

## Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

- [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu) when notifying the ESRB;
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Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority			
1.1 Name of the notifying authority	The Central Bank of Cyprus (CBC).		
2. Description of the measure			
2.1 Concerned institution or group of institutions	Credit institution name	LEI code	Application level
	Bank of Cyprus Public Company Ltd	PQQRAP85KK9Z75ONZW93	Highest level of consolidation
	RCB Bank Ltd	253400EBCBBVB9TUHN50	Individual level
	Hellenic Bank Public Company Ltd	CXUHEGU3MADZ2CEV7C11	Highest level of consolidation
	Eurobank Cyprus Ltd	5493004KSNEM4U7L8714	Individual level
	Alpha Bank Cyprus Ltd	529900VS0F7BA91P4I60	Individual level
2.2 Level of the buffer applied	Credit institution name		O-SII Buffer requirement
	Bank of Cyprus Public Company Ltd		2,0%
	RCB Bank Ltd		1,5%
	Hellenic Bank Public Company Ltd		1,5%
	Eurobank Cyprus Ltd		1,0%
	Alpha Bank Cyprus Ltd		0,5%
2.3 Name of the EU ultimate parent institution	CY credit institution name	EU ultimate parent	EU ultimate parent LEI code
	Eurobank Cyprus Ltd	Eurobank Ergasias S.A.	JEUVK5RWVJEN8W0C9M24
	Alpha Bank Cyprus Ltd	Alpha Bank A.E.	5299009N55YRQC69CN08
2.4 Names of subsidiaries	The measure will also apply to all banking related subsidiaries of Bank of Cyprus Public Company Ltd and to all banking related subsidiaries of Hellenic Bank Public Company Ltd.		

3. Timing of the measure											
3.1 Timing of the Decision	The CBC is expected to take its final decision on 25 September 2018.										
3.2 Timing of the Publication	One month after the decision is taken.										
3.3 Disclosure	The measure will be communicated to the ESRB, the ECB, the EBA and the Commission. One month after the decision is taken, the CBC will publish the measure on its website and will send circular letters to the O-SII institutions informing them of this decision.										
3.4 Timing of Application	1 January 2019.										
3.5 Phasing in	The phase-in period will continue to apply between 1 January 2019 and 1 January 2022. As from 1 January 2019, 25% of the O-SII buffer requirement must be fulfilled, followed by three equal annual increments, such that by 1 January 2022 100% of the O-SII buffer requirement will apply.										
3.6 Review of the measure	Annual review, as required by the CRD.										
4. Reason for O-SII identification and activation of the O-SII buffer											
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	For the detailed scores of each credit institution, please refer to the attached file.										
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>The CBC followed the guidelines issued by the EBA and has set the threshold for the designation of O-SII institutions at 350 basis points.</p> <p>Only the mandatory indicators included in the EBA guidelines were used in the designation process. The designation covered all authorised credit institutions established in Cyprus.</p> <p>A separate designation process will be performed for investment firms.</p>										
4.3 Supervisory judgement	Not applicable.										
4.4 Calibrating the O-SII buffer	<p>The CBC followed the relevant guidelines issued by the EBA and set the threshold for the designation of O-SII institutions at 350 basis points. To ensure a level playing field and to reflect the hierarchy between O-SIIs in terms of systemic importance, the CBC calibrated the O-SII buffer in relative proportionality with the O-SII scores. As in previous annual reviews, the following mapping table was used:</p> <table border="1"> <thead> <tr> <th>Total O-SII Score</th> <th>O-SII buffer rate</th> </tr> </thead> <tbody> <tr> <td>350 – 1.000</td> <td>0,5%</td> </tr> <tr> <td>1.001 – 1.750</td> <td>1,0%</td> </tr> <tr> <td>1.751 – 2.500</td> <td>1,5%</td> </tr> <tr> <td>Greater than 2.500</td> <td>2,0%</td> </tr> </tbody> </table>	Total O-SII Score	O-SII buffer rate	350 – 1.000	0,5%	1.001 – 1.750	1,0%	1.751 – 2.500	1,5%	Greater than 2.500	2,0%
Total O-SII Score	O-SII buffer rate										
350 – 1.000	0,5%										
1.001 – 1.750	1,0%										
1.751 – 2.500	1,5%										
Greater than 2.500	2,0%										

4.5 Effectiveness and proportionality of measure	Credit institutions can be considered systemic because of their size, interconnectedness and importance to the economy of Cyprus. In addition, their activities entail a number of risks and they contribute to the pro-cyclicality of the financial system. The imposition of the O-SII buffer on systemic credit institutions, is considered an effective measure to increase their resilience, so as to ensure that systemic credit institutions can withstand future losses without adversely affecting the stability of the financial system.
<b>5. Cross-border and cross-sector impact of the measure</b>	
5.1 Assessment of cross-border effects and the likely impact on the internal market  (Recommendation ESRB/2015/2)	<p>The imposition of the O-SII buffer, increases the resilience of the O-SII credit institutions, and facilitates their ability to absorb future losses. The phasing-in period of the O-SII buffer, is not expected to adversely affect their economic activities. In addition, no inwards spillovers are expected, since the measure does not entail the loosening of credit standards.</p> <p><b>Effect on financial stability</b></p> <p>The measure is not only expected to improve the financial stability of the Cyprus banking sector, but also contribute towards the financial stability of the internal market.</p> <p><b>Effect on lending</b></p> <p>Provision of credit to the real economy continues to be moderate. The introduction of additional capital buffers at this juncture could limit the provision of credit. In order to mitigate this risk, a phasing-in period is adopted. The phasing-in period would facilitate the provision of credit and any necessary capital planning.</p> <p><b>Effect on economic growth</b></p> <p>Based on the characteristics of the measure and the phasing-in period adopted, no material effect is expected on economic growth.</p>
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	Leakages and regulatory arbitrage within Cyprus are not likely, since no substitute services are available from unregulated providers.
<b>6. Combinations and interactions with other measures</b>	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	Not applicable.
6.2 Combinations with SRB buffers  (Article 131.14 + Article 133.5)	Not applicable.
6.3 O-SII requirement for a subsidiary (Article 131.8)	Eurobank Cyprus Ltd and Alpha Bank Cyprus Ltd both have parent institutions located in the EU. The relevant CRD provisions were followed.

Central Bank of Cyprus

Detailed scores for each indicator for the credit institutions designated as O-SII institutions - September 2018

Category	Weight (%)	Bank of Cyprus Public Company Ltd (Basis points)	RCB Bank Ltd (Basis points)	Hellenic Bank Public Company Ltd (Basis points)	Eurobank Cyprus Ltd (Basis points)	Alpha Bank Cyprus Ltd (Basis points)	Astrobank Ltd (Basis points)	National Bank of Greece (Cyprus) Ltd (Basis points)	Societe Generale Bank - Cyprus Ltd (Basis points)	Housing Finance Corporation (Basis points)	Cyprus Development Bank Public Company Ltd (Basis points)	USB Bank Public Company Ltd (Basis points)	Ancoria Bank Ltd (Basis points)
<b>Size</b>													
1. Total assets	25,00%	3.677	1.477	2.741	853	443	201	128	94	161	88	122	16
<b>Category score</b>	<b>25,00%</b>	<b>3.677</b>	<b>1.477</b>	<b>2.741</b>	<b>853</b>	<b>443</b>	<b>201</b>	<b>128</b>	<b>94</b>	<b>161</b>	<b>88</b>	<b>122</b>	<b>16</b>
<b>Importance</b>													
2. Value of domestic payment transactions	8,33%	1.766	2.055	2.932	824	98	1.966	2	234	2	83	32	5
3. Private sector deposits from depositors in the EU	8,33%	3.936	192	3.914	518	541	227	135	85	209	72	156	14
4. Private sector loans to recipients in the EU	8,33%	5.323	116	2.608	297	720	208	207	67	203	95	137	20
<b>Category score</b>	<b>25,00%</b>	<b>3.675</b>	<b>787</b>	<b>3.151</b>	<b>546</b>	<b>453</b>	<b>801</b>	<b>115</b>	<b>129</b>	<b>138</b>	<b>83</b>	<b>109</b>	<b>13</b>
<b>Complexity/Cross-border activity</b>													
5. Value of OTC derivatives (notional)	8,33%	2.541	4.622	813	995	853	176	0	0	0	0	0	0
6. Cross-jurisdictional liabilities	8,33%	3.579	3.614	754	1.357	274	164	88	76	0	59	31	4
7. Cross-jurisdictional claims	8,33%	2.753	2.350	1.767	2.078	723	15	81	154	0	47	27	6
<b>Category score</b>	<b>25,00%</b>	<b>2.958</b>	<b>3.529</b>	<b>1.111</b>	<b>1.477</b>	<b>617</b>	<b>118</b>	<b>56</b>	<b>77</b>	<b>0</b>	<b>35</b>	<b>19</b>	<b>3</b>
<b>Interconnectedness</b>													
8. Intra-financial system liabilities	8,33%	1.558	5.227	789	1.783	177	92	59	92	69	94	53	8
9. Intra-financial system assets	8,33%	1.316	4.691	502	2.515	487	23	120	96	108	105	32	4
10. Debt securities outstanding	8,33%	4.222	2.133	1.951	0	1.624	0	0	0	0	70	0	0
<b>Category score</b>	<b>25,00%</b>	<b>2.365</b>	<b>4.017</b>	<b>1.080</b>	<b>1.433</b>	<b>763</b>	<b>39</b>	<b>60</b>	<b>63</b>	<b>59</b>	<b>90</b>	<b>28</b>	<b>4</b>
<b>Overall score</b>		<b>3.169</b>	<b>2.452</b>	<b>2.021</b>	<b>1.077</b>	<b>569</b>	<b>290</b>	<b>90</b>	<b>90</b>	<b>89</b>	<b>74</b>	<b>69</b>	<b>9</b>

Source: FINREP as at 31 December 2017 and Central Bank of Cyprus

\* The score of Hellenic Bank Public Company Ltd (HB) was calculated having also taken into account those assets and liabilities of the Cyprus Cooperative Bank Ltd (CCB) that were acquired by HB on 1 September 2018. CCB ceased operating on 31 August 2018. Furthermore, with respect to the Value of domestic payments payment transactions' indicator:

- It was assumed that the main driver of the indicator "value of domestic payment transactions" is the deposit base of each credit institution,
- The ratio of the CCB deposits that were taken over by Hellenic Bank to the total of CCB deposits as at 31 December 2017 was calculated,
- The ratio in (b) above was multiplied by the actual CCB domestic payment transactions for 2017 and
- The product in (c) above was added to the actual Hellenic Bank domestic payment transactions for 2017, to arrive at the estimated combined domestic payment transactions for 2017 for Hellenic Bank.