

**TO : Cyprus Investments Firms**  
**FROM : Cyprus Securities and Exchange Commission**  
**DATE : December 14, 2015**  
**CIRCULAR NO : C103**  
**SUBJECT : Identification of Other Systemically Important Institutions**

---

The Cyprus Securities and Exchange Commission ('the CySEC') wishes to inform the Cyprus Investment Firms ('CIFs') about the following:

**A. Legal Framework - Identification of Other Systemically Important Institutions ('the O-SIIs')**

1. According to the European Directive 2013/36/EU on the prudential supervision of credit institutions and investment firms ('[the Directive](#)'), Member States must identify O-SIIs, which have been authorised within their jurisdiction and require each O-SIIs, on a consolidated or sub-consolidated or individual basis, as applicable, to maintain an O-SII buffer of up to 2% of the total risk exposure amount calculated in accordance with Article 92(3) of [Regulation No 575/2013](#). This buffer consists of and is supplementary to Common Equity Tier 1 capital.
2. O-SIIs are, among others, investment firms that meet the following two criteria:
  - i. they are authorised to provide the investment services of dealing on own account and underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
  - ii. they are systemic important.
3. Systemic importance is assessed on the basis of at least any of the following criteria [article 131(3) of the Directive]:
  - i. size;
  - ii. importance of the economy of the Union or of the relevant Member State;
  - iii. significant of cross-border activities;
  - iv. interconnectedness of the institution or group with the financial system.
4. Article 131(3) of the Directive provides the setting of specific criteria that will be used to identify institutions that are O-SIIs. For this purpose, the European Banking Authority (EBA) has issued on December 16, 2014 relevant [Guidelines](#).

The Guidelines aim at setting uniform parameters at EU level while taking into account specificities of Member States' individual financial sectors, so as to achieve an appropriate degree of convergence in the identification process as well as at ensuring a comparable, clear and transparent assessment of O-SIIs in the EU.

The Guidelines envisage a two-step process for the identification of O-SIIs. In the first step, on the basis of mandatory quantitative indicators (related to size, interconnectedness, relevance for the economy, complexity), scores will be obtained indicating the systemic importance of each institution. Institutions scoring above the upper threshold will have to be identified as O-SIIs whilst those scoring below the lower threshold can never be identified as O-SIIs. In the second step of the process, institutions scoring between the lower and upper thresholds can still be classified as O-SIIs, but only on the basis of a closed list of optional indicators set forth in the Guidelines.

## **B. Designated authorities in Cyprus for O-SIIs**

5. Central Bank of Cyprus has been designated as the authority in charge of identifying O-SIIs that are authorised in Cyprus and of setting the O-SII buffer (designated as Macro Prudential Supervisory Authority). It is noted that the Central Bank of Cyprus will work together with CySEC when performing the above duties.

CySEC, as the supervisory authority of CIFs, will monitor the application of O-SII buffer by CIFs classified as O-SIIs.

## **C. Information requested by CySEC**

6. For the purpose of implementing the first step of the two-step process for the identification of O-SIIs, as described in point 4 above, the CySEC requests the CIFs that were authorised to provide the investment services listed in points 3 (dealing on own account) and 6 (underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis) of Part I, Third Appendix of the Law 144(I)/2007, and operated before December 31, 2014<sup>1</sup>, to complete the Form 'O-SIIs CIFs Assessment' included in **Appendix 2** and submit it to the electronic address [crdsubmission@cysec.gov.cy](mailto:crdsubmission@cysec.gov.cy) by **December 31, 2015, the latest**.
7. The Form is available **only** in the English language. The Excel® used must be of 2007 version and onwards.
8. For any queries on the completion of the Form 'O-SIIs CIFs Assessment', please do not hesitate to contact Mr. Michalis Siekkeris (Officer, Supervision Department).

Yours sincerely,

Demetra Kalogerou  
Chairwoman, Cyprus Securities and Exchange Commission

---

<sup>1</sup> For your convenience, a list of these CIFs is provided in Appendix 1.