
TO : Cyprus Investment Firms
FROM : Cyprus Securities and Exchange Commission
DATE : 25 April 2013
CIRCULAR No : CI144-2013-15
FILE No : E.K. 6.1.14
SUBJECT : Calculation of capital adequacy as at 31st March 2013

The Cyprus Securities and Exchange Commission ('the Commission') wishes to inform the following the Cyprus Investment Firms ('the CIFs') that have bank accounts in 'Bank of Cyprus Public Company Ltd' and/or in 'The Cyprus Popular Bank Public Co Ltd' ('the Banks'), and/or have in their investment portfolio titles of the Banks:

1. The Commission expects the CIFs that, when calculating their capital adequacy as at 31st March 2013:
 - i. They will take into account the four Decrees on 29 March and 21 April 2013 with numbers R.A.D. 103/2013, 104/2013, 132/2013 and 133/2013 for the Banks ('the Decrees').
 - ii. They will rely on assumptions such as those arising from the Decrees. It is provided that these assumptions may be revised in future in the light of future related developments.
2. For example, these assumptions may concern:
 - i. Impairment of deposits above €100.000, 100% in 'The Cyprus Popular Bank' and 37.5% in 'Bank of Cyprus'.
 - ii. Zero value for the Banks' existing titles that CIFs hold in their investment portfolio.
 - iii. Zero value for Bank of Cyprus titles that will result from the impairment of deposits pursuant to relevant Decrees [R.A.D. 103/2013 and 132/2013].
3. CIFs are urged to consult their external auditors for the calculation of capital adequacy as at 31st March 2013.

4. In case the own funds and capital adequacy ratio as at 31st March 2013 is below the minimum allowable limits, CIFs are requested to report on Form 144-5-06.1 that will submit to the Commission for the actions they intend to take to rectify the situation, as well as the time frame for completion of these actions.
5. Finally, CIFs are requested to keep the Commission informed of any lawsuits against them from their clients because of the Decrees.

Yours sincerely,

Demetra Kalogerou
Chairwoman,
Cyprus Securities and Exchange Commission