution has genuinely received new funds at issuance.
3. In case where an increase of share capital is paid through contribution in kind (i.e. by pledging other assets as contribution instead of going via the route of 'paying-up' with cash), these assets cannot be qualified as CET 1 instruments as they do not seem to meet the requirements of article 28(1)(b) of CRR.
4. In case a CIF possesses such assets, it cannot qualify them as CET 1 instruments when it calculates its capital requirements.

Sincerely,

Demetra Kalogerou  
Chairman of Cyprus Securities and Exchange Commission