

THE CENTRAL BANK OF CYPRUS LAW OF 2002 (N. 138(I) 2002)

PART I: PRELIMINARY

For purposes of compatibility with articles 105 to 124 of the Treaty establishing the European Community and the Statute of the European System of Central Banks
The House of Representatives votes as follows:

1. Short Title

This Law may be cited as the Central Bank of Cyprus Law of 2002.

2. Interpretation

In this Law, unless the context otherwise requires

“Bank” means the Central Bank of Cyprus which was established under section 3 of the Central Bank of Cyprus Laws of 1963 to 2001, in accordance with Articles 118 to 121 of the Constitution of the Republic of Cyprus;

“Board” means the Board of Directors of the Bank provided under the Law

“Committee” means the Monetary Policy Committee which shall be established and function under this Law

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

“Designated Financial Institution” means institution designated by directives, issued by the Bank under this Law;

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

“European Central Bank” means the European Central Bank which operates in accordance with the Treaty on the Establishment of the European Community;

“Foreign exchange” means securities or any other asset denominated in foreign currency or unit of account;

“Governor” means the Governor of the Bank;

“Minister” means the Minister of Finance

“Remuneration” includes salary, wages, fee and allowance of any kind whatsoever. 48 of 1963; 10 of 1979; 35 of 1990;233 of 1991; 74(I) of 1992;66(I) of 1993; 100(I) of 1994;99(I) of 1995;116(I) of 1996;107(I) of 1997;97(I) of 1998;92(I) of 1999;148(I) of 1999;124(I) of 2000;166(I) of 2000;147(I) of 2001;95 of 1989;106(I)of 1996;115(I)of 1996; 1 04(I)of 2002

PART II: CONTINUATION OF OPERATION, OBJECTIVES AND TASKS OF THE BANK

3. Operation of the Bank

The Bank shall continue to function as a corporate body with perpetual succession and the same common seal and with power to acquire hold and dispose of property, to enter into contracts, to sue and be sued and take any action required for the objectives of this Law.

4. Seat, Agents of the Bank

- (1) The Bank shall have its seat and head office in Nicosia.
- (2) The Bank may at any time establish and close regional branch offices in the Republic, according to its needs.
- (3) The Bank may at any time appoint and revoke the appointment agents or correspondents in the Republic or elsewhere.

5. Objectives of the Bank

The primary objective of the Bank shall be to ensure price stability:

Provided that, without prejudice to this primary objective, the Bank shall support the general economic policy of the State.

6. Tasks of the Bank

- (1) The Bank shall perform all tasks required for the achievement of objectives and shall perform any other tasks performed by central banks.
- (2) Without prejudice to the generality of the provisions of subsection (1), the main tasks of the Bank shall be the following:
 - (a) The definition and implementation of monetary policy:
Provided that, the concept of monetary policy shall be understood to include credit policy.
 - (b) The conduct of the policy on the exchange rate of the pound against other currencies, within the framework of exchange rate policy formulated by the Council of Ministers after the opinion expressed by the Bank.
 - (c) The holding, keeping and management of the official foreign reserves of the Republic, consisting of the foreign exchange and gold reserves of the Bank and of the State and the conduct foreign exchange operations. 66(I) of 1997;74(I) of 1999; 94(I) of 2000
 - (d) The supervision of banks, without prejudice to the provisions the Banking Laws of 1997 to 2000.
 - (e) The promotion, regulation and oversight of the smooth operation of payments and settlement systems.
 - (f) The provision of services or performance of the tasks of banker and financial agent of the Republic.

(g) The participation as a member in international monetary and economic organisations.

7. Independence of the Bank

When carrying out the tasks conferred upon them under this Law, neither the Bank nor any member of its decision-making bodies shall seek or take instructions from the Government or any other body.

PART III: ORGANIZATION OF THE BANK

8. Organs of the Bank

The organs of the Bank shall be the Monetary Policy Committee, the Board of Directors, the Governor and the Deputy Governor.

9. Establishment and Functioning of the Monetary Policy Committee

(1) There shall be a Monetary Policy Committee (hereinafter referred to as the “Committee”), which shall consist of the Governor, the Deputy Governor and five other members, two of whom shall be appointed by the Governor and the remaining shall be appointed by the Council of Ministers, on a recommendation from the Minister, after consultations between the Minister and the Governor.

(2) No person shall be appointed as a member of the Committee, unless he is a citizen of the Republic and a person of recognised standing, who possesses the necessary knowledge and experience in monetary or banking matters:

Provided that, the provisions of section 14 shall apply respectively in relation to the members of the Committee, save for the employees of the Bank:

Provided further that, all members constituting the Committee at the beginning of taking-up their duties and once for every year that follows until the expiry of their term of office shall make a declaration any interest they have in any financial institution.

(3) The term of office of the members of the Committee, save for the Governor and the Deputy Governor, shall be five years and may renewed once:

Provided that, a person who holds, at the date that this Law shall enter into force, the post of a member of the Committee, shall continue to hold such post, under the same conditions until the expiry of his term of office, unless otherwise provided by a more recent law.

(4) A member of the Committee, who is appointed by the Governor, may be relieved from office by a justified decision of the Governor, only if he no longer fulfils the conditions required for the performance of his duties or is guilty of serious misconduct.

(5) A member of the Committee, who is appointed by the Council of Ministers, may be relieved from office by decision of the Council of Ministers, on a recommendation from the Minister, after he hears the views of the Governor, for the same reasons as those provided subsection (4).

(6) Chairman of the Committee shall be the Governor, who shall convene a meeting of the Committee, at least once a month, as well as whenever necessary, or in his temporary absence or temporary incapacity the Deputy Governor.

(7) The post of a member of the Committee, save for the Governor and the Deputy Governor, shall become vacant:

- (a) upon the death of the member, or if he ceases to be a citizen the Republic, or
- (b) upon the written resignation of the member, or
- (c) if the member no longer fulfils the conditions required for the performance of his duties, or if he is guilty of serious misconduct, or
- (d) upon the occurrence of any of the circumstances referred to in section 14.

(8) In the event of demise or withdrawal for any reason whatsoever of a member of the Committee, prior to the expiry of his term of office, save for the Governor and the Deputy Governor, a fit and proper person according to the provisions of subsection (2) shall be appointed in his place for the remainder of the term of office of the deceased outgoing member and for an additional full term, provided that the remainder of the predecessor's term of office is less than two years.

(9) Members of the Committee shall not disclose, even after their duties have ceased, any information acquired during the performance of the duties and which are covered by professional secrecy.

(10) The members of the Committee, save for the Governor, the Deputy Governor and employees of the Bank, shall be paid such remuneration as may be determined by the Board on their appointment, for the whole of their five-year term.

(11) The quorum of the Committee shall be met only if a minimum of four members are present at meetings and decisions shall be adopted simple majority. In the event of a tie, the chairman shall have the casting vote.

(12) The Committee shall decide its organisation and its operating procedure.

(13) No act or proceeding of the Committee shall be deemed to be invalid by reason of any vacancy of the Committee.

10. Tasks of the Committee

The tasks of the Committee shall be to define and implement monetary policy and decide on matters pertaining to the conduct of exchange rate policy and the operation of payments and settlement systems.

11. Directives of the Committee

The Committee may issue directives regulating the performance of tasks as provided in section 10.

12. Board of Directors

The Board of Directors of the Bank (hereinafter referred to as “the Board”) shall consist of the Governor, the Deputy Governor and five directors.

13. Directors

(1) The directors shall be appointed by the Council of Ministers and shall be citizens of the Republic of recognised professional qualifications, or and recognised economic, financial and business experience who are not disqualified for appointment under section 14.

(2) Each director shall be appointed for a term of office of five years which shall be renewable, and may be relieved from office by decision of the Council of Ministers, on a recommendation from the Minister and after it hears the views of the Governor, provided he no longer fulfils the conditions required for the performance of his duties or is guilty of serious misconduct:

Provided that, a person who holds at the date that this Law shall enter into force, the post of director, shall continue to hold such post, under the same conditions until the expiry of his term of office, unless otherwise provided by a more recent law.

(3) When a person ceases to be a director before the expiry of the period of his appointment, the Council of Ministers shall appoint as director a person having the qualifications provided in subsection (1), for the remainder of the term of office of the outgoing director and for an additional full term, provided that the remainder of the predecessor’s term of office is less than two years.

(4) The post of a director shall become vacant for the same reasons, as those provided in subsection (7) of section 9.

(5) A director who has a personal interest in a matter under discussion shall not take part in the discussion or vote on it:

Provided that, in such case, the director shall be obliged to make known if he has any such interest.

(6) The remuneration of directors shall be determined by the Council Ministers on their appointment for their whole five-year term.

14. Conflict of Interest

No person shall be qualified to be a director who holds any position which may create a conflict of interest between his duties as director and that position and in particular if he:

- (a) is a Minister, or a member of the House of Representatives
- (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 of a public office or office in a municipal authority or is acting as a deputy in such post;

Provided that, “public office” means any office with financial benefit in the service of the Republic, the emoluments of which are under the control of the Republic and includes any office in any public corporation or public utility body:

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

- (i) is a holder of a teaching post in a university or an equivalent educational institution in the Republic;
 - (ii) is acting, without being a member of the public service, representative of the Republic in an international monetary or financial organisation of which the Republic is a member;
- (e) has been declared bankrupt 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 declared to be of unsound mind
 - (g) is a director, officer or employee of any other bank or financial institution or their subsidiary or has as a shareholder a controlling interest in any other banking or financial institution or their subsidiary operating in the Republic, or controlled by an organisation operating in the Republic.

15. Tasks of the Board

- (1) The Board shall have the following main tasks:
 - (a) to supervise the administration of the Bank
 - (b) to define and implement the policy of the Bank, in accordance with sections 5 and 6, for all matters which concern the Bank, save for the matters which fall within the tasks of the Committee.
- (2) For the achievement of the main tasks provided in subsection (1), the Board may perform all other tasks incidental thereto.
- (3) The Board may from time to time decide to delegate any of its tasks. the Governor for such periods and on such conditions, as the Board may determine.

16. Directives of the Board

The Board may issue directives:

- (a) regulating the performance of the tasks of the Bank, save for the tasks which fall in the competence of the Committee’
- (b) for its own organisation and operating procedure;

(c) on the recommendation of the Governor, providing for the organisation of the Bank, defining the schemes of service of employees of the Bank and regulating their powers and duties, as well as matters of recruitments, promotions and the exercise disciplinary control.

17. Functioning of the Board

(1) A meeting of the Board shall be convened:

(a) by the Governor, by notice to all its members, or in his temporary absence or temporary incapacity by the Deputy Governor:

Provided that, such meetings shall be convened as often as may be required for the transaction of business, and in any case once a month.

(b) on a written request which is submitted to the Governor in this respect by two directors, specifying the subjects for which the meeting is being requested.

(2) The Governor shall preside at the meetings of the Board, or in his temporary absence or temporary incapacity the Deputy Governor, 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.

(3) 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 event of a tie, the chairman shall have the casting vote.

(4) Unless the Board otherwise directs, the minutes of the meetings of Board shall be confidential and shall be kept in such form as the Board may determine, but its decisions shall be recorded verbatim.

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

18. Governor and Deputy Governor

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

(2) The Governor and the Deputy Governor shall be citizens of Republic and shall be fit and proper persons of recognised experience in economic and financial matters.

(3) The Governor and the Deputy Governor shall be appointed for a renewable term of office of five years:

Provided that, a person who holds at the date that this Law shall enter into force, the post of Governor or Deputy Governor, shall continue to hold such post, under the same conditions until the expiry of his term of office, unless otherwise provided by a more recent law

(4) Subject to paragraph 4 of Article 118 of the Constitution, the Governor and the Deputy Governor may be relieved from office, only if in judgment of the Council established under paragraph 8 of Article 1 of the Constitution, they no longer fulfill the conditions required for the performance of their duties or they are guilty of serious misconduct.

(5) The remuneration and other terms and conditions of service of the Governor and the Deputy Governor shall be laid down in instruments of their appointment:

Provided that, the remuneration of the Governor and the Deputy Governor shall be determined for the whole of their five-year term.

19. Exclusive Occupation of Governor and Deputy Governor in the Service of the Bank

(1) The Governor and the Deputy Governor shall, while in office, devote their whole time exclusively 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 take in the Republic any office or accept interest in any banking or other financial institution or their subsidiary operating in the Republic or controlled by an organisation operating in the Republic and which is supervised by the Bank or receive therefrom any remuneration whatsoever for a period two years after the termination of their appointment.

20. Tasks of the Governor

(1) Subject to Article 119 of the Constitution, the Governor as the chief executive officer of the Bank, shall have the following tasks:

- (a) to carry out the policy of the Bank
- (b) to manage and control the business of the Bank;
- (c) to act in connection with the conduct of the business of the Bank all matters which are not reserved for the Board, or the Committee;
- (d) to appoint, suspend or dismiss any employees of the Bank.

(2) The Governor in carrying out his tasks under paragraph (d) subsection (1), shall act in accordance with the advice of the Personnel Committee as provided in Section 22.

(3) The Governor, as the chief representative of the Bank, shall have the following tasks:

- (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 legal proceedings to which the Bank is a party;
- (c) to sign contracts, concluded by the Bank, and the annual report financial statements, correspondence and other documents of the Bank

(d) to delegate the exercise of any of his powers provided for paragraphs (a), (b) and (c) to other employees of the Bank upon his own responsibility.

(4) The Governor shall keep the Board and the Committee currently informed on all matters which require their attention, respectively, and shall, as far as practicable, provide them with such data and information that will facilitate them in the formulation of their decisions and policies:

Provided that, the Governor shall, furthermore, submit to the Board and the Committee, for adoption, drafts of measures resolutions which in his view are necessary to make their objectives and policies effective.

21. Deputy Governor

The Deputy Governor shall assist the Governor in the performance his tasks and, in the absence or temporary incapacity of the Governor shall perform all the tasks of the Governor as provided by the Constitution or under this Law.

22. Personnel Committee

(1) The Personnel Committee shall consist of the Governor as Chairman, the Deputy Governor and three other members nominated by the Board to hold office for two years, unless they are removed before expiry of their term of office by the Board, after a duly justified recommendation from the Governor and provided it is found that they do not fully perform their duties.

(2) In case any member of the Personnel Committee is unable to attend a meeting for whatever reason, the Personnel Committee may, on the recommendation of the Governor, nominate in advance another person to attend in his place.

(3) The Personnel Committee may, on the recommendation of Governor, delegate any of its tasks provided under subsection (2) section 20 of this Law, as the Personnel Committee may determine, a sub-committee consisting of not less than three persons.

(4) The Personnel Committee, on the recommendation of the Governor shall decide its organisation and its operating procedure as well those of any sub-committee to which any of its tasks may be delegated under subsection (3).

23. Employees

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

(2) The appointment of any employee of the Bank shall be remunerated and under such terms and conditions as may be provided in any directives or the schemes of service, made in this respect by the Board under section 16 of this Law.

(3) Subject to any directives, issued 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 banking or financial institution or their subsidiary operating in the Republic or controlled by an organisation operating in the Republic;

(b) has any participation in the capital of such banking or financial institution or their subsidiary without disclosing this participation and obtaining the permission of the Board:

Provided that, the Board by issuing directives shall determine the terms and conditions under which employees of the Bank may participate in the capital of such banking or financial institutions or their subsidiary.

24. Independent Persons for the Performance of Special Duties

Subject to the provisions of this Law and to such terms and conditions as may in each case be determined by the Board, there may be employed independent persons to perform such special duties, as may be provided from time to time in the relevant agreement employment.

25. Obligation for Secrecy

Every member of the Committee, director, employee of the Bank shall be bound to secrecy and shall for the purposes of the Criminal Code in force for the time being be deemed to be employed in the public service and the provisions of the Public Officers Protection Law shall apply to them as if they were public officers: Cap. 154; 3 of 1962;43 of 1963;41 of 1964;69 of 1964;70 of 1965;5 of 1967;58 of 1967;44 of 1972;92 of 1972;29 of 1973;59 of 1974;3 of 1975;13 of 1979;10 of 1981;46 of 1982;86 of 1983;186 of 1986;111 of 1989;236 of 1991;6 (I) of 1994;3 (I) of 1996;99(I) of 1996;36(I) of 1997;40(I) of 1998;45(I) of 1998;15(I) of 1999;37(I) of 1999;38(I) of 1999;129(I) of 1999;30(I) of 2000;43(I) of 2000;77(I) of 2000;162(I) of 2000;169(I) of 2000;181(I) of 2000;Cap. 313

Provided that, secrecy shall not apply against a Court of the Republic, Commission of Inquiry, appointed and acting under the Commission of Inquiry Law, penal investigator carrying out investigation under article 4 of the Criminal Procedure Law, the Unit for Combating Money Laundering under the Prevention and Suppression of Money Laundering Activities Law and the Parliamentary Committee under the Submission of Data and Information to the House of Representatives and the Parliamentary Committees Law, provided that this section shall not be interpreted as adding any powers. Cap. 44;36 of 1982;84 of 1983;Cap. 155;92 of 1972;2 of 1975;12 of 1975;41 of 1978;162 of 1989;142 of 1991;9 of 1992;10 (I) of 1996;89 (I) of 1997;54 (I) of 1998;96 (I) of 1998;14 (I) of 2001;61(I) of 1996;25 (I) of 1997;41(I) of 1998;120 (I) of 1999;152 (I) of 2000;21 of 1985;12 (I) of 1993

26. Oath of Fidelity and Secrecy Schedule

Every person shall, before assuming the duties of Governor, Deputy Governor, member of the Committee, director or employee of the Bank, subscribe and take the oath provided in the Schedule.

PART IV: THE MONETARY UNIT AND LEGAL TENDER MONEY

27. Monetary Unit

- (1) The pound shall be the monetary unit of the Republic.
- (2) The subdivisions of the monetary unit shall be determined by the Council of Ministers, after the recommendation of the Bank.

28. Monetary Transactions in Pounds

- (1) All monetary transactions taking place in the Republic shall be presumed to be expressed in pounds, unless otherwise agreed upon by the parties to a contract.
- (2) All monetary transactions taking place in the Republic, shall be settled in pounds, unless otherwise provided for in any public domestic international law measure or unless otherwise agreed upon by the parties to a contract.

29 Issue of Notes and Coins

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

30. Denomination and Form of Notes and Coins

- (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.
- (2) The Bank shall publish in the Official Gazette of the Republic notice about the denominations and other characteristics of notes and coins which the Bank intends to issue under section 29.

31. Legal Tender Money

- (1) Subject to subsection (2), 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.
- (2) 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 onwards:

Provided that, by any such notice a reasonable time shall be fixed within which such notes or coins may be replaced at the Bank with other currently valid legal tender money.

32. Directives for Defaced Notes and Coins

The Bank shall issue directives which shall 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 replaced at the Bank.

PART V: FOREIGN EXCHANGE AND TRANSACTIONS IN PRECIOUS METALS

33. Reserve of Precious Metals and Foreign Exchange

- (1) The Bank shall keep a reserve of precious metals as well as foreign exchange as part of its assets.
- (2) The Board may from time to time determine the precious metals and the foreign exchange, which the Bank shall keep under subsection (1)

34. Transactions spot, forward or in any other form

- (1) The Bank may engage in transactions and accept deposits in foreign exchange as well as precious metals, spot or forward or in any other form.
- (2) The Bank may engage in borrowing and lending operations in pounds or foreign exchange.

35. Foreign Exchange Transactions

The Bank may engage in transactions in foreign exchange and precious metals with:

- (a) banks;
- (b) the Government, public corporations and other organisations dependent on the Government
- (c) foreign central banks, foreign banks, or foreign financial institutions;
- (d) foreign governments and other organisations dependent on foreign governments;
- (e) international economic organisations;
- (f) other organisations specifically permitted to act in this respect by the Bank.

36. Dealers in Foreign Exchange

- (1) The Bank shall permit natural persons or legal entities to engage in transactions in foreign exchange as part of their business activity.
- (2) The Bank shall issue directives, relating to the transactions and the reserves in foreign exchange of the natural persons and legal entities which it permits to act under subsection (1).

37. Determination of Rates of Transactions in Foreign Currencies

The Bank within the framework of the conduct of exchange rate policy may determine and publish the buying and selling rates of the foreign currencies of significance for the Republic against the pound at which the Bank shall be prepared to engage in transactions.

38. Exchange Control Legislation

The Bank shall be responsible for the implementation of such foreign exchange control legislation as may be in force from time to time.

PART VI: MONETARY FUNCTIONS AND OPERATIONS OF THE BANK

39. Transactions and Rights of the Bank

(1) Subject to the provisions of section 6, the Bank may:

(a) operate in the financial markets, by buying and selling outright (spot and forward) or under repurchase agreement, and by lending or borrowing claims or securities in any currency as well as precious metals; and

(b) engage in lending and borrowing operations with banks and other designated financial institutions;

Provided that, lending should be based on adequate collateral security as may be determined by the Bank.

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

(3) Notwithstanding anything in any other law in force for the time being, the rights of the Bank to collateral security provided to it shall not be affected by insolvency proceedings against the counterparty to the Bank, which provided the collateral security, which may be realised immediately for the satisfaction of these rights.

40. Rate of Interest

(1) Subject to the provisions of any law relating to interest rate in force for the time being, the Bank may determine -

(a) the rate of interest at which the Bank is prepared to engage transactions with banks and designated financial institutions;

(b) 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 of various categories of deposits.

(c) the base lending rate of banks and designated financial institutions:

Provided that, the base lending rate shall be the reference interest rate, which shall be used as the basis for the determination of various floating lending rates of banks and designated financial institutions.

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

41. Requirement of Banks to Maintain Assets with the Bank

(1) In pursuance of monetary policy objectives, the Bank may require banks and designated financial institutions to maintain minimum compulsory deposits in accounts with the Bank.

(2) The Bank may issue directives relating to the calculation and determination of the minimum compulsory deposits.

(3) If a bank or designated financial institution fails to comply with the requirement of maintaining a minimum compulsory deposit, such bank or designated financial institution may be liable to such additional deposits to the Bank, as the Bank may determine by issuing directives and if the bank or designated financial institution persists in non-complying, 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.

42. Prescribing Conditions for Banks

The Bank in respect of the loans, advances or investments of bank and other designated financial institutions may prescribe:

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

43. Application of Measures

All measures of general application prescribed by the Bank under the provisions of sections 40 to 42, shall be duly published and announced with their effective dates, in such manner as the Bank may determine and any directives, issued under these provisions, shall be published in the Official Gazette of the Republic.

44. Advances or Loans to Banks

- (1) The Bank may grant advances or make loans to banks and designate financial institutions, for fixed periods, against adequate collateral security, as may be determined by decision of the Committee.
- (2) The period for which the Bank may grant advances or make loans pursuant to subsection (1) may not exceed the maturity of the collateral security, and such period shall in no case exceed six months.

45. Securities

The Bank may issue securities for the purpose of intervening in the money market.

46. Deposits

- (1) The Bank shall accept deposits from, and may collect money for and on account of, banks and designated financial institutions.
- (2) The Bank may at its discretion pay interest on specified deposits by banks or designated financial institutions, including deposits which may be required by the Bank under section 41.

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

47. Services to Banks

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

48. Payments Systems

(1) Subject to the provisions of any other law in force for the time being, the Bank may –

(a) manage, participate in, or become a member of any payment and settlement system;

(b) place under its oversight payments and settlement systems operating in the Republic, which shall be published in the Official Gazette of the Republic.

(2) The Bank may issue directives, regulating the functions and the operating procedure of payments and settlement systems under its oversight:

Provided that, such directives may be of a general nature having effect on all systems or of a specific nature having effect on particular systems or group of systems and may be amended by the Bank whenever the Bank shall deem this necessary for the proper functioning of such systems.

(3) The Bank may suspend the operation of any payment and settlement system or terminate the participation of any member in any payment and settlement system under its oversight by notice published in the Official Gazette of the Republic and a corresponding letter to the members of such system, under the terms specified by the Bank which shall be included in the aforesaid notice and letter.

(4) The Bank may impose administrative penalties on any member or manager of a payment and settlement system under its oversight, case of non-compliance with any of the terms relating to the functioning of such system, in accordance with pertinent directives which shall be published by the Bank in the Official Gazette of the Republic.

PART VII: RELATIONS WITH THE GOVERNMENT

49. Prohibition of Credit Facilities to the Government

(1) Subject to the provisions of subsection (3), overdraft facilities or any other type of credit facility with the Bank in favour of the Government local authorities, public corporations or public undertakings shall be prohibited, as shall the purchase directly from them by the Bank of debt instruments at their issue.

(2) The provisions of subsection (1) shall not apply to publicly-owned banks and designated financial institutions, which shall be given by the Bank the same treatment as the other banks and designated financial institutions which are not publicly-owned.

(3) The total claims of the Bank on the Government outstanding on the date that this Law shall enter into force, shall be converted to a long-term loan with a maturity of thirty years, with the first five years being a grace period with regard to the capital and with an annual interest rate of three per cent (3%), on the basis of a formal agreement between the Bank and the Ministry of Finance.

50. The Bank as Banker and Financial Agent of the Government

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

(2) The Bank may at its discretion perform the tasks of agent in financial matters and banker for any municipality or public corporation in the Republic in accordance with, and within the scope determined by, special arrangements between the Bank and the municipality or public corporation concerned.

51. Tasks of the Bank as Banker and Financial Agents of the Government

The Bank in its capacity as banker to the Government and its agent in financial matters shall:

(a) be the 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 depositories of the Government at places where the Bank has no regional branch offices;

(b) be the administrator of public funds, in accordance with arrangements between the Bank and the Minister

(c) manage the public debt including the issue of securities of the Government, unless the Council of Ministers otherwise determines:

Provided that, the management of public debt shall be carried out within the framework of general arrangements between the Bank and the Minister:

Provided further that, for the removal of the duties of managing the public debt from the Bank, the Council of Ministers shall give the Bank notice of at least twenty-four months before its pertinent decision takes effect;

(d) pay, remit, collect funds or act as a depository of funds in the Republic or abroad;

(e) purchase, sell or transfer securities of any kind, precious metals and foreign exchange or act as their depository;

(f) collect for the account of the Government all proceeds accruing to the Government as the owner of securities or other property.

52. No Interest Paid by the Bank

(1) The Bank shall pay no interest on the deposits which it holds pursuant to paragraph (a) of section 51.

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

53. Advice to Government

(1) The Bank may render advice to the Government and to the Minister on any matter which in its opinion is likely to affect the attainment of the objectives of the Bank as defined in section 5.

(2) The Government and the Minister may request from the Bank to provide them with data on the prevailing economic conditions or advice on any particular measures which may be taken and information on the general conditions of money and the banking system.

54. Meetings of the Council of Ministers

(1) Without prejudice to section 7, the Governor may be invited and may attend meetings of the Council of Ministers or competent committees of the Council of Ministers whenever the issues discussed pertain to the objectives and tasks of the Bank.

(2) The Bank shall be consulted on any draft legislative provisions concerning its tasks:

Provided that, the Bank may submit proposals to the Government on matters in its fields of competence.

PART VIII: REPORT TO THE PRESIDENT OF THE REPUBLIC AND RELATIONS WITH THE HOUSE OF REPRESENTATIVES

55. Report on Monetary Policy to the President and the House of Representatives

(1) Subject to paragraph 5 of Article 119 of the Constitution, the Bank shall lay before the President of the Republic and the House Representatives an annual report on the monetary policy of the previous and the current year.

(2) The Governor, when duly asked in this respect, shall appear before the committees of the House of Representatives to report on matters relating to the fields of competence of the Bank.

PART IX: CAPITAL, RESERVES AND RELATED FINANCIAL STATEMENTS

56. Capital of the Bank

(1) The capital of the Bank is wholly owned by the State. The paid-up capital is fifteen million pounds.

(2) The capital may be increased or altered by a decision of the Board:

Provided that any increase of the capital which entails additional payment by the State shall be made after agreement between the Bank and the Council of Ministers.

57. Annual Financial Statements

(1) Within three months after the end of each financial year the Bank shall prepare the annual financial statements.

(2) The Bank shall determine its net profit or net loss for each financial year according to approved accounting standards adopted by the European Central Bank:

Provided that profits or losses which may arise from the change in the value of foreign currencies and precious metals against the pound shall be excluded from the computation of the annual profits or losses of the Bank and shall be credited or debited, as the case may be, to a special account.

(3) The Bank shall prepare and publish by the end of each month a summary balance sheet of the Bank as at the end of the preceding month.

58. General Reserve Fund

(1) The Bank shall have a reserve called the “General Reserve Fund”, which is created by withholding net profits of the Bank, the amount which shall be determined by the Board, with a view to ensuring the continuous and proper functioning of the Bank and the financial independence necessary for the achievement of the objectives of the Bank.

(2) The General Reserve Fund, by a decision of the Board, may be used to:

- (a) issue new capital;
- (b) write-off accumulated losses;
- (c) meet extraordinary expenses, related to the achievement of the objectives of the Bank.

59. Distribution of Net Profit

The net profit of the Bank shall be distributed as follows:

- (a) An amount equivalent to 20% of the net profits of the corresponding financial year, shall be transferred to the General Reserve Fund; if the General Reserve Fund falls below the capital of the Bank, then the Board may transfer to the General Reserve Fund an amount not exceeding fifty per cent (50%) of the net profits until the General Reserve Fund equals the capital of the Bank.

(b) The balance, after deducting the amount referred to in paragraph (a), shall be transferred into the Consolidated Fund of the General Government Account, unless the Board decides the further withholding of net profits, in case this is required in its opinion due to exceptional circumstances.

60. Audit of the Annual Financial Statements

- (1) The annual financial statements of the Bank shall be audited by approved independent auditors appointed by the Board, after consultation with the Minister.
- (2) The auditors shall submit their report to the Board after the pertinent audit, and address a copy to the Minister for information.

61. Annual Report

The Board shall prepare and publish an annual report for the activities of the Bank in each financial year, which shall include the annual financial statements of the Bank.

62. Annual Budget

- (1) The Board shall be responsible for the preparation and adoption of the annual budget of the Bank.
- (2) The annual budget of the Bank shall be communicated to the House Representatives.

PART X: REPORTING OF DATA TO THE BANK

63. Obligation to Report Data to the Bank

Banks and designated financial institutions, government service public corporations, as well as any natural person or legal entity shall be required, without being entitled to invoke bank or other secrecy, to report to the Bank all the data and information in their possession which are necessary for the fulfilment of its objectives as laid down in section 5 and for the performance of its tasks in accordance with section 6.

64. Obligation to Report Data for the Compilation of the Balance of Payments

- (1) The Bank may require from the natural persons and legal entities referred to in section 63 to report to the Bank all the data and information in their possession, which shall be specified in directives issued by the Bank under subsection (2), for the compilation of the balance of payments and the international investment position of the Republic.
- (2) The Bank may specify, by issuing pertinent directives, the data and information which the natural persons and legal entities referred to in section 63 are required to obtain and report in relation to their transactions and to their asset and liability position vis-à-vis residents or non-residents of Cyprus. The Bank may also determine

the manner, time, procedure and every other relevant detail according to which these data and information are to be reported:

Provided that, the data and information shall be complete and reported to the Bank exactly as they were supplied to the aforementioned natural persons and legal entities.

(3) In order to meet the reporting requirement of data specified directives issued by the Bank, banks and designated financial institutions carrying out transactions on behalf of residents with non-residents of Cyprus, shall be required to collect from the resident counterparties to such transactions these data or information.

(4) Notwithstanding anything in any other Law in force for the time being, data or information reported to the Bank for the purposes of this section shall be bound by professional secrecy and shall be prohibited to be disclosed to any natural person or legal entity or to any public authority, either by a person acting or having previously acted on behalf of the Bank, or by a person which acquires knowledge of the data or information:

Provided that, this prohibition shall not apply to the disclosure, in aggregate form, of the abovementioned data and information, provided that the identity of the persons or entities to which such data and information refer is not revealed.

(5) For the purposes of this section, the Bank may define the concept “resident of Cyprus” by issuing pertinent directives.

(6) In the event that the Bank in exercising its task to collect data and information shall find out an infringement of the obligations under this section for reporting data and information, the Governor may, after having taken into consideration written evidence of the person in question, impose an administrative fine up to ten thousand pounds and, in case of a continuing offence, to impose in addition, an administrative fine up to five hundred pounds for every day during which the offence shall continue.

(7) (a) Any person who infringes any of the provisions of this section shall be guilty of an offence and in case of being convicted, he shall be punished by a fine not exceeding fifty thousand pounds and, in case of a continuing offence, by a further fine of one thousand pounds for each day during which the offence shall continue.

(b) A Court hearing an offence of infringement of the provisions of this section, may in case of conviction, in addition to any penalty that it will impose to the person found guilty in accordance with paragraph (a), order the immediate reporting to the Bank of the data or information which the Bank asked.

PART XI: MISCELLANEOUS

65. Offences

Any person who infringes any of the provisions of this Law, save for those which specifically provide for the case of infringement, is guilty of an offence and in case of conviction he shall

be punished by a fine not exceeding fifty thousand pounds and, in case of a continuing offence, by a further fine up to one thousand pounds for each day during which the offence shall continue.

66. Criminal Prosecution

No prosecution in respect of any offence under this Law shall be instituted except by or with the consent of the Attorney-General of the Republic.

67. Exemption from the Payment of Taxes of Any Kind.

The Bank shall be exempted from the payment of any government or municipal taxes, fees or duties whatsoever, including stamp duties payable under any Law or Regulation in force for the time being.

68. The Company Law does not Apply

(1) The provisions of the Company Law shall not apply to the Bank. Cap.113;9 of 1968;26 of 1977;17 of 1979;105 of 1985;198 of 1986;19 of 1990;41(l) of 1994;15(l) of 1995;21(l) of 1997;82(l) of 1999;149(l) of 1999;2(l) of 2000;135(l) of 2000;151(l) of 2000

(2) The Bank shall not be put into liquidation except pursuant to legislation that shall be enacted to that effect.

69. Special Bank Holidays 13(l) of 1996 69.

Notwithstanding anything in the Bank Holiday Law in force for the time being, the Minister may, if he deems that such action is 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 or as days during which no transactions between the banks and the public shall take place.

70. Predominance of the Provisions of this Law Cap. 197

(1) The Currency Law shall be read, construed and applied subject to the provisions of this Law.

(2) Any reference in any Law or administrative acts to “pound” or “sterling” or any subdivision thereof shall, save where the context or the date of any matter or transaction in question otherwise require, be construed as references to the pound or any subdivision thereof as provided by this Law.

PART XII: TRANSITIONAL PROVISIONS

71. Repeal

Subject to section 72, the Central Bank of Cyprus Laws 1963-2001 are hereby repealed. 48 of 1963;10 of 1979;35 of 1990;233 of 1991;74(1) of 1992;66(l) of 1993;100(l) of 1994;99(l)

of 1995;116(I) of 1996;107(I) of 1997;97(I) of 1998;92(I) of 1999;148(I) of 1999;124(I) of 166(I) of 2000;147(1) of 2001

72. Validity of Existing Regulations or Directives

Any Regulations, directives or other administrative acts issued under the laws repealed by this Law and which were in force immediately prior to the enactment of this Law, shall continue to be in force until they are repealed or replaced, to the extent that they are incompatible with the provisions of this Law.

73. Continuation of Service of Employees

Any person who on the date of entry into force of this Law is an employee of the Bank, shall continue to hold the same post with the same remuneration and terms and conditions.

74. Date of entry into force of this Law

This Law is considered to have entered into force as from 5.7.2002.

SCHEDULE

(Section 26)

Oath of Fidelity and Secrecy

I , from 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, member of the Committee, 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 and tasks in general of the Bank, nor will I allow a 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 and tasks in general of the Bank.

Unofficial translation prepared by the Central Bank of Cyprus.