
TO : Cyprus Investment Firms

FROM : Cyprus Securities and Exchange Commission

DATE : 2 February 2021

CIRCULAR No : C425

SUBJECT : Recommendation 2020/15 of the European Systemic Risk Board (ESRB) on restriction of distributions during the COVID-19 pandemic (the 'Recommendation ESRB/2020/15'), amending Recommendation ESRB/2020/07 (the 'Recommendation ESRB/2020/07')

The Cyprus Securities and Exchange Commission (the 'CySEC') following [C397](#) wishes, with this circular, to inform the Cyprus Investment Firms ('the CIFs') that the ESRB issued on 18 December 2020 the [Recommendation ESRB/2020/15](#) on restriction of distributions during the COVID-19 pandemic amending [Recommendation ESRB/2020/07](#). More specifically:

1. The Recommendation ESRB/2020/15 recommends that **at least until 30 September 2021** the relevant authorities request financial institutions under their supervisory remit to refrain from undertaking any of the following actions:

- (a) make a dividend distribution or give an irrevocable commitment to make a dividend distribution;
- (b) buy-back ordinary shares;
- (c) create an obligation to pay variable remuneration to a material risk taker.

which has the effect of reducing the quantity or quality of own funds, unless the financial institutions apply extreme caution in carrying out any of those actions and the resulting reduction does not exceed the conservative threshold set by their competent authority. Competent authorities are recommended to engage in discussions with financial institutions prior to financial institutions taking either of the actions referred to in points (a) or (b).

This Recommendation applies at the EU group level (or at the individual level where the financial institution is not part of an EU group), and, where appropriate, at the sub-consolidated or individual level.

2. Investment firms are included in the list of financial institutions under Recommendation ESRB/2020/7, as they play an important role in market functioning and may present similar risks to banks.
3. The measures covered by Recommendation ESRB/2020/7 are of a temporary nature and the ESRB will continue to monitor their implications for financial institutions and their ability to contribute to economic recovery. When deciding if and when this Recommendation needs to be amended, the ESRB should take into account, inter alia, macroeconomic developments and new data on the stability of the financial system.

CySEC, after taking into consideration all the above mentioned, decided to adopt Recommendation ESRB/2020/15 and urges CIFs that have been recognized as Other Systemically Important Institutions (OSIIs) to refrain from any of the actions mentioned in point 1 above unless they apply extreme caution in carrying out any of those actions. CIFs that have been recognized as OSIIs are recommended to engage in discussions with CySEC prior taking either of the actions referred to in point 1 above.

Yours sincerely

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