
TO : Cyprus Investment Firms
FROM : Cyprus Securities and Exchange Commission
DATE : 16 June, 2020
CIRCULAR No : C389
SUBJECT : The European Banking Authority launches consultation papers, a public hearing and a data collection exercise in regards to the new prudential framework for Investment Firms

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

A. Launch of Consultation Papers by the European Banking Authority ('EBA')

1. On 4th June 2020, the EBA announced its roadmap for the implementation of the new regulatory [prudential framework for investment firms](#) (IFR/IFD) which will come into force on **26th June 2021** and launched a public consultation on its first set of regulatory deliverables on prudential, reporting, disclosures and remuneration requirements.
2. The [roadmap](#) outlines the EBA's work plan for each of the mandates laid down in the IFR/IFD and clarifies the sequencing and rationale behind their prioritization. Through these mandates, the EBA will contribute to the implementation of a regulatory framework that is calibrated to the size and nature of investment firms. This will strengthen supervision, which will rely more directly on the risks faced by the clients and the investment firms themselves.
3. The public consultation launched by EBA includes four different Consultation Papers ('CP'), as follows:
 - i. [CP on draft Regulatory Technical Standards \('RTS'\) on the prudential requirements for investment firms](#)

It includes three draft Regulatory Technical Standards (RTS) on the reclassification of certain investment firms to credit institutions, five draft RTS on capital requirements for investment firms at solo level, and one draft RTS on the scope and methods of prudential consolidation for investment firms at group level.

- ii. [CP on draft Implementing Technical Standards \('ITS'\) on the reporting and disclosure requirements for investment firms](#)

It includes draft Implementing Technical Standards (ITS) on the levels of capital, concentration risk, liquidity, the level of activities as well as disclosure of own funds; and draft RTS specifying the information that investment firms have to provide in order to enable the monitoring of the thresholds that determine whether an investment firm has to apply for authorisation as credit institution.

- iii. [CP on draft RTS on instruments for investment firms' remuneration](#) and [CP on draft RTS on pay out in instruments for variable remuneration under IFD](#)

These consultation papers on remuneration requirements include one draft RTS on the criteria to identify all categories of staff whose professional activities have a material impact on the firm's risk profile or assets it manages ('risk takers'); and one draft RTS specifying the classes of instruments that adequately reflect the credit quality of the investment firm as a going concern and possible alternative arrangements that are appropriate to be used for the purposes of variable remuneration of risk takers.

4. **The CIFs are invited to send their comments on the above EBA consultation papers by clicking on the 'send your comments' button which can be found [here](#).**

The deadline for the submission of comments directly to EBA is on 4th September 2020.

B. Public hearing by EBA

5. The EBA will hold a public hearing in regards to the above consultation papers, which will take place via conference call on the following dates:

- 30 June 2020, from 11:00 to 13:00 CET, for the consultation paper on the classification of investment firms as credit institutions and capital requirements;
- 30 June 2020 from 14:00 to 16:00 CET for the consultation papers on supervisory reporting and disclosure and variable remuneration requirements

6. The CIFs that want to participate in the above EBA public hearing are urged to keep informed through [EBA's website](#) for the dial-in details which will be communicated by the EBA in due course. Note that the deadline for registration expires on 23rd June, 2020.

C. EBA data collection exercise

7. Following the '*Population data collection by the EBA regarding the new prudential framework for investment firms*' (as per CySEC Circular [C379](#)), the EBA is now launching the **second phase** of the data collection exercise for investment firms. The purpose of this data collection is to assess the impact of the abovementioned draft RTS, which are published for consultation alongside with the data collection.

8. The exercise is addressed to all European Economic Area ('EEA') Investment Firms as defined in point (22) of Article 4(1) of IFR, authorised and supervised under MiFID. Additionally, it is addressed to all EEA investment firm groups that would be subject to prudential consolidation under Article 7 of the IFR.
9. It is noted that this data collection exercise is **voluntary**. CySEC expects however that the CIFs which indicated in the [previous population data template](#), circulated on 8th April 2020 via CySEC Circular C379, that they intend to participate in the upcoming EBA investment firm data collection, will proceed accordingly and participate in this second data collection exercise.
10. The data collection template ('the Template') can be found [here](#). Instructions on how to complete the above Template can be found [here](#).

We note that the instructions should be read in conjunction with the [IFR](#), [IFD](#), the Consultation Paper (CP) on prudential requirements for investment firms ([EBA/CP/2020/06](#)) and the CP on pay out in instruments for variable remuneration under IFD ([EBA/CP/2020/09](#)).

The descriptions of the items in the above instructions intend to facilitate the completion of the template and shall not be construed as an official interpretation of the applicable regulation. If there are cases where the descriptions in this document contradict the requirements prescribed in the regulation or draft RTS, the latter should prevail.

11. The CIFs that will participate in the above data collection exercise should fill in the Template and **submit it to CySEC via email only**, at the electronic address crdSubmission@cysec.gov.cy, quoting as email subject: '(CIF Name) – EBA Template 2', **the latest by 7th August 2020**.
12. The excel file Template that will be submitted to CySEC should have the following naming convention with either solo or cons abbreviation accordingly:

"CY_CIF LEI CODE_SOLO/CONS_v01.xlsx"

Note that CIFs that fall under consolidated supervision by CySEC need to submit two separate Templates, one for solo and one for consolidated basis.
13. In case of any queries regarding the completion of the Template you may contact CySEC via email **ONLY** to crdSubmission@cysec.gov.cy. However, CIFs are kindly requested to go through the relevant instructions provided above, prior to submitting any queries to CySEC.

Yours sincerely

Demetra Kalogerou
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