

Resolution

Legal Documents

Resolution of Credit Institutions and Investment Firms

Resolution is the restructuring of an institution by a resolution authority through the use of resolution tools in order to safeguard public interest, including the continuity of the institution's critical functions, financial stability and with minimal cost to taxpayers.

In Cyprus the first Resolution of Credit and Other Institutions Law of 2013 (Law 17(I)/2013) was enacted in March 2013 and amended thereafter, until it was replaced by the Resolution of Credit Institutions and Investment Firms Law of 2016 (22(I)/2016).

Law 22(I)/2016, enacted in March 2016, and amended thereafter, transposes the provisions of the Bank Recovery and Resolution Directive (BRRD) 2014/59/EC establishing a framework for the recovery and resolution of credit institutions and investment firms.

The Law 22(I)/2016 designates the Central Bank of Cyprus (CBC) as the National Resolution Authority (NRA) and the Board of the CBC as the decision making body. It applies to credit institutions and the investment firms that are subject to capital requirements, of €730K, by the Cyprus Securities and Exchange Commission.

Specifically, under the Law, the following conditions must be met before resolution action is taken:

- A) The competent supervisory authority had determined, after consulting the resolution authority, that an institution is failing or likely to fail,
- B) with regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action would prevent the failure of the institution within a reasonable timeframe;
- C) a resolution action is necessary for the public interest.

To manage the institution's failure in an orderly manner, the resolution authority implements resolution measures and exercises its resolution powers with the objectives to:

- (i) To ensure the continuity of the institution's critical functions;
- (ii) to avoid a significant adverse effect on the financial system, in particular by preventing contagion, including to market infrastructures, and by maintaining market discipline;
- (iii) to protect public funds by minimising reliance on extraordinary public financial support;
- (iv) to protect depositors and investors covered by relevant Laws and Regulations
- (v) to protect client funds and client assets.

Law 22(I)/2016 provides also for –

- the resolution planning and resolvability assessment framework – a procedure for drafting and updating a plan for each institution on an annual basis with the purpose of identifying, on a proactive basis, the preferred resolution strategy for the said institution as well as possible impediments to resolvability,
- calibration of a minimum requirement on eligible liabilities and own funds – calibration of the amount of own funds and eligible liabilities that fulfil certain conditions to ensure the successful implementation of the preferred resolution strategy,
- cooperation arrangements to tackle cross-border institution failures.

As of 1 January 2016, the Single Resolution Mechanism (SRM), as provided by the Regulation (EU) No. 806/2014, entered into force as the second pillar of the Banking Union with the aim to effectively deal with the failure of a credit institution subject to the Single Supervisory Mechanism (SSM) with centralised decision-making power in respect of resolution entrusted to the Single Resolution Board (SRB). SRB's mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and the public finances of the participating member-states and beyond.

In this regard the SRB is directly responsible for taking decisions on resolution issues related to Cypriot banks that are directly supervised by the European Central Bank (ECB) and banks with cross-border activities. The CBC will be responsible for taking decisions on resolution issues related to Cypriot banks that are not directly supervised by the ECB, in consultation with the SRB. In case however that a resolution decision requires the use of the Single Resolution Fund, the decision will be taken by the SRB. CBC will also maintain responsibility for resolution of branches of third country credit institutions and investment firms that are subject to certain capital requirements (€730K) by the Cyprus Securities & Exchange Commission.

Decrees

[Learn More](#)

Register of Resolution Actions

[Learn More](#)