1. Definitions

Without prejudice to any definitions included in the Banking Law No. 66(I) of 1997, as subsequently amended (“the Law”), for the purposes of the required information which must be submitted by a proposed acquirer, the following definitions apply:

“Control” has the meaning ascribed to it under section 2 of the Law.

“Central Bank” means the Central Bank of Cyprus

“Majority control” in a target bank, means the relationship between a parent undertaking and a subsidiary, as defined in article 1 of Directive 83/349/EEC, or a similar relationship between any natural or legal person and an undertaking.

1 The required information included in this document, is based on the “Appendix II – List of information required for the assessment of an acquisition” of the “Guidelines for the prudential assessment of acquisitions and increases in holdings in the financial sector, required by Directive 2007/44/EC”. This text, however, has been adapted so as to comply with the definitions and provisions of the Law.

2 The meaning of “majority control” of the target bank, is the one defined in sectoral Directives ie “the relationship between a parent undertaking and a subsidiary, as defined in article 1 of Directive 83/349/EEC, or a similar relationship between any natural or legal person and an undertaking.

Article 1 of Directive 83/349/EEC states that:

1. A Member State shall require any undertaking governed by its national law to draw up consolidated accounts and a consolidated annual report if that undertaking (a parent undertaking):

   (a) has a majority of the shareholders' or members' voting rights in another undertaking (a subsidiary undertaking); or

   (b) has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of another undertaking (a subsidiary undertaking) and is at the same time a shareholder in or member of that undertaking; or

   (c) has the right to exercise a dominant influence over an undertaking (a subsidiary undertaking) of which it is a shareholder or member, pursuant to a contract entered into with that undertaking or to a provision in its memorandum or articles of association, where the law governing that subsidiary undertaking permits its being subject to such contracts or provisions. A Member State need not prescribe that a parent undertaking must be a shareholder in or member of its subsidiary undertaking. Those Member States the laws of which do not provide for such contracts or clauses shall not be required to apply this provision; or

   (d) is a shareholder in or member of an undertaking, and:

   (aa) a majority of the members of the administrative, management or supervisory bodies of that undertaking (a subsidiary undertaking) who have held office during the financial year, during the preceding financial year and up to the time when the consolidated accounts are drawn up, have been appointed solely as a result of the exercise of its voting rights; or

   (bb) controls alone, pursuant to an agreement with other shareholders in or members of that undertaking (a subsidiary undertaking), a majority of shareholders’ or members’ voting rights in that undertaking. The Member States may introduce more detailed provisions concerning the form and contents of such agreements.

   The Member States shall prescribe at least the arrangements referred to in (bb) above.

   They may make the application of (aa) above dependent upon the holding’s representing 20 % or more of the shareholders' or members' voting rights.

   However, (aa) above shall not apply where another undertaking has the rights referred to in subparagraphs (a), (b) or (c) above with regard to that subsidiary undertaking.
“Legal person” has the meaning ascribed to the said term in section 2 of the Law.

“real owner” has the meaning ascribed to it in Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005, on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, and means the natural persons who finally own or control the acquirer and/or the persons on behalf of whom the acquisition is made. It also includes persons who finally effectively direct the business in an acquirer which is a legal person or a legal arrangement such as a trust.

2. **Required information for the assessment, directly or indirectly, of an acquisition of control or increase of control in a bank**

2.1 The required information is divided into two parts:

“General information” (Part I) which should be submitted to the Central Bank, by the proposed acquirer. These concern the nature of the proposed acquirer (both legal and natural person) and the proposed acquisition, regardless of the presumed degree of involvement (percentage of capital or voting rights) that the acquirer will have in the target bank.

“Specific information” (Part II) required on the basis of the proportionality principle\(^3\), distinguishing between the following two cases:

(i) The acquisition will result in a change in majority control over the target bank, resulting in the bank becoming a subsidiary of the proposed acquirer. In this case, the proposed acquirer will have to submit, among other things, a detailed business plan.

(ii) The acquisition will not result in a change of the majority control of the target bank but the proposed acquirer will acquire control or will increase, directly or indirectly his control, to the effect that the ratio of voting rights or shares in the proposed acquirer’s hands will reach or exceed the limits of 20% or 30%, without exceeding 50%. In this case the required information should be proportionate to the presumed degree of involvement of the acquirer in the management of the target bank.

2.2 In all cases, the proposed acquirer should attest to the Central Bank that all of the information communicated by it is accurate, and is not false, misleading, or deceptive. The Central Bank should be able to verify the statement submitted by the proposed acquirer by asking it to provide documents evidencing that the statement is true (e.g., recent extracts from the criminal register) and, if needed, by requesting confirmation from other authorities (e.g. judicial authorities or other regulators), domestic or otherwise.

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\(^3\) See paragraph 62-65 of the Guidelines issued by the three European financial supervisors, CEBS, CEIOPS, CESR, "in relation to the prudential assessment of acquisitions and increases in holdings in the financial sector, as required by Directive 2007/44/EC", which can be found in CBC’s official website.
2.3 The required information has to be provided by all natural or legal persons (proposed acquirers) subject to notification requirements according to section 17(1) of the Law.

2.4 The Central Bank, in order to assist proposed acquirers to submit all the required information, has prepared two questionnaires (one applicable to proposed acquirers who are legal persons and one applicable to natural persons), which aim at providing the Central Bank with the information included in Part I and Part II of this List.

A proposed acquirer, therefore, must first notify the Central Bank, stating the size of the intended holding and submitting, at the same time, the relevant questionnaire duly completed. The questionnaires include the required information that a proposed acquirer must provide to the Central Bank.
1. **IDENTITY OF THE PROPOSED ACQUIRER**

a- In the case of a natural person:

(1) Name, date, place of birth, address;

(2) A complete curriculum vitae, detailing relevant education and training, previous professional experience, and activities or additional functions currently performed;

b- In the case of a legal person:

(3) Business and registered name and address of head office, supported by probative evidence;

(4) Registration of legal form in accordance with national legislation;

(5) Up to date overview of entrepreneurial activities;

(6) Complete list of persons who effectively direct the business and curriculum vitae, detailing their previous professional experience and activities currently performed;

(7) Identity of all other persons who are “real owners” of the legal person.

c- In the case of a trust that already exists or would result from the acquisition:

(8) Identity of all persons who will manage assets (trustees) under the terms of the trust document and their respective shares in the distribution of income.

(9) Identity of all other persons who are “real owners” of the trust property.

2. **ADDITIONAL INFORMATION ON THE ACQUIRER**

a- In the case of a natural person:

(10) Concerning the **proposed acquirer** and **any company** ever directed or controlled by the acquirer, information on any:

   (a) relevant criminal records, or criminal investigations or proceedings, relevant civil and administrative cases, and disciplinary actions (including disqualification as a company director or bankruptcy, insolvency or similar procedures);

   (b) investigations, enforcement proceedings, or sanctions by a supervisory authority which the person has been the subject of;
(c) refusal of registration, authorisation, membership or licence to carry out a trade, business or profession; or the withdrawal, revocation or termination of registration, authorisation, membership or licence; or expulsion by a regulatory or government body;
(d) dismissal from employment or a position of trust, fiduciary relationship, or similar situation, or having been asked to resign from employment in such a position;

(11) Information as to whether an assessment of reputation as an acquirer or as a person who directs the business of a bank or a financial institution has already been conducted by another financial supervisory authority;

(12) Information as to whether a previous assessment by another authority from another, non-financial, sector has already been conducted;

(13) Information by the acquirer regarding his financial position and strength: details concerning his sources of revenues, assets and liabilities, pledges and guarantees, etc;

(14) Description of the professional activities of the acquirer;

(15) Financial information including ratings and public reports on the companies controlled or directed by the acquirer and if available, ratings and public reports on the acquirer himself;

(16) Description of the financial⁴ and non-financial⁵ interests or relationships of the acquirer with:
   
   (a) any other current shareholders of the target bank;
   
   (b) any person entitled to exercise voting rights of the target bank⁶;
   
   (c) any member of the board or similar body, or of the senior management of the target bank;
   
   (d) the target bank itself and its group;
   
   (e) any other interests or activities of the acquirer that may be in conflict with the target bank and possible solutions to those conflicts of interest.

b- In the case of a legal person:

(17) Concerning (i) the acquirer, (ii) any person who effectively directs its business and (iii) any company under its control, provide information on any:

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⁴ Financial interests include, for example, credit facilities, guarantees, pledges etc.
⁵ Non-financial interests include, for example, family relationships
⁶ See the situations mentioned in Article 10 of Directive 2004/109/EC on the harmonisation of transparency requirements
(a) relevant criminal records, criminal investigations or proceedings, relevant civil and administrative cases, or disciplinary actions (including disqualification as company director or bankruptcy, insolvency or similar procedures);

(b) investigations, enforcement proceedings, or sanctions by a supervisory authority which the person has been the subject of;

(c) refusal of registration, authorisation, membership, or licence to carry out a trade, business or profession; or the withdrawal, revocation or termination of registration, authorisation, membership or licence; or expulsion by a regulatory or government body;

(18) Information as to whether an assessment of reputation, as an acquirer or as a person who direct the business of a bank or a financial institution, has already been conducted by another supervisory authority;

(19) Information as to whether a previous assessment by another authority from another sector has already been conducted;

(20) Description of the financial\(^7\) and non-financial\(^8\) interests or relationships of the acquirer with:

(a) any other current shareholders of the target bank;

(b) any person entitled to exercise voting rights of the target bank\(^9\);

(c) any member of the board or similar body, or of the senior management of the target bank;

(d) the target bank itself and its group;

(e) any other interests or activities of the acquirer that may be in conflict with the target bank and possible solutions to those conflicts of interest;

(21) The shareholding structure of the acquirer, with the identity of all shareholders with significant influence and their respective percentages of capital and voting rights and information on shareholders agreements;

(22) If the acquirer is part of a group (as a subsidiary or as the parent undertaking), a detailed organisational chart of the entire corporate structure and information on the percentages (capital stock and voting rights) of relevant shareholders and on the activities currently performed by the group;

(23) Identification of supervised institution(s) within the group, and the details of their home state regulators;

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\(^7\) Financial interests include, for example, credit facilities, guarantees, pledges etc

\(^8\) Non-financial interests include, for example, family relationships

\(^9\) See the situations mentioned in Article 10 of Directive 2004/109/EC on the harmonisation of transparency requirements
(24) Statutory financial statements, regardless of the size of the firm, for the last three financial periods, approved, if possible, by an auditing firm, including:

(a) Balance Sheet,

(b) Profit and Loss accounts/Income Statements,

(c) Annual Reports and financial annexes and all other documents registered with the Registrar of Companies and Official Receiver or with the corresponding Department of another country;

(25) Information about the credit rating of the acquirer and the overall rating of its group.
3- **INFORMATION ON THE ACQUISITION**

(26) Identification of the target bank;

(27) The overall aim of the acquisition (e.g. strategic investment, portfolio investment, etc.);

(28) The number and type of shares (ordinary shares or any other kind) of the target bank owned by the acquirer before and after the operation; the amount of the shares in the total capital, in percentage, and the proportion of voting rights, if different from the proportion of capital;

(29) Any action in concert with other parties (contribution of other parties to the financing, means of participation in the financial arrangements, future organisational arrangements, etc.);

(30) Provisions of (contemplated) shareholder's agreements with other shareholders in relation to the target bank;

4- **INFORMATION ON THE FINANCING OF THE ACQUISITION**

(31) Details on the use of private financial resources and their origin: convincing evidence or a signed statement;

(32) Information on the means and the network used to transfer funds (availability of the resources which will be used for the acquisition, financial arrangements, etc.);

(33) Details on access to capital sources and financial markets and on the funding for the purchase of the shares;

(34) Information on the use of borrowed funds contracted with the banking system or any kind of financial relationship with other shareholders of the bank (maturities, terms, pledges and guarantees);

(35) Information on assets of the acquirer or the target bank which are to be sold in the short term (conditions of sale, price appraisal, and details on their characteristics).
Part II – Specific information requirements linked to the level of the shareholding to be acquired

A: CHANGE IN MAJORITY CONTROL (ie participation over 50%)

If there is a 'change in majority control' in the target bank, a business plan\(^{10}\) should be provided, containing information on the contemplated strategic development plan relating to the acquisition, prospective data, and details on principal modifications or changes in the target bank envisaged by the proposed acquirer:

I. **Strategic development plan**

A strategic development plan indicating, in general terms, the main goals of the acquisition and the main ways for reaching them, including:

(a) the rationale for the acquisition,

(b) medium-term financial goals (return on equity, cost-benefit ratio, earnings per share, etc.),

(c) the main synergies to be pursued within the target bank,

(d) the possible redirection of activities/products/targeted customers and the possible reallocation of funds/resources anticipated within the target bank;

(e) general modalities for including and integrating the target bank in the group structure of the acquirer\(^{11}\), including a description of the main synergies to be pursued with other companies in the group as well as a description of the policies governing intra-group relations.

II. **Estimated financial statements**

Estimated financial statements of the target bank, on both a solo and consolidated basis, for a period of three (3) years, including:

(a) a forecast balance sheet and profit and loss account;

(b) forecast of prudential ratios;

(c) information on the level of risk exposures (credit, market, operational, etc.); and

(d) a forecast of provisional intra-group operations.

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\(^{10}\) Under some circumstances, like in the case of acquisitions by means of a public offer, the acquirer may encounter difficulties in obtaining information which is needed to establish a full business plan. In this case, the acquirer shall indicate these difficulties to the Central Bank and point out the aspects of his business plan that might be modified in the near term.

\(^{11}\) For institutions supervised in the EEA, information about the group structure of the acquirer could be reduced to information about parts of its group structure which are affected by the transaction (for example Retail Department of the acquirer for the acquisition of an entity whose activities are only retail ones).
III. The impact of the acquisition

The impact of the acquisition on the corporate governance and general organisational structure of the target bank, including the impact on:

(a) the composition\textsuperscript{12} and duties of the board and the main committees created by the decision-taking body (the management committee, risk committee, audit committee, and any other committees);

(b) administrative and accounting procedures and internal controls: principal changes in procedures and systems related to accounting, audit, internal control, and compliance (including anti-money laundering) including the appointment of key functions (auditor/internal controller and compliance officer);

(c) the overall IT systems architecture: this includes, for example, any changes concerning the sub-contracting policy, the data flowchart, the in-house and external software used and the essential data and systems security procedures and tools (e.g. back-up, continuity plan, audit trails, etc); and

(d) the policies governing subcontracting and outsourcing (areas concerned, selection of service providers, etc.) and the respective rights and obligations of the principal parties as set out in contracts (e.g., audit arrangements, quality of service expected from the provider, etc.).

B: ACQUISITION WITHOUT A CHANGE IN MAJORITY CONTROL (i.e. participation less than 50%)

If there is no change in the majority control, the proposed acquirer should provide a document on strategy to the Central Bank. Applying the proportionality principle, the level of information provided, depends on the degree of influence on the management and activities of the target bank.

The Central Bank may request the information set out under point (b) below even in cases where the shareholding to be acquired remains below the threshold of 20%, if the ‘influence’ exercised by that shareholding is considered to be equivalent to the influence exercised by shareholdings considered under point (b).

a) Control of less than 20%:

The ‘document on strategy’ should contain the following information:

I. The policy of the acquirer regarding the acquisition. In addition to the information required in Part I, paragraph 3 of this List, the proposed acquirer is required to inform the Central Bank about:

(a) the period for which the proposed acquirer intends to hold his shareholding after the acquisition;

\textsuperscript{12} Including information concerning the persons who will be appointed to direct the business
(b) any intention of the acquirer to increase, reduce, or maintain the level of his shareholding in the foreseeable future;

II. An indication of the intentions of the acquirer towards the target bank and, in particular, whether or not he intends to act as an active minority shareholder, and the rationale for such action;

III. Information on the ability (financial position) and willingness of the proposed acquirer to support the target bank with additional own funds if needed for the development of its activities or in case of financial difficulties.

b) Control between 20 and 50%:

The document on strategy should include the information referred to in Part II, paragraph B(a) (I), (II) and (III) above, in more detail, including:

I. Details on the influence that the acquirer intends to exercise on the financial position (including dividend policy), the strategic development, and the allocation of resources of the target bank.

II. A description of the acquirer’s intentions and expectations towards the target bank in the medium-term, covering all the elements mentioned above under Part I of the business plan.