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| **TO** | **: Cyprus Investment Firms** |
| **FROM** | **: Cyprus Securities and Exchange Commission** |
| **DATE** | **: November 23, 2015** |
| **CIRCULAR NO.** | **: C097** |
| **SUBJECT** | **: Contribution of CIFs to the Single Resolution Fund and National Resolution Fund** |

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

**A. European Framework**

1. The European Directive 2014/59/EU establishes a framework for the recovery and resolution of credit institutions and investment firms (the 'BBRD'). The BBRD provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. The BRRD establishes a three-stage mechanism for the management of insolvency situations: preparation/prevention, early intervention and resolution.

    Investment firms, which are required to hold initial capital of at least €730.000, fall within the scope of BRRD.

    Article 103 of the BRRD provides that credit institutions and investment firms, other than those set out in the second paragraph of point A.2 below, will contribute to a National Resolution Fund (the 'NRF').

    The Commission Delegated Regulation (EU) 2015/63 provides for ex ante contributions to resolution financing arrangements (e.g. to NRF).

    For more details, please refer to the above documents, as well as to the CySEC's guide relating to the BRRD.

2. In addition to the BRRD and as a first step towards a banking union, a single supervisory mechanism has been established by Council Regulation (EU) No 1024/2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.

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Moreover, the European Regulation 806/2014 establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund. According to article 2(c) of the European Regulation 806/2014, an investment firm that is covered by the consolidated supervision of its parent undertaking carried out by the European Central Bank, will contribute to the Single Resolution Fund (the 'SRF') and not to the NRF.

**B. Cyprus Framework**

1. Cyprus is in the final stages of transposing BRRD into national Law. In respect of BRRD, CySEC will be designated as the Competent Authority of CIFs and the Central Bank of Cyprus as the Resolution Authority of CIFs.

2. CIFs, which are required to hold initial capital of at least €730.000 [section 10(1) of the Law 144(I)/2007, as in force], fall under the scope of BRRD. All other CIFs are excluded from BRRD.

   The abovementioned CIFs, except those mentioned in the second paragraph of point A.2 above, will be asked to contribute to NRF.

3. According to the Commission Delegated Regulation (EU) 2015/63,:

   i. CIFs that do not fall under second paragraph of point A.2 above and fulfil the criteria of small institution of article 10, will contribute to the NRF a lump sum payment.

   ii. CIFs that do not fall under second paragraph of point A.2 above and do not meet the criteria of small institution of article 10, its contribution to the NRF will be defined in proportion to their risk profile on the basis of the information provided by such CIFs in accordance with article 14 of the said Regulation and the methodology set out therein.

4. CIFs that are covered by the consolidated supervision of their parent undertaking carried out by the European Central Bank (as per the second paragraph of point A.2 above) will contribute to the SRF.

5. CySEC will provide CIFs with further details regarding the timing of the payment of the contributions to the SRF and NRF at a later stage.

Sincerely,

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Chairman Cyprus Securities and Exchange Commission

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