
TO : Cyprus Investment Firms

FROM : Cyprus Securities and Exchange Commission

DATE : July 7, 2017

CIRCULAR No : C222

SUBJECT : Decision of the Cyprus Macroprudential Authority (Central Bank of Cyprus) concerning Recommendation ESRB/2016/4 of the European Systemic Risk Board with regard to the adoption, via reciprocity, of a macroprudential measure adopted by Estonia

The Cyprus Securities and Exchange Commission (the 'CySEC') wishes, with this circular, to inform the Cyprus Investment Firms¹ ('the CIFs') on the decision of the Cyprus Macroprudential Authority (Central Bank of Cyprus, 'the CBC') with regard to the adoption of a macroprudential measure adopted by Estonia. More specifically:

1. The CBC, exercising its powers vested to it as the macroprudential authority of Cyprus, decided on June 19, 2017, to adopt Recommendation ESRB/2016/4 of the European Systemic Risk Board (the 'ESRB'), which amend Recommendation ESRB/2015/2 of the ESRB, that, *inter-alia*, recommends to the relevant authorities of the member states, the voluntary reciprocity of a macroprudential policy measure that was adopted by Estonia.
2. The Estonian measure constitutes a 1 percent systemic risk buffer rate, applied in accordance with Article 134 of Directive 2013/36/EU, on all exposures located in Estonia.
3. The relevant 'CIRCULAR LETTER' of the CBC dated June 26, 2017, is attached as Annex.
4. CIFs with exposures located in Estonia must comply with the aforementioned decision of the CBC when calculating their capital requirements as of the date of this circular.

Yours sincerely

Demetra Kalogerou
Chairman, Cyprus Securities and Exchange Commission

¹ This circular applies to the Cyprus Investment Firms that are licensed to perform the investment activity of paragraph 4, Part I of Annex III of the Law (dealing on own account), and/or provide the investment service of paragraph 6, Part I of Annex III of the Law (underwriting and/or placing of financial instruments on a firm commitment basis).



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26 June 2017

CIRCULAR LETTER

To all Cyprus Investment Firms
incorporated in the Republic and offering the investment
services of dealing on own account and / or underwriting of
financial instruments and / or placing of financial instruments
on a firm commitment basis

BY EMAIL

Dear Sir/Madam,

**Subject: Decision of the Central Bank of Cyprus (CBC) concerning
Recommendation ESRB/2016/4 of the European Systemic Risk Board (ESRB)
with regard to the adoption by the CBC via reciprocity, of a macroprudential
measure adopted by Estonia.**

We refer to the above subject and wish to inform you that the CBC, exercising the powers vested to it as the macroprudential authority of Cyprus, may adopt via reciprocity¹, macroprudential policy measures that have been adopted by the relevant authorities of other member states and for which the ESRB has recommended their voluntary reciprocity by the macroprudential authorities of all other member states.

The CBC, following cooperation and consultation with the Cyprus Securities and Exchange Commission (CySec), decided on 19 June 2017, to adopt Recommendation ESRB/2016/4 of the ESRB, which amends Recommendation ESRB/2015/2 of the ESRB², which, inter-alia, recommends to the relevant authorities of the member states, the voluntary reciprocity of a macroprudential policy measure that was adopted by Estonia. This decision has been implemented by the present circular letter and it has been posted on the CBC's website at the following link:

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=15136&lang=en

¹Reciprocity means an arrangement, whereby the relevant authority in one member state, adopts the same, or equivalent macroprudential policy measure, as is set by the activating relevant authority in another member state, to all financial institutions under its jurisdiction, when they are exposed to the same risk in the latter member state.

² Recommendation ESRB/2015/2 of the ESRB of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures.

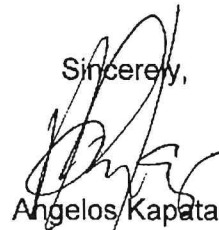
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The Estonian measure constitutes a 1 percent systemic risk buffer rate, applied in accordance with Article 134 of Directive 2013/36/EU, on all exposures located in Estonia of Cyprus Investment Firms incorporated in the Republic and offering the investment services of dealing on own account and / or underwriting of financial instruments and / or placing of financial instruments on a firm commitment basis.

The CBC's decision enters into force retrospectively from 24 September 2016.

For additional information and/or clarifications, you may contact Ms Artemis Nicolaou Tsiamane at +357 22714439 or via email at artemisnicolaou@centralbank.cy.

Sincerely,



Angelos Kapatais

Director Financial Stability

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