



REPUBLIC OF CYPRUS

THE CENTRAL BANK
OF
CYPRUS
LAW, 1963

*(English translation prepared
at the Ministry of Justice)*

NICOSIA

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No. 48 of 1963

A LAW TO PROVIDE FOR THE ESTABLISHMENT, CONSTITUTION AND FUNCTIONS OF THE CENTRAL BANK OF CYPRUS AND FOR MATTERS CONNECTED THEREWITH.

[27th June, 1963.]

WHEREAS under Article 118 of the Constitution there shall be an Issuing Bank of the Republic, and the President and the Vice-President of the Republic shall appoint jointly the Governor and the Deputy Governor of the Issuing Bank of the Republic ;

Preamble.

AND WHEREAS the functions of the Issuing Bank have been carried out by the Accountant-General acting under the Currency Law as Commissioner of Currency ;

Cap. 197.

AND WHEREAS the President and the Vice-President of the Republic, pursuant to paragraph 1 of Article 118 of the Constitution, by their administrative acts published under Notification No. 1568 in the official *Gazette* of the Republic of the 20th December, 1962, have appointed the Governor and the Deputy Governor of the Issuing Bank of the Republic ;

AND WHEREAS it is now deemed expedient that the Issuing Bank of the Republic should become a Central Bank as in Article 121 of the Constitution provided BE IT, THEREFORE, ENACTED BY THE HOUSE OF REPRESENTATIVES AS FOLLOWS :—

1. This Law may be cited as the Central Bank of Cyprus Law, 1963.

Short title.

PART I.—PRELIMINARY.

2.—(1) In this Law unless the context otherwise requires—

Inter-pretation.

“ Bank ” means the Central Bank of Cyprus established by this Law ;

“ Board ” means the Board of Directors constituted under this Law ;

“ Constitution ” means the Constitution of the Republic of Cyprus ;

“ Deputy Governor ” means the Deputy Governor of the Bank ;

“ designated ” means designated by regulations made by the Bank under this Law ;

“ Director ” means a member of the Board other than the Governor and the Deputy Governor ;

" Governor " means the Governor of the Bank ;

" Minister " means the Minister of Finance ;

" pound " means Cyprus Pound as provided in section 20 ;

Cap. 198.

" Treasury Bill " means a Cyprus Treasury Bill issued under the provisions of the Cyprus Treasury Bill Law.

(2) Expressions not otherwise defined in this Law shall, unless the context otherwise requires, have the meaning assigned to such expressions respectively by the Constitution.

PART II.—ESTABLISHMENT, PURPOSE AND FUNCTIONS OF THE BANK.

Establishment and incorporation.

3. There is hereby established a Bank to be called the Central Bank of Cyprus which shall be a corporate body with perpetual succession and a common seal and with power to acquire, hold and dispose of property, to enter into contracts, to sue and be sued in its corporate name and do all things for the purposes of this Law.

Purpose of the Bank.

4. The main purpose of the Bank, by which the Bank shall be guided in all its actions, is to foster monetary stability and such credit and balance of payments conditions as are conducive to the orderly development of the economy of the Republic.

Head Office, branches and agents.

5.—(1) The Bank shall have its head office in Nicosia.

(2) The Bank may establish and close branch offices in the Republic.

(3) The Bank may appoint and revoke the appointment of agents or correspondents in the Republic or elsewhere.

Functions of the Bank.

6.—(1) The Bank shall perform all functions required for the achievement of its main purpose provided by section 4 and for the regulation and control of the monetary and banking system of the Republic and, due regard being had to the economic conditions prevailing in the Republic, the Bank shall perform such other functions as are customarily performed by central banks.

(2) Without prejudice to the generality of the provisions of sub-section (1) the Bank shall have power—

(a) to regulate the supply of money and credit ;

(b) to manage and administer the international reserves of the Republic ;

(c) subject to the provisions of any other Law relating to banks, in force for the time being, to supervise banks in the Republic ;

(d) to act as banker and financial agent of the Government of the Republic.

PART III.—MANAGEMENT OF THE BANK.

7.—(1) There shall be a Board of Directors of the Bank consisting of the Governor, the Deputy Governor and five directors appointed in accordance with this Law. Board of Directors.

(2) A representative of the Minister nominated by him (hereinafter referred to as "the Minister's Representative") shall have the right to propose subjects to be included in the agenda, attend at all meetings of the Board with a right to take part in the discussions and express his views thereat but with no right to vote.

8.—(1) Subject to paragraph 1 of Article 118 of the Constitution the Governor and the Deputy Governor shall be appointed by the President and the Vice-President of the Republic. Governor and Deputy Governor.

(2) The Governor and the Deputy Governor shall be citizens of the Republic and shall be fit and proper persons of proven financial experience.

(3) The Governor and the Deputy Governor shall, subject to the provisions of paragraph 4 of Article 118 of the Constitution, be appointed for a period not exceeding five years as may be specified in the instruments of their appointment but shall be eligible for re-appointment for additional periods not exceeding five years each as may be specified in the instruments of their re-appointment.

(4) The remuneration and other terms and conditions of service of the Governor and the Deputy Governor shall, subject to the provisions of the Constitution, be laid down in the instruments of their appointment :

Provided that such terms and conditions of service shall, subject to paragraph 5 of Article 118 of the Constitution, include a provision for the payment to the Governor or the Deputy Governor or to both, as the case may be, of adequate compensation in case of premature termination of his appointment.

9.—(1) The Directors shall be appointed by the Council of Ministers and shall be citizens of the Republic of proven experience in commerce, finance, industry or agriculture, who are not disqualified for appointment under section 10. Directors.

(2) Each Director shall be appointed for a period of five years and shall be eligible for re-appointment for additional periods of five years each :

Provided that of the first five Directors one shall be appointed for a period of one year and the remaining four for a period of two, three, four and five years respectively. The respective periods of appointments of such first five Directors shall (unless they otherwise agree among themselves) be determined by lot.

(3) When a person ceases to be a Director before the expiry of the period of his appointment, the Council of Ministers shall appoint a citizen of the Republic having the qualifications provided in subsection (1) to be a Director for the unexpired period of such appointment.

Disqualifications.

10. No person shall be qualified to be a member of the Board who—

- (a) is a Minister, or a member of the House of Representatives or of a Communal Chamber ;
- (b) is a member of a municipal council, including a Mayor ;
- (c) is a member of the armed or security forces of the Republic ;
- (d) is the holder or is acting in a public office or a municipal office or, in the case of a member of the Turkish Community, is a religious functionary :

Provided that no person shall be disqualified under this paragraph if he—

- (i) is acting in an advisory capacity or is a member of any committee or commission entrusted by the Republic with the performance of public duties ;
- (ii) is acting as professor or teacher in a university or other institution of higher education in the Republic ;
- (iii) is acting as representative of the Republic in international monetary or financial organisations of which the Republic is a member ;
- (iv) being the holder of a public office, is to be the Governor or the Deputy Governor.

For the purposes of this paragraph "public office" means any office of profit in the service of the Republic or of a Communal Chamber the emoluments of which are under the control either of the Republic or of a Communal Chamber, and includes any office in any public corporation or public utility body.

- (e) has been judged or otherwise declared bankrupt under any Law in force in the Republic for the time being and has not been discharged, or against

whom a receiving order has been made or who has made an arrangement or composition with his creditors ;

- (f) is a person certified to be insane or otherwise adjudged to be of unsound mind under any Law in force in the Republic for the time being ;
- (g) is a director, officer or employee of any other bank or financial institution or has as a shareholder a controlling interest in any other bank or financial institution operating in the Republic.

11. The office of a member of the Board shall become Vacation
of office.
vacant—

- (a) upon his death ;
- (b) upon his written resignation ;
- (c) upon his becoming physically or mentally incapacitated to perform his duties ;
- (d) upon his conviction of an offence involving dishonesty or moral turpitude ;
- (e) if he is absent, without the consent of the Board, from three consecutive ordinary meetings of the Board ;
- (f) upon the occurrence of any of the circumstances referred to in section 10 or if he ceases to be a citizen of the Republic ;
- (g) in the case of the Governor or Deputy Governor on the occurrence of any event provided in the instrument of his appointment.

12.—(1) The Governor, or in his temporary absence or temporary incapacity the Deputy Governor, or in the temporary absence or temporary incapacity of both, the Minister's Representative shall convene the meetings of the Board by notice to all its members and to the Minister's Representative. Meetings
of the
Board and
other
proceedings.

Such meetings shall be convened as often as may be required for the transaction of business, and in any case at least once in every month.

(2) A meeting of the Board shall be also convened on the written request in this respect by either the Minister or two Directors specifying the subjects for which the meeting is being requested.

(3) The Governor, or in his temporary absence or temporary incapacity the Deputy Governor, shall preside at the meetings of the Board and in the case of the absence of both from any meeting the other members of the Board attending such meeting shall elect from amongst themselves one to preside at such meeting.

(4) Four members of the Board shall form a quorum at any meeting and decisions shall be adopted by a simple majority of the members present. In the case of an equality of votes the person presiding at the meeting shall have a second vote.

(5) No member of the Board shall, after it has been decided that he has a personal interest in a matter under discussion, take any further part in the discussion of any such matter or vote on it.

(6) The Minister's Representative may, by notice given in the prescribed manner, suspend the operation of such decision for five days if he is of opinion that the decision is incompatible with the purposes and provisions of this Law or is likely to be contrary to public interest. In such a case if within the aforesaid period the Minister does not otherwise direct by communication in writing the decision shall stand :

Provided that the Board may, within eight days of the communication of the decision of the Minister, appeal against such decision to the Council of Ministers, whose decision shall be final.

(7) Minutes of each meeting of the Board shall be kept in such form as the Board may determine but formal decisions of the Board shall be recorded verbatim. Unless the Board otherwise directs the minutes of the meetings of the Board shall be confidential.

(8) No act or proceeding of the Board shall be deemed to be invalid by reason of any vacancy in the Board.

Functions
of the
Board.

13.—(1) The Board shall, subject to the provisions of the Constitution and of this Law, be responsible for the policy of the Bank and the general supervision of its administration and for this purpose shall exercise all powers and perform all duties necessary or incidental thereto.

(2) Without prejudice to the generality of subsection (1) the Board shall have power to :—

(a) due regard being had to any advice given in this respect by the Minister, after he has consulted the Council of Ministers where necessary, determine and carry out, in accordance with the objects of the Bank, its general policy ;

(b) subject to the provisions of any Law in force for the time being, make, on the recommendation of the Governor, regulations providing for the internal organisation of the Bank, defining, with the approval of the Council of Ministers, the schemes of service of all officers and employees of the Bank, and regulating their powers and duties and the exercise of the disciplinary control over such officers and employees,

14. Subject to the provisions of this Law the Board may make rules and regulations regulating the exercise of the functions of the Bank, the Board's own procedure and generally for the good order and management of the Bank.

Rules and
Regulations.

15.—(1) The Governor shall be the chief executive officer of the Bank and shall carry out the policy of the Bank and shall have the direction and control of its business with authority to act in connection with the conduct of the business of the Bank in all matters which are not by this Law or by the regulations made under this Law specifically reserved for the Board.

Functions
of the
Governor.

(2) Without prejudice to the generality of subsection (1) the Governor shall, subject to any Law in force for the time being and in accordance with regulations relating to the officers and employees of the Bank made under this Law, appoint, suspend or dismiss any officer or employee of the Bank other than officers or employees in respect of whom other provision is made in this Law.

(3) The Governor in carrying out any of his functions under subsection (2) shall act in accordance with the advice of a Committee established for the purpose and consisting of himself as Chairman, the Deputy Governor, one director nominated by the Board in this respect, the Minister's Representative and one other person nominated by the Board in this respect to hold office for a period of two years, unless earlier removed by the Governor.

(4) The Governor shall be the chief representative of the Bank and in this capacity shall have authority—

- (a) to represent the Bank in all its relations with other persons including the Government ;
- (b) to represent the Bank, either personally or through counsel, in all legal proceedings to which the Bank is a party ;
- (c) to sign contracts concluded by the Bank, and the annual reports, balance sheets, profit and loss statements, correspondence and other documents of the Bank ;
- (d) to delegate the exercise of any of his powers provided for in paragraphs (a), (b) and (c) of this subsection, to other officers of the Bank upon his own responsibility.

(5) The Governor shall keep the Board and the Minister's Representative currently informed on matters which require the attention of the Board and shall, as far as practicable, provide the Board and the Minister's Representative with such data and advice as will facilitate the formulation of decisions and policies by the Board. The Governor shall

furthermore submit to the Board for adoption drafts of measures or resolutions which in his view are necessary to make the purpose and policies of the Bank effective.

(6) The Board may from time to time delegate any of its powers to the Governor for such periods and on such conditions as the Board may determine.

(7) The Deputy Governor shall assist the Governor in the exercise of his functions and in the absence or temporary incapacity of the Governor perform all powers, functions and discharge all responsibilities of the Governor provided by the Constitution or by or under this Law.

Governor's
and Deputy
Governor's
full time
at the
service
of the
Bank.

16.—(1) Subject to the proviso to paragraph (d) of section 10 the Governor and the Deputy Governor shall, while in office, devote their whole time to the service of the Bank and shall not engage themselves in any other business, trade or undertaking.

(2) The Governor and the Deputy Governor shall not, except with the approval of the Council of Ministers, for a period of one year after the termination of their appointment, take in the Republic any office or accept interest in any banking or other financial institution or receive therefrom any remuneration whatsoever.

Officers
and
employees.

17.—(1) For the purpose of carrying out the functions of the Bank under this Law there shall be appointed, as in this Law provided, such officers and employees as may be necessary.

(2) The appointment of any officer or employee of the Bank shall be at such remuneration and under such other terms and conditions as may be provided in any regulations or the schemes of service made in this respect under this Law.

(3) Subject to any regulations made under this Law in this respect, no person shall hold any office in the Bank who, at the same time—

(a) holds any office in any other Bank or financial institution operating in Cyprus ;

(b) holds any financial interest in any such Bank or financial institution without disclosing such interest and obtaining the permission of the Board :

Provided that the Board shall refuse to grant such permission if the interest held is of a controlling nature.

(4) Every director, officer or employee of the Bank shall be bound to secrecy and shall for the purposes of the Criminal Code be deemed to be employed in the public service and the provisions of the Public Officers Protection Law shall apply as if such officers or employees were public officers.

Cap. 154.

Cap. 313.

(5) There may be employed, subject to the provisions of this Law and to such terms and conditions as may in each case be determined by the Board, such persons to perform such special functions as may be provided in the agreement of employment.

18. Every person shall, before assuming the duties of Governor, Deputy Governor, Director, officer or employee of the Bank, subscribe and take the oath set out in the First Schedule.

Oath by
Directors,
etc.

First
Schedule.

19.—(1) There shall be paid to the Directors such remuneration as may be determined by the Council of Ministers.

Remunera-
tion of
Directors.

(2) For the purposes of sections 17 and 19 "remuneration" includes salary, wages, fee, and allowance of any kind whatsoever.

PART IV.—THE MONETARY UNIT AND LEGAL TENDER MONEY.

20.—(1) The Cyprus Pound shall be the monetary unit of the Republic.

Unit of
currency.

(2) The monetary unit shall be divided into such multiple fractions as may be determined by the Council of Ministers :

Provided that until such determination is made under this subsection the multiple portions existing on the date of the coming into operation of this Law shall be deemed to have been determined as such under this subsection.

21. The weight of the monetary unit in terms of gold or its value in terms of foreign currencies shall, after consultation with the Bank, be determined or changed by the Council of Ministers.

Parity of
Cyprus
Pound.

22.—(1) All the monetary transactions taking place in the Republic shall be presumed to be expressed in Cyprus Pounds, unless, subject to the provisions of any Law in force for the time being, otherwise agreed upon by the parties.

Monetary
trans-
actions
presumed
to be in
Cyprus
Pounds.

(2) Subject to the provisions of any Law in force for the time being all monetary transactions taking place in the Republic shall be settled in Cyprus Pounds, unless otherwise provided for in any public domestic or international law measure or unless otherwise agreed upon by the parties to a contract.

23. The Bank shall have the exclusive right to issue notes and coins in Cyprus.

Issue of
notes and
coins.

24.—(1) The denominations, inscriptions, form, material and other characteristics of notes and coins shall, subject to the provisions of the Constitution, be determined by the Bank subject to the approval of the Council of Ministers.

Denomina-
tion and
form of
notes and
coins.

(2) The Bank shall publish in the official *Gazette* of the Republic the denominations and other characteristics of notes and coins which the Bank intends to issue under section 23.

Notes and coins issued by the Bank to be legal tender.

25.—(1) Subject to subsections (2) and (3) notes and coins issued by the Bank shall be legal tender and accepted without limitation as to the amount, in the settlement of all debts, public or private.

Cap. 197.

(2) Notes which have been issued, or which are deemed to have been issued, by the Commissioner of Currency under section 11 or section 24 of the Currency Law and coins which are lawfully in circulation in the Republic under sections 2 and 9 of such Law shall continue to be and shall remain legal tender, until withdrawn from circulation in accordance with subsection (3).

(3) The Bank may declare by notice published in the official *Gazette* of the Republic that particular issues or denominations of notes or coins shall cease to be legal tender as of a certain date. By any such notice a reasonable time shall be fixed within which such notes or coins may be exchanged at the Bank against other currently valid legal tender money.

Regulations as to mutilated notes and coins.

26. The Bank shall make regulations, to be published in the official *Gazette* of the Republic, providing for the conditions on which mutilated, defaced or otherwise defective notes or coins may be exchanged at the Bank.

Reserves against notes, etc.

27.—(1) The Bank shall maintain among its assets a reserve of foreign assets consisting of gold, foreign exchange or such foreign securities as in subsection (2) provided.

(2) The Board may from time to time :—

- (a) designate the foreign exchange which may form part of the assets referred to in subsection (1) ;
- (b) designate the various categories of foreign securities and credit instruments which the Bank may hold under subsection (1).

Percentage of international reserves.

28.—(1) The reserve as defined in section 27 shall be at all times equal to at least thirty per centum of the counter value of the total amount of the notes and coins in circulation and of the sight liabilities of the Bank.

(2) If the reserve defined in section 27 is likely to decline in such a way as to jeopardise the reserve position of the Bank, the Bank shall submit to the Council of Ministers through the Minister a report on the causes which may lead to such a decline in the reserve and shall propose the measures which in its view are likely to remedy the situation.

PART V.—FOREIGN EXCHANGE AND GOLD TRANSACTIONS.

29.—(1) The Bank may buy, sell or accept as deposit foreign exchange in all forms. The Bank, in buying or selling foreign exchange, may engage in spot and forward transactions. Dealings
in foreign
exchange,
etc.

(2) The Bank may keep balances, denominated in foreign currencies, with foreign banks or their agents or correspondents abroad and may invest, at its discretion, such balances in readily negotiable foreign securities.

30. The Bank may engage in foreign exchange transactions only with— Foreign
exchange
transactions.

- (a) banks authorised to deal in foreign exchange or authorised dealers in foreign exchange which are not licensed as banks in the Republic ;
- (b) the Government or any of its agencies ;
- (c) foreign central banks, foreign banks or foreign financial institutions ;
- (d) foreign governments or agencies of foreign governments ;
- (e) international financial institutions.

31. Notwithstanding anything in any other Law in force for the time being the Bank may import, export, buy, sell, hold or otherwise deal in gold. Dealings
in gold.

32.—(1) The Bank may appoint authorised banks or dealers to engage in transactions involving gold or foreign exchange or both. Authorised
dealers,
etc.

(2) The Bank may, with the concurrence of the Minister, make regulations relating to gold and foreign exchange transactions and holdings of authorised banks and authorised dealers.

33.—(1) The Bank shall adopt appropriate measures to ensure that the maximum and minimum rates at which transactions in foreign currencies take place in the Republic are within the limits prescribed by, or in accordance with, international agreements to which the Republic is a party. Rates of
transactions
in foreign
currencies.

(2) The Bank shall publish from time to time the buying and selling rates at which the Bank is prepared to deal in the foreign currencies of significance in the international economic relations of the Republic.

34. The Bank shall be responsible, as agent of the Ministry of Finance, for the administration of such foreign exchange control legislation as may be in force from time to time in the Republic. Foreign
exchange
control
legislation.

Profits or
losses on
revaluation.

35. Profits or losses arising from any revaluation of the Bank's net assets or liabilities in gold or foreign currencies as a result of a change in the par value of the Cyprus Pound or of the monetary unit of another country shall be excluded from the computation of the annual profits and losses of the Bank and shall be credited or debited, as the case may be, to a suspense account and there shall be consultations between the Bank and the Minister as to the repayment or use of such account.

PART VI.—REGULATION AND CONTROL OF CREDIT.

Rates of
interest.
Cap. 150.

36.—(1) Subject to the provisions of the Interest Law or any other Law relating to interest in force for the time being the Bank—

- (a) shall determine the rate of interest at which the Bank is prepared to rediscount or discount eligible paper ;
- (b) may grant advances or make loans to banks and other financial institutions ;
- (c) may fix the maximum or minimum or both rates of interest which banks and other designated financial institutions may charge for different types of loans and advances or other credit transactions or pay on various classes of deposits.

(2) The Bank may determine different rates of interest for different categories of transactions and of deposits.

Requirement
to keep
certain
assets with
the Bank.

37.—(1) The Bank may from time to time require banks and other designated financial institutions to maintain with the Bank a balance equivalent to not more than twenty per centum of their deposit liabilities.

(2) In exceptional circumstances in order to safeguard internal and external stability of the currency, the Bank may, with the approval of the Minister, require banks and designated financial institutions to maintain with the Bank a balance equivalent to not more than ten per centum of their deposit liabilities, above and beyond the balance required under subsection (1).

(3) Up to the above limits the Bank may prescribe different percentages for demand deposits, savings or time deposits.

(4) The Bank may make regulations defining various categories of deposits against which the required reserve shall be maintained and the method of calculation of such reserves.

(5) Any prescription of, or change in, the minimum reserve requirements to be maintained in accordance with this section shall be preceded by at least fifteen days notice to the banks and other financial institutions concerned.

(6) The minimum reserve ratios prescribed by the Bank in accordance with this section shall be uniform for all banks and other designated financial institutions in the same category.

(7) If a bank or designated financial institution fails to comply with such minimum reserve requirement, such bank or designated financial institution may be liable, apart from the penalties provided in section 59, to such additional payments to the Bank as the Bank may provide by regulations, and in case such bank or designated financial institution persists in non-complying with such reserve minimum requirement the Bank may, in addition to the aforesaid, prohibit such bank or designated financial institution from accepting new deposits, granting new loans or making new advances.

38. The Bank may in respect of the loans, advances or investments of banks and other designated financial institutions—

Prescribing conditions for other banks.

- (a) prescribe the purposes for which they may or may not be made ;
- (b) prescribe maximum maturities or, in the case of loans, advances or letters of credit, the type and amount of security which shall be required ; and
- (c) establish limits for any particular categories of loans, advances and investments or for their total amount outstanding.

39. All measures of general application prescribed by the Bank under this Part shall be duly published and announced with their effective dates in such manner as the Bank may determine and any regulations made under this Part shall be published in the official *Gazette* of the Republic.

Application of measures, etc.

PART VII.—TRANSACTIONS WITH BANKS AND OTHER DESIGNATED FINANCIAL INSTITUTIONS.

40. The Bank may determine the terms and conditions governing its transactions with banks and other designated financial institutions.

Terms of transactions with other banks.

41.—(1) The Bank may engage with banks and other designated financial institutions in transactions involving rediscount, discount or purchase of bills of exchange, pro-

Special provisions as to transactions.

missory notes and other credit instruments, bearing the signatures of at least two persons of good financial standing, one of which shall be that of a bank or designated financial institution, with maturities of not more than ninety days from the date of their rediscount, discount or purchase by the Bank and resulting from transactions derived from—

- (a) the import, export, purchase and sale of goods and services or the transport of goods ;
- (b) the storing of marketable goods and products which are properly insured and deposited under conditions assuring their preservation in authorised warehouses or in other places approved by the Bank ;
- (c) industrial production.

(2) In case of transactions derived from agricultural production the Bank may, if it finds it in the interest of the national economy, rediscount, discount or purchase instruments enumerated in subsection (1) with maturity of not more than two hundred and seventy days from the date of their rediscount, discount or purchase by the Bank. The Bank may require that individual documents or instruments which are in the possession or ownership of the Bank as a result of a transaction under this subsection be secured by a pledge, hypothecation or assignment of the resulting products or crops.

Advances to
banks, etc.

42.—(1) The Bank may grant advances or make loans to banks and designated financial institutions for fixed periods against the following security :—

- (a) the credit instruments referred to in section 41 ; or
- (b) negotiable Treasury Bills subject to the limitations provided for in subsection (2) of section 50 ;
- (c) Government or Government guaranteed securities which have been publicly offered for sale subject to the limitations provided in subsection (3) of section 50 ;
- (d) first class securities issued by public and private corporations, subject to the limitations provided in section 43.

(2) The period for which the Bank may grant advances or make loans pursuant to subsection (1) may not exceed the maturity of the credit instruments or Treasury Bills or Government securities or other securities held by the Bank as collateral security, and such period shall in no case exceed six months.

43. The Bank in order to promote capital market and for purposes of monetary policy may purchase and sell first class fixed term securities with fixed interest issued by public and private domestic corporations, which have been publicly offered for sale :

Purchase of securities, etc.

Provided that the total amount of such securities, including securities held by the Bank as collateral security pursuant to paragraph (d) of subsection (1) of section 42, shall not at any time exceed five per centum of the total liabilities of the Bank, provided that such liabilities shall include notes and coins in circulation and shall not include Government and other public accounts.

44.—(1) The Bank shall accept money on deposit from, and may collect money for and on account of, banks and designated financial institutions.

Acceptance of money on deposit, etc.

(2) The Bank may pay interest on specified deposits by banks or designated financial institutions, including deposits which may be required by the Bank under section 37.

(3) The Bank may grant secured advances or make loans to banks or designated financial institutions for fixed periods and for purposes which the Bank may designate.

45. The Bank may provide, on such terms and conditions as the Bank may determine, appropriate services for banks and designated financial institutions.

Services for other banks.

PART VIII.—RELATIONS WITH THE GOVERNMENT.

46.—(1) Save where the Minister in respect of certain financial transactions otherwise determines in the public interest, the Bank shall act as financial agent and banker of the Government.

Bank as banker, etc., for Government.

(2) The Bank may also perform the functions of financial agent and banker for any Communal Chamber, municipality or public corporation in the Republic in accordance with, and within the scope determined by, special arrangements made between the Bank and the Communal Chamber, the municipality or public corporation concerned.

47. The Bank in its capacity as financial agent and banker of the Government shall—

Duties of the Bank when acting as banker, etc., under section 46.

(a) subject to the provisions of section 63 be the official depository of the Government and shall accept deposits and effect payments for the account of the Government :

Provided that the Bank may, after consultation with the Minister, select banks or designated financial institutions to act in its name and for its account as official depositories of the Government at places where the Bank has no branches ;

- (b) be the administrator of public funds, in accordance with arrangements to be made between the Bank and the Minister ;
- (c) subject to arrangement made between the Bank and the Government, or its agency, the Communal Chamber, the municipality or public corporation concerned, manage the public debt including issue and service of bonds and other securities of the Government and its agencies, a Communal Chamber, a municipality or public corporation in the Republic ;
- (d) pay, remit, collect or take custody of funds in the Republic or abroad ;
- (e) purchase, sell, transfer or take custody of cheques, bills of exchange, and securities ;
- (f) collect the proceeds, whether principal or interest, resulting from the sale for the Government of, or accruing to the Government as the holder of, securities or other property ;
- (g) purchase, sell, transfer or take into custody gold, silver and foreign exchange.

No interest
by or
compen-
sation
to the Bank.

48.—(1) The Bank shall pay no interest on the deposits which it holds pursuant to paragraph (a) of section 47.

(2) The Bank shall not receive any payment for services rendered to the Government unless otherwise agreed.

Advances to
Government.

49.—(1) With a view to offsetting fluctuations between receipts and payments of the Government the Bank may make direct advances to the Government.

(2) The amount of such advances outstanding shall at no time exceed ten per centum of the estimated ordinary revenue of the Government for the financial year during which the advance is to be made.

(3) Such direct advances shall be repayable not later than three months following the end of the financial year of the Republic.

Treasury
Bills.

50.—(1) The Bank may purchase negotiable Treasury Bills, maturing not later than twelve months from the date of the acquisition by the Bank.

(2) At no time shall the amount of such Treasury Bills including Treasury Bills held by the Bank as collateral security pursuant to paragraph (b) of subsection (1) of section 42 exceed ten per centum of the estimated ordinary revenue of the Government.

(3) The Bank may sell and repurchase Government securities which the Bank shall take over under subsection (1) of section 64 from the Note Security Fund, and may sell and buy Government and Government guaranteed securities which have been publicly offered for sale :

Provided that the total amount of such securities owned by the Bank shall at no time exceed the amount of Government securities taken over from the Note Security Fund under section 64 by more than six per centum of the total sight liabilities of the Bank.

51.—(1) The Bank may render advice to the Government and the Minister on any matter which in its opinion is likely to affect the attainment of the purposes of the Bank as defined in section 4. Advice to Government.

(2) On the request of the Government or the Minister the Bank shall render as far as practicable any necessary data or advice on particular measures, situations or transactions; or on the general conditions of Money and Banking in Cyprus.

PART IX.—CAPITAL AND RESERVES AND RELATED FINANCIAL STATEMENTS.

52.—(1) The initial capital of the Bank shall be one hundred thousand pounds which shall be taken up and paid by the Government from the Consolidated Fund. Capital of the Bank.

(2) Such capital may be increased or otherwise altered by a decision of the Council of Ministers.

53. The financial year of the Bank shall begin on January 1st and end on December 31st of each year. The Bank's financial year.

54.—(1) Within three months after the end of each financial year the Bank shall prepare a Balance Sheet and a Profit and Loss Account. Balance sheet, etc.

(2) The Bank shall determine the net profits for the financial year after deducting from gross profits its operational expenditure and after making such deductions and allowances as are usually made in this respect by central banks.

55.—(1) The Bank shall have a reserve fund (in this Law called the "General Reserve Fund") which shall be established as in subsection (2) provided. General Reserve Fund.

(2) Fifteen per centum of the net profits shall be paid each financial year into the General Reserve Fund until the General Reserve Fund is equal to fifty per centum of the capital. Thereafter ten per centum of the net profits shall be paid into the General Reserve Fund until the Fund is equal to the capital.

(3) The balance shall be paid into the Consolidated Fund and after the General Reserve Fund reaches the amount equal to capital the whole net profit shall be paid into the Consolidated Fund, unless the Council of Ministers decides, on the recommendation of the Board, that further increases in the Reserve Fund shall be made.

Annual
report, etc.

56.—(1) The Board shall prepare and publish in respect of each financial year of the Bank an annual report which shall include the Balance Sheet and Profit and Loss Account of the Bank.

(2) The Bank shall prepare and publish by the end of each month a statement of the assets and liabilities of the Bank as at the last working day of the preceding month.

Audit.

57. The accounts of the Bank shall be audited by the Auditor-General who shall submit copy of his report to the Minister.

Budget of
the Bank.

58.—(1) The Board shall be responsible for the preparation and adoption of the annual budget of the Bank.

(2) In preparing and adopting the budget the Board shall consult and be guided by the advice of the Minister.

PART X.—MISCELLANEOUS.

Offences.

Failure
to comply
with
minimum
reserve
require-
ments.

59.—(1) Any bank or designated financial institution which fails to comply with the minimum reserve requirements imposed or maintained by the Bank by virtue of section 37 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding fifty pounds for every day during which the offence continues.

(2) Any bank or designated financial institution which fails to comply with the provisions of section 62 shall be guilty of an offence and shall be liable on conviction to a fine not exceeding twenty-five pounds for every day during which the offence continues.

Exemption from taxation and certain legislation.

Exemption
from
income-
tax, etc.

60. The Bank shall be exempted from :—

- (a) the payment of any tax on its income derived from any profits realised by the Bank ;
- (b) the payment of any stamp duty payable under any Law relating to stamp duties in force for the time being.

Companies
Law not to
apply.
Cap. 113.

61.—(1) The provisions of the Companies Law shall not apply to the Bank.

(2) The Bank shall not be put into liquidation except pursuant to legislation passed in that behalf and then in such manner as may be provided by such legislation,

General and transitional provisions.

62.—(1) The Bank may require each bank or other designated financial institution carrying on business in the Republic to furnish to it periodically or upon request such information as it considers necessary to fulfil the functions with which it is entrusted by this Law.

Information to be furnished by banks, etc.

(2) The Bank shall take into account the confidential nature of the relations of banks or other designated financial institutions with their clients, and shall use any information obtained from banks or designated financial institutions for the purpose only of fulfilling the ordinary functions of a Central Bank.

63.—(1) The Bank and the Minister may make suitable arrangements for the transfer to the Bank of the depository functions mentioned in paragraph (a) of section 47.

Arrangements for transfer of depository functions mentioned in section 47, etc.

(2) Such arrangements may provide for the date the transfer shall take effect.

(3) The Bank shall not be precluded from selecting, in accordance with paragraph (a) of section 47, individual banks or branches of banks to be depositories of government funds in places where the Bank has no branch.

64.—(1) The Bank shall take over the assets and liabilities of the Note Security Fund, and such fund shall thereupon be liquidated.

Bank to take over Note Security Fund, etc.

(2) The Bank shall take over the assets and liabilities of what is known as Silver Fund, and such fund shall thereupon be liquidated.

(3) As soon as practicable after the coming into operation of this Law, the Bank shall take over the stock held by the Commissioner of Currency of unissued notes and coins as if they were notes and coins of the Bank.

65. Notwithstanding anything in the Bank Holiday Law in force for the time being, the Minister may, if he deems such action in the public interest, declare by a notice published in the official *Gazette* of the Republic that certain days shall be observed as special bank holidays.

Special Bank Holidays. Cap. 123.

66.—(1) The Currency Law shall be read, construed and applied subject to the provisions of this Law and to the amendments set out in the Second Schedule.

Amendments. Cap. 197. Second Schedule.

(2) Any reference in any Law or public instrument to "pound" or "sterling" or any subdivision thereof shall, save where the context or the circumstances of the date of any matter or transaction in question otherwise require, be construed as references to Cyprus Pounds or any subdivision thereof as provided by this Law.

FIRST SCHEDULE.

(Section 18.)

OATH OF FIDELITY AND SECRECY.

I,

do solemnly swear that I will faithfully, truly and to the best of my judgment, skill and ability, execute and perform the duties required of me as a Governor (Deputy Governor, director, officer or employee, as the case may be) of the Central Bank of Cyprus and which properly relate to the office or employment in the said Bank held by me.

I further solemnly swear that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Bank, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the Bank and relating to the business of the Bank.

SECOND SCHEDULE.

(Section 66.)

AMENDMENTS OF THE CURRENCY LAW (CAP. 197).

1. Sections 10 to 15 (both inclusive) and sections 20 to 24 (both inclusive) are hereby repealed.

2. Sections 16 to 19 (both inclusive) shall be renumbered as sections 11 to 14 respectively and shall be read, construed and applied subject to the following amendments :—

- (a) the words " or note " shall be inserted after the words " currency note " wherever they occur ;
- (b) the words " or the Governor and/or Treasurer of the Central Bank " shall be inserted after the word " Commissioner " wherever such word occurs.

3. There shall be inserted immediately before section 11 (as renumbered) the following section :—

" Interpretation.

10. For the purposes of sections 11 to 14 the expression ' note ' means a note issued by the Bank under the provisions of the Central Bank of Cyprus Law, 1963."