
TO : **Cyprus Investment Firms**

FROM : **Cyprus Securities and Exchange Commission**

DATE : **6 March 2020**

CIRCULAR No : **C355**

SUBJECT : **New prudential framework for investment firms**

The Cyprus Securities and Exchange Commission ("CySEC") wishes to inform the Cyprus Investment Firms ('CIFs') and the market participants in general the following:

1. On the 5th of December 2019 the new prudential framework for investment firms, which will replace the existing prudential requirements of investment firms currently set out in the Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment Firms (the "CRR")¹ and the European Directive 2013/36/EU (the "CRD IV")², was published in the Official Journal of the European Union.
2. The new prudential framework comprises of:
 - i. [REGULATION \(EU\) 2019/2033 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on the prudential requirements of investment firms and amending Regulations \(EU\) No 1093/2010, \(EU\) No 575/2013, \(EU\) No 600/2014 and \(EU\) No 806/2014](#) (the "IFR"), and
 - ii. [DIRECTIVE \(EU\) 2019/2034 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU](#) (the "IFD").
3. The IFR becomes directly applicable in all EU Member States **on June 26, 2021**.

¹ On 7th June 2019, the [Regulation \(EU\) 2019/876 of the European Parliament and of the Council of 20 May 2019](#) ('CRR2') was published on the Official Journal of the European Union, amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012. CRR2 shall enter into force on 28th June 2021, with some exemptions.

² On 7th June 2019, the [Directive \(EU\) 2019/878 of the European Parliament and of the Council of May 20, 2019](#) ('CRDV') was published on the Official Journal of the European Union, amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures. CRDV shall enter into force on 28th June 2021, with some exemptions.

4. The **IFD** should be transposed into national legislation by June 26, 2021 and will be in force **from June 26, 2021**.
5. The European Commission will issue in the coming months a number of implementing technical standards that will be developed by the European Banking Authority (EBA) regarding the new prudential framework.
6. CySEC published a [practical guide](#) to provide CIFs an overview of the new prudential framework for investment firms. Note that further requirements exist and thus all CIFs are urged to review the IFR and IFD carefully so that they understand, as a first step, the class of investment firm they will be categorized as.
7. CIFs should make their own assessment on the impact that the IFR and IFD will have on their own funds, concentration risk, liquidity risk, disclosure, reporting, remuneration requirements and take the necessary actions to ensure compliance by the date of entry into force i.e. on 26th June 2021.

Yours sincerely

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Chairman of the Cyprus Securities and Exchange Commission