

**TO** : **Cyprus Investment Firms**

**FROM** : **Cyprus Securities and Exchange Commission**

**DATE** : **7 August 2019**

**CIRCULAR No** : **C334**

**SUBJECT** : **Treatment of the additional cash buffer of Investors Compensation fund ('ICF') in the own funds calculation**

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The Cyprus Securities and Exchange Commission ('the CySEC') wishes herein to provide guidance to the Cyprus Investment Firms ('the CIFs') on the treatment of the additional cash buffer of ICF when calculating their capital requirements. In particular:

1. As per CySEC's circular [C162](#), CIFs must deduct the ICF contribution as presented in their records from the Common Equity Tier 1 Capital.
2. On 8<sup>th</sup> of March 2019, CySEC issued the Directive [D187-07](#) for the operation of the ICF ('the Directive').
3. According to paragraph 11(6) of the Directive, the members of ICF are required to keep a minimum cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients as at the previous year in a separate bank account in case there is need for an extraordinary contribution and this should not be used for any other purpose.
4. Therefore, CIFs should deduct the additional cash buffer of 3 per thousand of the eligible funds and financial instruments of their clients from the Common Equity Tier 1 capital.
5. CIFs are expected to reflect the above in the submission of the Form 144-14-06.1 (calculation of own funds and capital adequacy ratio) for the period ended **30<sup>th</sup> September 2019** which needs to be submitted to CySEC by 11<sup>th</sup> November 2019.

Sincerely,

Demetra Kalogerou  
Chairman Cyprus Securities and Exchange Commission