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**TO** : Cyprus Investment Firms (CIFs)  
**FROM** : Cyprus Securities and Exchange Commission  
**DATE** : 22 October 2024  
**CIRCULAR NO.** : C662  
**SUBJECT** : Adoption of the European Banking Authority (the 'EBA') Guidelines on the application of the group capital test for investment firm groups in accordance with Article 8 of Regulation (EU) 2033/2019 (the 'IFR')

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#### A. EBA Guidelines

1. The Cyprus Securities and Exchange Commission (the "CySEC") wishes to bring to the attention of the Cyprus Investment Firms (the "CIFs") the EBA Guidelines which were issued on July 28, 2021, regarding the [application of the group capital test for investment firm groups in accordance with Article 8 of IFR](#) (the "Guidelines").
2. CySEC has adopted the Guidelines by incorporating them into its supervisory practices and regulatory approach.
3. The Guidelines specify how competent authorities should implement Article 8(1) and Article 8(4) of IFR to allow investment firm groups to apply the group capital test ('group capital test permission'), or to hold a lower amount of own funds than the amount calculated under Article 8(3) of IFR ('lower amount permission').

#### B. Scope and addresses

4. The Guidelines apply on an individual and consolidated basis within the scope set out in Article 8 of IFR and are addressed to investment firms that are within the scope of IFR and Directive (EU) 2019/2034 (the 'IFD').

#### C. Application and reporting

5. The guidelines apply from 1 January 2025.
6. The Guidelines specify:
  - a. The conditions where an investment firm group may be deemed to be sufficiently simple and not to pose significant risks to clients and to the market,

- b. The conditions where an investment firm group may be deemed to be sufficiently simple, where the conditions of 'a' above are not met,
  - c. The conditions where an investment firm group may be deemed to not pose significant risks to clients and to the market, where the conditions of 'a' above are not met.
7. As per the Guidelines competent authorities should not be prevented from granting a lower amount permission where the own funds requirements calculated in accordance with Article 8(3) of Regulation (EU) 2019/2033 are higher than the own funds requirements calculated in accordance with Article 7 of that regulation at an indicative percentage of at least 125% of the latter, and the investment firm group meets the conditions referred to above.
8. The Guidelines specify the information necessary to assess whether the investment firm group can be granted the group capital test permission in accordance with Article 8(1) of Regulation (EU) 2019/2033, or the lower amount permission in accordance with Article 8(4) of that regulation, including the following:
- (a) description of the group activities;
  - (b) the up-to-date group structure;
  - (c) the up-to-date overview of the intragroup transfer of activities and positions subject to KAUM, K-CMH, K-ASA, K-NPR and K-CMG;
  - (d) the calculation of the consolidated capital requirements in accordance with Article 7 of Regulation (EU) 2019/2033, or the calculation of own funds requirements at individual level for the undertakings of the investment firm group if the competent authority applies paragraph 17;
  - (e) the calculation of the actual own funds, including of notional own funds calculated in accordance with paragraph 20, available at the level of each undertaking of the investment firm group;
  - (f) the calculation of the group capital test for the Union parent investment firm, the Union parent investment holding company or the Union parent mixed financial holding company, and for each parent undertaking of the group in a Member State as referred to in Article 8(3) of Regulation 2019/2033;
  - (g) the calculation of the percentage referred to in paragraph 15(a);
  - (h) a statement detailing the fulfilment of the conditions set out in Sections 4.3 and 4.4;
  - (i) information on the valuation assigned to each parent undertaking and, if relevant, the reasons for the difference against the book value of each subsidiary. If competent authorities deem that the effort needed to fulfil this information requirement would be disproportionate, they may stipulate that this information requirement should be fulfilled only for the most material subsidiaries, and materiality should be assessed taking into account both the size and the risk of the subsidiaries within the investment firm group.

9. Where a competent authority concludes that the conditions under which a group capital test or lower amount permission has been granted are no longer met, it should consider, without undue delay and after having heard the views of the Union parent investment firm, the Union parent financial holding company or the Union parent mixed financial holding company, whether such permission should be revoked. If the group capital test permission is revoked, any related lower amount permission granted should also be revoked and the group should be subject to consolidated supervision under Article 7 of Regulation (EU) 2019/2033.
  
10. Therefore, in case a CIF, which falls under consolidated supervision by CYSEC, wishes to implement Article 8(1) and Article 8(4) of IFR or to hold a lower amount of own funds than the amount calculated under Article 8(3) of IFR it should submit a relevant request including the information outlined in section “4.6 Information to be assessed” of the Guidelines via CySEC’s portal under “IFR group capital test permission”.

Sincerely,

Dr. George Theocharides  
Chairman  
Cyprus Securities and Exchange Commission