



CENTRAL BANK OF CYPRUS

EUROSYSTEM

**GUIDELINES
ON THE ESTABLISHMENT OF A
REPRESENTATIVE OFFICE IN THE REPUBLIC OF CYPRUS**

SEPTEMBER 2010

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A. INTRODUCTION

Pursuant to paragraph (1) of section 8 of the Banking Laws of 1997 to (No.2) of 2009 as may be amended from time to time (hereinafter to be referred to as “the Law”), an institution which is entitled under the laws of another country to carry on business which substantially corresponds to banking business, may establish a Representative Office in the Republic, only with the prior approval of the Central Bank of Cyprus (“CBC”), which may grant its approval subject to any conditions which the CBC may consider proper to impose.

Pursuant to paragraphs (3) and (4) of section 8 of the Law the CBC may, at any time, by notice in writing: (i) impose to an approval granted under paragraph (1) of section 8 of the Law any new conditions or amend, or revoke any conditions already imposed as it may think proper, or (ii) revoke at any time any approval granted under paragraph (1) of section 8 and the operation of the Representative Office shall be terminated within such time limit as may be specified in the relevant notice.

Having regard to the above provisions of the Law, a Foreign Institution authorised to carry on banking business¹ under the laws of its country of incorporation, which wishes to establish a Representative Office in the Republic, must submit a written application to the CBC.

This document provides guidance as to the establishment of a Representative Office in the Republic and should be viewed as a supplement and be read in conjunction with the Law. It must not be regarded as a substitute for reading or adhering to the provisions of the Law itself.

The purpose of this document is to provide guidance/details with regard to:

- (a) the information and documentation that must accompany and/or be included in an application for the establishment of a Representative Office in the Republic,
- (b) the requirements/criteria according to which the CBC will assess any application as referred to in (a) above, and

¹ or business which substantially corresponds to banking business

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(c) the activities that may be carried out by a Representative Office established in the Republic.

B. DEFINITIONS

For the purposes of this document the following terms and expressions shall apply:

“Applicant” means a Foreign Institution authorised to carry on banking business, or business that substantially corresponds to banking business, under the laws of its country of incorporation, which submits an application for the establishment of a Representative Office in the Republic.

“Controller” means a person who/which: (a) beneficially owns directly or indirectly 10% or more of the share capital of the Applicant or of its holding company, enabling the said person to have 10 per cent or more of the voting rights at any general meeting of the Applicant or its holding company, or (b) have the ability to determine in any manner the election of a majority of the Directors of the Applicant or of its holding company.

“Director” has the meaning ascribed to the said term in Section 2 of the Law.

“Foreign Institution” means an institution incorporated in a country other than the Republic.

“Representative Office” has the meaning ascribed to it in section 2 of the Law.²

“Representative officer” means the person in charge of the Representative Office.

“Republic” means the Republic of Cyprus.

“Holding company” has the meaning ascribed to the said term in Section 2 of the Law.

C. PARTICULARS TO BE INCLUDED IN AN APPLICATION

The application for the establishment of a Representative Office in the Republic must be addressed to the Governor of the CBC and must be signed by two duly authorised Directors of the Applicant or by any other person(s) representing the Applicant, as appropriate.

The application for the establishment of a Representative Office must be accompanied by the following questionnaires and all relevant documentation specified therein:

- (i) Questionnaire Q1, to be completed by the Applicant,
- (ii) Questionnaire Q2, to be completed by the person who shall be in charge of the proposed Representative Office,
- (iii) Questionnaire Q3, to be completed by direct and indirect Controllers of the Applicant who are natural persons,
- (iv) Questionnaire Q4, to be completed by direct and indirect Controllers of the Applicant which are legal persons.

The responsibility for the correctness, completeness and accuracy of the information included in the application, as well as for the questionnaires that accompany it, rests on the person(s) signing and submitting the application to the CBC, and the persons completing the above questionnaires, as appropriate.

The application documentation, is designed to provide the CBC with inter-alia, information on:

- (a) the identity of all direct and indirect Controllers of the Applicant,
- (b) the financial standing and reputation of the Applicant, its Controllers and the group to which it belongs (if applicable),

² i.e. “representative office” means an office from which the interests of the entity to which it belongs are in any way promoted or assisted but at which no banking business or the business of accepting deposits is carried on.

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- (c) the rationale of the intention to establish a Representative Office and the proposed activities to be conducted,
- (d) the person(s) to be in charge of the Representative Office.

At any time after receiving an application and before determining it, the CBC reserves the right to seek from an Applicant any further information, reports or additional data as it may deem necessary to enable it to assess the application and reach an appropriate decision under the provisions of the Law. In this regard the CBC may, also, contact any other third party, including supervisory and regulatory authorities, in order to obtain any relevant information about the applicant.

D. ASSESSMENT OF THE APPLICATION

In assessing an application submitted to the CBC under the provisions of section 8 of the Law, the CBC shall, in its discretion examine whether the following requirements/criteria have been met:

- (1) All information, documents and data requested as indicated in this document, and the questionnaires specified herein have been provided.
- (2) The Applicant holds a valid banking license under the relevant laws of its country of incorporation.

In evaluating the application, the CBC will in its discretion, reject an application if inter alia:

- In the opinion of the CBC, the group of which the Applicant forms part and/or the Applicant, is not incorporated in a country where, stable economic and political conditions prevail.
- In the opinion of the CBC, the group of which the Applicant forms part, and/or the Applicant and/or its Controllers, is/are not of good substance and repute.
- The corporate structure of the group of which the Applicant forms part, and/or the Applicant, or its relationship with other undertakings under common control, is not in the opinion of the CBC, clear and transparent.
- The identity of the direct and indirect Controllers (both natural and legal persons) of the Applicant and their respective shareholding have not been disclosed to the CBC.

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- The ownership of the group of which the Applicant forms part and/or of the Applicant, is held via bearer shares or instruments without accountability to the ownership structure.
- There is no evidence of willingness and a capacity on the part of the Applicant, to comply with the conditions relating to the operation of the Representative Office in the Republic on a continuous basis.
- The person(s) to be in charge of the Representative Office are not “fit and proper” person(s). The considerations which the CBC takes into account when determining the “fitness and propriety” of the above person(s), include their character, integrity, competence and experience.
- The home-country supervisor of the Applicant seeking to establish a Representative Office in the Republic does not exercise, in the opinion of the CBC, adequate supervision in accordance with internationally accepted minimum standards.
- There is no legal basis, or possibilities of cooperation, for exchange of information with the Applicant’s home-country supervisor.
- The Applicant’s home-country supervisor objects to the establishment of a Representative Office in the Republic or has not granted its authorisation to the Applicant to establish a Representative Office in the Republic.
- There are reasonable grounds to suspect money laundering or terrorist financing by the Applicant/and/or any of its Controllers.
- The Applicant and/or the group of which it forms part is incorporated in a country or territory considered by the Financial Action Task Force to be of “high risk” or “non cooperative” or more broadly in a country or territory that has not taken sufficient measures to comply with robust anti-money laundering and anti-terrorist financing procedures in accordance with internationally accepted standards.

It must be noted that the above requirements/criteria against which an application is assessed are general and only indicative. They do not, in any case, affect the discretion of the CBC under the Law.

E. CONDITIONS WHICH GENERALLY APPLY TO THE OPERATIONS OF A REPRESENTATIVE OFFICE

According to the provisions of section 8 of the Law, the CBC may grant an approval for the establishment of a Representative Office in the Republic, subject to any conditions it considers proper to impose or without any conditions. The CBC, therefore, if the application is successful, grants a relevant approval to the Applicant which is, generally, subject to the following conditions:

(1) Subject to the provisions of the Law the objectives, functions and business, in general, of a Representative Office, shall be confined to the conduct of purely liaison activities, including, inter alia, the following:

- (i) the provision, upon request, of factual information relating to the products and services of the Applicant,
- (ii) the conduct of research work into the economy of the Republic (including the gathering of financial and commercial information) to inform accordingly /be used by the Applicant,
- (iii) liaising with customers of the Applicant in the Republic,
- (iv) the undertaking of credit assessments and reports on entities incorporated/operating in the Republic on behalf of the Applicant, and
- (v) the promotion, in general, of the Applicant's interests among potential customers in the Republic.

(2) The Representative Office shall not:

- (i) engage in any form of banking business or in the business of accepting deposits as defined in section 2 of the Law,
- (ii) book any banking business in its name or in the name of the Applicant or in the name of any of the Applicant's branches in countries other than the Republic,
- (iii) engage in any financial transactions, except where necessary for and incidental to the maintenance of the Representative Office in the Republic,

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- (iv) provide investment services or purport to provide investment services and/or perform or purport to perform investment activities on a professional basis in the Republic.
- (3) The Representative Office shall be distinctly located from the office of any financial or any other undertaking and its activities should be kept separate from those of any other financial or any other undertaking operating in the Republic. Furthermore, the Representative Office shall employ its own staff.
- (4) The Representative Office shall annually prepare financial statements as if it were a separate legal entity and submit them to the CBC within four months of the end of each financial year³, after they have been audited in accordance with the International Standards of Auditing, issued by the International Federation of Accountants, by external auditors appointed by the Applicant and approved by the CBC. The external auditors of the Representative Office, in preparing their report on the annual financial statements, shall also have the special duty to report directly to the CBC any instances where the operations of the said Representative Office have not, in their opinion, been in compliance with the conditions of this approval.
- (5) The Representative Office shall be subject to supervision and inspection by the CBC.
- (6) The Representative Office, if called upon to do so, shall supply to the CBC such information about its activities as might be required and determined from time to time, including the submission to the CBC of periodic prudential returns.
- (7) The Representative Office may use the word “bank” or any grammatical variation thereof as part of its name, provided that this is the same name as the one under which the Foreign Institution to which it belongs carries on banking business in its country of origin and provided further that this name is used in the Republic in conjunction with the description “Cyprus Representative Office”. The said description must be used, after or immediately below its name, in all documents, nameplates and advertisements of the Representative Office.
- (8) The Representative Office shall pay an annual fee of Euro 3.000 to the CBC as reimbursement to the latter of the cost of its supervisory function. This annual fee is payable at the end of each calendar year.

3 The financial year of the Representative Office should begin on the 1st of January and end on the 31st December of each year.

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Finally it must be noted that the Applicant shall upon finalizing all necessary formalities and prior to the Representative Office commencing operations submit to the CBC: (a) a true copy of the certificate issued by the Registrar of Companies under section 347 of the Companies Law, indicating that the Applicant has registered a place of business in the Republic,(b) a written undertaking that it has observed the conditions attached to the approval granted by the CBC and that it shall at all times comply with the conditions attached to the said approval, (c) the contact details of the Representative Office.

The above conditions are indicative and do not exclude the right of the CBC to impose further conditions if it deems appropriate.