

O.G. Schedule III(I)

No. 5363, 25.9.2020

Number 440

THE SALE OF CREDIT FACILITIES AND OTHER RELATED MATTERS LAWS OF 2015 AND 2018

Directive under section 17(2)

PART I - TITLE, INTERPRETATION, SCOPE OF APPLICATION AND PURPOSE

1. Short title.
2. Interpretation.
3. Scope of application.
4. Purpose of the Directive.

PART II – DUTIES OF CREDIT ACQUIRING COMPANIES

5. Duties of credit acquiring companies.

PART III - INTERNAL POLICY FOR THE EVALUATION OF SUITABILITY OF ASSESSED PERSONS

6. Internal Policy.

PART IV - SUITABILITY ASSESSMENT PROCEDURE

7. Assessment procedure to be applied by the credit acquiring company and utilisation of the Individual Questionnaire.
8. Assessment procedure to be applied by the Central Bank.

PART V – PROCEDURE FOR THE REASSESSMENT OF SUITABILITY OF THE MEMBERS OF THE MANAGEMENT BODY AND OF KEY FUNCTION HOLDERS

9. Continuous obligations of the credit acquiring company as to suitability.

PART VI - SUITABILITY ASSESSMENT CRITERIA

10. General assessment criteria.
11. Assessing the criteria for the good reputation of assessed persons.
12. Assessing the criteria for the experience of an assessed person.
13. Assessing the criteria for governance.

PART VII - MISCELLANEOUS PROVISIONS

14. Temporary absence of executive members or key function holders.
15. Termination of appointment.
16. Adoption of corrective measures.
17. Submission of additional information.
18. Entry into force.

169(I) of 2015 86(I) of 2018.	The Central Bank issues this Directive by virtue of the powers vested on it by subsection (2) of section 17 of the Sale of Credit Facilities and Other Related Matters Law of 2015 and 2018.
	PART I - TITLE, INTERPRETATION, SCOPE OF APPLICATION AND PURPOSE
Short title.	1. This Directive shall be cited as the Assessment of Suitability of Members of the Management Body and Key Function Holders of Credit Acquiring Companies Directive of 2020.
Interpretation.	2.-(1) For the purposes of this Directive, the definitions in section 2 of the Law shall apply, unless the context requires a different interpretation, and in addition, the following definitions shall apply, unless the context requires otherwise-
Annex 1.	<p>"independent member of the management body" or "independent member" means the member of the management body who meets all the criteria set out in Annex 1;</p> <p>"assessed person" means -</p> <ul style="list-style-type: none"> (a) the candidate members of the management body of a credit acquiring company or members under reassessment, and (b) the candidate key function holders of a credit acquiring company, or key function holders under reassessment; <p>"Individual Questionnaire" means the Individual Questionnaire, which is completed by an assessed person, based on a template published by the Central Bank on its website;</p> <p>"assessment report" means the report prepared by the credit acquiring company, which records the results of the assessment carried out to determine the suitability of the assessed person;</p> <p>"executive member position of a management body" means the position of a member of the management body of a credit acquiring company under which a person is actively managing and steering the business through an employment contract entered into with that credit acquiring company;</p> <p>"suitability" means the degree to which a person is deemed to have a good repute and to have, individually and collectively with other individuals, adequate knowledge, skills, and experience to perform her/his/their duties. Suitability also covers the honesty, integrity and independence of mind of each individual and his or her ability to devote sufficient time to perform his or her duties;</p> <p>"Law" means the Sale of Credit Facilities and Other Related Matters Law of 2015 and 2018;</p> <p>"Significant business relationship" means any of the following:</p> <ul style="list-style-type: none"> (a) a business relationship with a supplier of goods or provider of services, for instance legal services, consulting and other services related to information technology or financial services, that involves a financial transaction which on a consolidated basis, exceeds the amount of 100 thousand euros or 2% of the consolidated turnover of the immediately preceding financial year of the supplier/provider, whichever is smaller (b) the business relationship with organisations that receive, from the credit acquiring company or the group to which it belongs, significant income(exceeding 3% of their consolidated income during the immediately preceding financial year) (c) the persons or entities acting as the external auditors or principal legal advisors of the credit acquiring company; <p>"Close family or personal relationship" means the relationship that a person maintains with, among other, the following persons: spouse, children, parents, siblings, and the parents and/or siblings of his/her spouse.</p>
Scope of application.	3. This Directive shall apply to credit acquiring companies.

Purpose of the Directive.	4. This Directive prescribes-
	<ul style="list-style-type: none"> (a) the policies and procedures for the assessment and reassessment of the suitability of assessed persons; (b) the criteria for the assessment of the suitability of assessed persons; (c) the measures applied in cases where members or persons holding a key position have been deemed inappropriate; (d) the criteria that qualify a member of a governing body as independent (independence criteria).
	PART II – DUTIES OF CREDIT ACQUIRING COMPANIES
Duties of credit acquiring companies.	5.-(1) The assessment of the initial and continuing suitability of assessed persons shall be carried out by credit acquiring companies.
	<p>(2) Credit acquiring companies shall determine the key function holders and inform the Central Bank in this respect before they submit to the Central Bank the application referred to in subparagraph (3) of paragraph 7 for the said persons. Key function holders shall include, among other prescribed by the Law, the heads of the following internal control functions: risk management, internal audit, compliance, and information security.</p> <p>(3) Subject to the provisions of this Directive, the companies, in carrying out their assessment, shall ensure that the assessed persons-</p> <ul style="list-style-type: none"> (a) are of a sufficiently good repute, (b) possess the necessary experience, specialisation, skills, and sufficient knowledge to carry out their duties and responsibilities, (c) act with honesty, reliability and integrity, characteristics which promote a culture of compliance with the regulatory framework that governs the operation of credit acquiring companies, (d) have independence of mind in order to effectively assess and challenge the decisions of senior management whenever needed and to effectively supervise and monitor management decision making of the credit acquiring company, and (e) are in position to commit sufficient time to performing their duties. <p>(4) The competent body of the credit acquiring company for proposing candidates, shall contribute to the adoption of appropriate internal policies for the assessment of the suitability of assessed persons in accordance with the paragraph 6.</p>
	PART III - INTERNAL POLICY FOR THE EVALUATION OF SUITABILITY OF ASSESSED PERSONS
Internal Policy.	6.- (1) The management body of the credit acquiring company should establish policies for the selection and the assessment of the suitability of the person to be appointed as a member of the management body or a key function holder, having regard to the nature, the scale, and the complexity of operations of the credit acquiring company; the said policy shall include at least the following, as the case may be: <ul style="list-style-type: none"> (a) the competent person or body or the function of the credit acquiring company that will carry out the assessment; (b) the internal process that is applicable to the assessment in accordance with the provisions of paragraph 7; (c) the necessary qualifications and skills that the assessed person must have in order to be considered to have the appropriate experience and ability; (d) the information and data that must be submitted to the credit acquiring company by the assessed person for the purposes of assessment, which must at least be the data and

	<p>information required by the Individual Questionnaire which is published on the website of the Central Bank;</p> <p>(e) the cases where a reassessment will be carried out regarding the suitability of the members of the management body and key function holders of the credit acquiring company, along with the operations foreseen for detecting such cases, which shall, inter alia, include-</p> <p>(i) the person or body or function of the credit acquiring company responsible for ensuring that there are adequate measures in place for identifying cases where the reassessment of suitability is required,</p> <p>(ii) the requirement that the appointed members and key function holders immediately inform the credit acquiring company in case of any change to the information provided in the Individual Questionnaire,</p> <p>(iii) the requirement that, in accordance with paragraph 17, the appointed members or key function holders shall provide signed, annual statements to the credit acquiring company with which they shall communicate any changes regarding their compliance with the provisions of this Directive;</p> <p>(f) the record keeping process for the assessment and the reassessment of suitability as well as for the relevant outcome;</p> <p>(g) the ways in which the credit acquiring company provides to the members and key function holders, the possibility to receive training, during the initial period of their appointment as well as on a continuous basis, in case there are specific learning requirements regarding the legal framework concerning the management of non-performing loans and for skills development.</p> <p>(2) The internal policy of the credit acquiring company as described in subparagraph (1) and any amendments thereto, shall be approved by the management body of the credit acquiring company.</p> <p>(3) (a) Each credit acquiring company must submit its internal policy to the Central Bank within six (6) months from the date of publication of this Directive in the Official Gazette of the Republic,</p> <p>(b) Credit acquiring companies which receive authorisation after the date of publication of this Directive, must submit their internal policy within the period (6) months from the date of commencement of their activities.</p> <p>(c) If substantial amendments are made to the internal policy, the credit acquiring company shall submit the revised internal policy to the Central Bank within one (1) month from the date of approval of its amended internal policy by its management body.</p>
	<p>PART IV - SUITABILITY ASSESSMENT PROCEDURE</p>
<p>Assessment procedure to be applied by the credit acquiring company and utilisation of the Individual Questionnaire</p>	<p>7.- (1) (a) Companies shall evaluate the suitability of candidate members and key function holders on the basis of their internal policy, the assessment criteria set out in Part VI of this Directive, the Individual Questionnaire and shall keep a record of the assessment and its outcome.</p> <p>(b) When assessing the suitability of candidate members, companies shall assess the suitability of the management body on a collective level. Any weaknesses in the overall composition of the management body or its committees must not necessarily lead to the conclusion that a particular candidate member is not suitable.</p> <p>(c) Companies must require each candidate to fill out the Individual Questionnaire based on the template published by the Central Bank on its website.</p> <p>(d) The companies must verify, to the extent possible, the correctness of the information contained in the Individual Questionnaire and considering the information provided in the Individual Questionnaire, as well as any other information that they have available, they shall ensure the suitability of the assessed person.</p> <p>(e) If the credit acquiring company is satisfied that a person subjected to an investigation for the purposes of disciplinary or legal proceedings as set out in the Individual Questionnaire is suitable, it must justify this particular decision to the Central Bank.</p> <p>(f) The credit acquiring company shall ensure that there have been no time gaps in the career of the person intended for the position of a member or key function holder within</p>

	<p>the last five (5) last years, for which satisfactory explanations have not been given in the Individual Questionnaire. If there are time gaps and the credit acquiring company wishes to continue the process of appointment, the credit acquiring company shall justify its decision to the Central Bank.</p> <p>(g) The credit acquiring company must receive reference letters from two individuals who have personal knowledge on the candidate's professional activities and can provide information on his/her personality and abilities. One of the reference letters shall be from a previous employer of the candidate. If the candidate is self-employed, then the references must come from reputable persons from the financial or broader business sector.</p> <p>(2) (a) If the management body of the credit acquiring company intends to make a proposal to a person who has been assessed and is considered suitable for appointment as a member of the management body, the credit acquiring company must sufficiently inform the candidate, through a proposal letter, regarding the following-</p> <ul style="list-style-type: none"> (i) his/her duties, responsibilities and obligations; (ii) his/her expected contribution; (iii) the time expected from him/her to commit for the performance of his/her duties, responsibilities and obligations (for instance on meetings of the management body as well as meetings of each committee); and (iv) the fact that his/her appointment is subject to the consent of the Central Bank. <p>(b) The said person must respond in writing whether he/she accepts the appointment.</p> <p>(3) Upon receiving the candidate's answer, the credit acquiring company must submit the following to the Central Bank:</p> <ul style="list-style-type: none"> (a) the Individual Questionnaire, fully completed and signed by the person proposed by the credit acquiring company, (b) a written statement by the credit acquiring company on the basis of the sample statement included in the Individual Questionnaire, by which the credit acquiring company declares that following an internal assessment, it wishes to proceed with the appointment to the particular position, that it has verified, to the extent possible, the correctness of the information contained in the Individual Questionnaire and that it is requesting the Central Bank's consent for the proposed appointment, and (c) a report on the outcome of the assessment that the credit acquiring company has carried out in accordance with the requirements of subparagraph (1).
<p>Procedure of assessment by the Central Bank.</p>	<p>8.- (1) Upon receiving all the documents mentioned in subparagraph (3) of paragraph 7, the Central Bank shall examine the proposed appointment and shall, inter alia, assess the suitability of the person proposed to be appointed as a member or key function holder, primarily based on the assessment report and the Individual Questionnaire, without excluding the personal interview of the person proposed by the credit acquiring company.</p> <p>(2) The Central Bank shall conduct checks on the credit acquiring company in order to verify the information contained in the Individual Questionnaire and may require assessed persons to provide every available information to verify the information included therein.</p> <p>(3) For the purposes of the assessment process, the Central Bank may communicate and request information from-</p> <ul style="list-style-type: none"> (a) other competent authorities which include, but shall not be limited to the following- <ul style="list-style-type: none"> (i) the Cyprus Police, (ii) the Income Tax Commissioner, (iii) the Registrar of Companies, (iv) the Cyprus Securities and Exchange Commission, (v) the Superintendent of Insurance, (vi) the supervisory authorities of the financial sector of other states or the police authorities of other states,

	<p>(vii) other state services including the Unit for Combating Money Laundering,</p> <p>(b) credit institutions; and</p> <p>(c) present and former employers (where applicable).</p> <p>(4) During the assessment process, the Central Bank shall seriously consider, inter alia, the following, which may constitute grounds for not giving its consent for the appointment of an assessed person-</p> <p>(a) events that cast doubt on the integrity or the suitability of the assessed person, such as for instance, the non-inclusion in the Individual Questionnaire of a seemingly insignificant infringement,</p> <p>(b) the time elapsed since the date of infringements,</p> <p>(c) cases in which the assessed person hindered the work of an investigating committee or misled the court or supervisory authority or professional body,</p> <p>(d) untrue or misleading information, and non-inclusion of material information in the Individual Questionnaire.</p> <p>(5) Personal interviews may be conducted by the Central Bank for assessing the following persons-</p> <p>(a) persons proposed for appointment as members and key function holders, and</p> <p>(b) existing members and key function holders during their reassessment when events or circumstances raise doubts concerning their suitability.</p> <p>(6) The interview of an assessed person is a tool for assessing his/her knowledge, experience and the application of his/her skills in previous professions, as well as the way in which his/her qualifications relate to the skills and experience of other members. The skills assessed include, inter alia, his/her decisiveness, strategic vision, comprehension of risks, leadership ability, independence of mind, persuasiveness and ability and willingness for continuous learning and skills development.</p> <p>(7) The Central Bank shall carry out the assessment process referred to in this paragraph within a period of two (2) months from the date of receipt of the assessment report, the fully completed Individual Questionnaire and all information in this respect. The Central Bank may request any clarifications or information it considers necessary in order to deem the application fully completed.</p> <p>(8) (a) In case where the Central Bank, at its discretion-</p> <p>(i) is satisfied that the assessed person is competent and suitable, and</p> <p>(ii) consents to the proposed appointment;</p> <p>it shall notify the credit acquiring company in writing which may proceed with appointing the assessed person.</p> <p>(b) In case where the Central Bank has reservations as to the suitability of the assessed person, the proposed appointment may be rejected, and the Central Bank shall provide to the credit acquiring company concerned, in writing, its reasons for not giving its consent for the said appointment.</p>
	<p align="center">PART V – PROCEDURE FOR THE REASSESSMENT OF SUITABILITY OF THE MEMBERS OF THE MANAGEMENT BODY AND OF KEY FUNCTION HOLDERS</p>
<p>Continuous obligations of the Company as to suitability.</p>	<p>9.- (1) The suitability of a member or a key function holder needs to be continuous and shall not be examined by the credit acquiring company only at the time that the person is appointed at the position of member or key function holder but also during the period that such person holds position or if the member or key function holder changes role within the credit acquiring company.</p> <p>(2) Credit acquiring companies have an obligation to reassess the suitability of members and key function holders based on the assessment criteria set out in Part VI of this Directive, when events have occurred in the meantime which make the reassessment necessary in order to verify the person's continuous suitability.</p> <p>(3) The reassessment may be limited to examining whether the person is still suitable based on the severity of the event that has occurred in the meantime.</p>
	<p align="center">PART VI - SUITABILITY ASSESSMENT CRITERIA</p>
<p>General assessment</p>	<p>10.- (1) Each assessed person shall act with honesty and integrity, and the members of the</p>

<p>criteria</p>	<p>management body in particular, shall act with independence of mind in order to assess and challenge the decisions of the senior management whenever needed, to effectively oversee and monitor the decisions made by the management.</p> <p>(2) When assessing the suitability of an assessed person, all relevant parameters shall be examined, considering the nature, scale, complexity of operations of the credit acquiring company and the responsibilities of the specific position, including, without limitation, whether the person-</p> <ul style="list-style-type: none"> (a) has proved that he/she is capable and has the ability to successfully undertake the tasks and responsibilities arising from the appointment; (b) has sufficient knowledge and experience and understands the duties and responsibilities that will be undertaken; (c) has credibility and good reputation, regardless of the nature, scale and complexity of the operations of the credit acquiring company; (d) has the necessary discernment for the fulfilment of the obligations related to the position for which he/she is proposed; (e) has knowledge and understanding of the major risks that the credit acquiring company is facing; (f) acts with an independence of mind and his/her appointment does not create any conflict of interest to an extent that hinders his/her ability to exercise his/her duties in an independent and objective manner; (g) whether he/she is in a position to devote sufficient time to carrying out his/her duties. <p>(3) A person may be appointed as a non-executive member of a credit acquiring company for a maximum term of twelve (12) years, consecutive or otherwise, inclusive of appointments at any administrative bodies of the group.</p> <p>(4) Each credit acquiring company must be informed on a continuous basis regarding the credit exposures of credit institutions to the members of its management body; if a credit exposure to a member of the management body has become non-performing, the credit acquiring company shall inform the Central Bank and shall immediately terminate the appointment of the said member of the management body.</p>
<p>Assessing the criteria for the good reputation of assessed persons.</p>	<p>11.- (1) (a) The assessed person may be deemed to be of good repute, if there is no evidence to the contrary and if there are no factors raising reasonable doubts concerning his/her good reputation.</p> <p>(b) The assessed person shall not be deemed to be of good repute if his/her personal or professional conduct raises any substantial doubts as to his/her ability to ensure the sound and prudent management of the credit acquiring company.</p> <p>(2) When assessing the good repute of an assessed person -</p> <ul style="list-style-type: none"> (a) any criminal or relevant administrative record shall be taken into account, depending on the type of conviction or indictment, the phase of the judicial process reached, the sentence that has been imposed, the stage of any judicial proceedings and the results of any remedial measures taken. The general circumstances under which the offense was committed, including any mitigating factors shall also be examined, as well as the severity of any relevant administrative or supervisory measures, the time that has elapsed and the person's conduct since the offense as well and the relevance of the offense or administrative or supervisory measure with the position of appointment; (b) the cumulative effects of minor events, which do not individually affect the good repute of a person, but may in total have a significant impact, shall be cumulatively examined; (c) all available relevant information shall be taken into account, without prejudice to any restrictions imposed by Cyprus law and regardless of the country in which any relevant events took place; (d) special attention shall be given to the following factors which may raise doubts on the good repute of an assessed person- <ul style="list-style-type: none"> (i) conviction or prosecution for a criminal offense in any state, and in particular-

	<ul style="list-style-type: none"> I. Offenses under the laws that govern the banking, financial, securities, insurance activities or relating to securities markets or payment instruments and methods, including laws on money laundering, market manipulation or insider dealing and usury, II. offenses of dishonesty, fraud or financial crimes, III. tax offenses, and IV. other offenses in accordance with laws concerning companies, bankruptcy, insolvency or consumer protection; <ul style="list-style-type: none"> (ii) relevant ongoing or past investigations and/or law enforcement actions relating to the assessed person or the imposition of administrative sanctions due to non-compliance with legal provisions that govern banking, financial, securities or insurance activities or payment instruments or methods, or any legislation concerning financial services; (iii) relevant ongoing or past investigations and/or law enforcement actions carried out by any other regulatory or professional body due to failure to comply with any relevant provision; <p>(e) factors relevant to the decent behaviour of the assessed person in past business transactions shall be taken into account, such as-</p> <ul style="list-style-type: none"> (i) any information demonstrating that the person did not act in a transparent manner, with honesty and willingness to cooperate with the supervisory or regulatory authorities, (ii) refusal, revocation, withdrawal or expulsion of any registration, approval, authorisation, of membership or licence to carry out a trade, business or profession, (iii) the reasons for any dismissal from employment position or from any position of trust, fiduciary relationship, or similar situation, or having being asked to resign from any such position, and (iv) the removal from a position of employment on the basis of a decision taken by a competent authority; <p>(f) the possible effects of the following situations relating to the past and present business performance and financial soundness of an assessed person, shall be examined -</p> <ul style="list-style-type: none"> (i) being disclosed in any record of non-credible borrowers or recorded in any negative registers of this kind established by a reliable credit bureau, if any, (ii) the financial and business performance of entities owned or directed by the assessed person or in which the person had or has significant share, with particular consideration of any resolution, bankruptcy, winding-up or administration procedure and whether and in what way the assessed person has contributed to the situation that led to the proceedings, (iii) declaration of personal bankruptcy, and (iv) civil lawsuits, administrative or criminal proceedings, large investments or exposures and loans received, in so far as they have a significant impact on the financial soundness of the assessed person; <p>(g) cases where the assessed person has repeatedly failed to settle his dues to any state or where he/she contributed to a situation causing financial loss to third parties, should be investigated; and</p> <p>(h) cases where the assessed person managed, or held or holds significant share in, an entity that suffered a criminal conviction or disciplinary action imposed by a state or other competent authority or has failed to settle significant dues towards the state.</p>
<p>Assessing the criteria for the experience of an assessed person.</p>	<p>12.- (1) When assessing the experience of an assessed person, the following shall be examined-</p> <ul style="list-style-type: none"> (a) his/her theoretical experience obtained through education and training and (b) the practical experience he/she has gained from previous professions, <p>taking into account the skills and the knowledge obtained and demonstrated in the assessed person's professional conduct,</p>

	<p>(2) When assessing the assessed person's theoretical experience-</p> <ul style="list-style-type: none"> (a) special attention should be given to the level and the subject matter of the education he/she has received as well as whether it is relevant to the banking and financial sector and in particular matters related to the granting, managing and restructuring of credit facilities; (b) the credit acquiring company shall ensure that any candidate member is a graduate of higher education or holds a recognised professional title relevant to financial matters. In the opposite case, the credit acquiring company shall sufficiently document that the candidate member has several years of relevant experience in the financial sector. <p>(3) When assessing the practical experience of an assessed person -</p> <ul style="list-style-type: none"> (a) the credit acquiring company shall carry out a thorough analysis of the practical experience of the assessed person and the knowledge acquired from previous jobs with regard to the nature, scale and complexity of the business activity and the tasks carried out in the context of these jobs. (b) Particular attention should be given to the practical experience which shall demonstrate that the assessed person has knowledge concerning the credit acquiring company's business and relevant regulatory framework, including laws concerning the restructuring of credit facilities. In particular, the credit acquiring company should examine, inter alia, whether the assessed person has knowledge and experience in relation to: <ul style="list-style-type: none"> (i) The activities related to the granting and restructuring of credit facilities (financial analysis, assessment of borrowers' creditworthiness, etc.) as well as the handling of defaulted loans; (ii) the drawing up of the business strategy or business plan of a credit acquiring company and their implementation; (iii) understanding and managing of risks of a credit acquiring company (identification, assessment, monitoring, control and hedging the main categories of risks faced); (iv) assessing the effectiveness of the credit acquiring company's arrangements, ensuring effective governance, oversight and controls. (c) Where the assessed person is proposed for the post of executive member, he/she must have sufficient practical experience from a managerial position over a sufficiently long period. Short-term or temporary positions may be taken into account for the assessment but shall not be sufficient to substantiate that the said person has sufficient practical experience. When assessing the practical experience gained from previous positions, particular consideration should be given to the following- <ul style="list-style-type: none"> (i) length of service; (ii) the nature and complexity of the company where the assessed person held the position, including its organisational structure; (iii) scope of responsibilities, decision-making powers and duties; (iv) technical knowledge acquired through the position in relation to the activities of a credit acquiring company and understanding of relevant risks; and (v) number of subordinates. (d) Where the assessed person is proposed for the position of non- executive member, he/she must have sufficient experience which may have been acquired in academic, management or other positions and/or as a result of management and oversight and/or by having control in a financial institution or other enterprise. The credit acquiring company must be satisfied that the assessed person has proved that he/she has or will be in a position to obtain the technical knowledge required in order to understand the business and the risks faced by the credit acquiring company.
Assessing the governance criteria.	<p>13.- (1) When assessing the suitability of a candidate member, the credit acquiring company shall assess the criteria for the effective functioning of the management body including, inter alia -</p> <ul style="list-style-type: none"> (a) potential conflicts of interest;

Annex 1.	<p>(b) the ability to devote sufficient time to the tasks of the position of appointment;</p> <p>(c) the overall composition of the management body;</p> <p>(d) the collective knowledge and experience required; and</p> <p>(e) the ability of the candidate member to carry out his duties with independence of mind, without undue influence from other persons.</p> <p>(2) Where the person proposed by the credit acquiring company for the position of member of the management body is also a management board member of one or more entities or is the director of one or more entities, the company shall ensure that the proposed appointment is not incompatible with the other positions that such person holds and does not create a conflict of interest. Additionally, the company must examine whether the proposed person is or has been a person with significant political influence.</p> <p>It is provided that, a significant political influence can be exercised at every level: local authority (e.g., mayor), regional or national authority (e.g., minister, member of parliament, member of a political party, etc.), a public sector employee in a position that entails direct or indirect participation in the exercise of public authority and in the safeguarding of the general interests of the state as interpreted in the Public Service Law, or a state representative. The materiality of a conflict of interest depends on whether a political role entails special powers or duties which would not allow the appointed person to act in the best interests of the credit acquiring company.</p> <p>(3) (a) The number of directorships which may be held by a member of the management body at the same time, shall take into account the individual circumstances and the nature, scale and complexity of the activities of the credit acquiring company. Unless representing the Republic, members of a credit acquiring company which according to a decision of the Central Bank is significant in terms of size, internal organisation and nature, scope and complexity of its activities, shall not hold more than one of the following combination of directorships at the same time:</p> <ul style="list-style-type: none"> (i) one executive directorship with two non-executive directorships, or (ii) four non-executive directorships. <p>(b) For the purposes of subparagraph (a), the positions of executive or non-executive directorships held within the same group, shall be calculated as a single directorship.</p> <p>(c) Directorships held in entities which do not pursue primarily commercial objectives must not be counted for the purposes of this subparagraph. However, such activities should be taken into account when assessing the time commitment of the member concerned.</p> <p>(d) The Central Bank may, taking into account, inter alia, the nature and complexity of the activities of the credit acquiring company, allow members of the management body to hold additional non-executive directorships, provided that the proposed member duly substantiates that the additional positions will not adversely affect the time that he/she is required to devote to the activities of the credit acquiring company,</p> <p>(4) (a) When assessing the independence of a member, all the criteria set out in Annex 1 of this Directive shall be taken into account.</p> <ul style="list-style-type: none"> (b) The Central Bank may not consider the candidate member independent, even if the candidate member meets all the criteria of Annex 1 of this Directive, after taking into account other available data and information. (c) Where the credit acquiring company considers that the assessed person should be regarded as independent, even though failing any of the Annex 1 criteria, the credit acquiring company should provide information and explanations to the Central Bank and state the factors to be taken into account by the Central Bank when assessing the person's independence and the Central Bank may decide on the matter on a case by case basis.
PART VII - MISCELLANEOUS PROVISIONS	
Temporary absence of executive members or key function holders.	<p>14.- (1) The provisions of this Directive shall also apply to temporary replacements of executive members or key function holders when the latter are unable to carry out their duties temporarily and the executive member or key function holder is absent for a period exceeding six (6) months.</p> <p>(2) Where it is foreseen that the person temporarily replacing a member or a key function holder</p>

	<p>will continue to carry out these duties for a period exceeding six months, the credit acquiring company shall submit to the Central Bank a fully completed Individual Questionnaire for the member or key function holder. The Central Bank shall decide on the temporary appointment within one month from the date of receiving the fully completed Individual Questionnaire.</p> <p>(3) Where the person temporarily replacing a member or key function holder has already taken up duties, he/she may continue carrying out these duties and responsibilities until the time that the Central Bank announces its decision regarding the proposed temporary appointment. In case of rejection of the appointment by the Central Bank, he/she shall immediately cease carrying out these duties.</p>
<p>Termination of appointment.</p> <p>Annex 2.</p>	<p>15.-(1) A credit acquiring company shall notify the Central Bank in writing when the appointment of a person in relation to this Directive is terminated, whereby explaining the reasons of termination.</p> <p>(2) In cases of unscheduled departure of a member or a key function holder, the person in question shall be obliged to fill out the form included in Annex 2 of this Directive, and submit to the Central Bank on the day of his/her departure from the credit acquiring company or within a reasonable period after his departure.</p>
<p>Adoption of corrective actions.</p>	<p>16.- (1) If the reassessment carried out by the credit acquiring company concludes that a member or key function holder is no longer capable and suitable, the credit acquiring company shall take the appropriate corrective measures, informing at the same time the Central Bank.</p> <p>(2) In taking corrective measures, the credit acquiring company shall examine the case particulars and the specific shortcomings of the member or key function holder. Appropriate corrective measures may include, but shall not be limited to, the following-</p> <ul style="list-style-type: none"> (a) the replacement of such person; (b) the reallocation of responsibilities between the members of the management body; (c) the requisite training / education of individual members or of the management body collectively, so as to ensure the adequacy of the collective qualifications and experience and the collective suitability of the management body; (d) recruiting additional members; or key function holders; (e) possible measures for limiting conflicts of interest. <p>(3) Where, in the opinion of the Central Bank, the measures taken by the credit acquiring company pursuant to subparagraphs (1) and (2) are inadequate, the Central Bank may impose appropriate corrective measures itself.</p>
<p>Submission of additional information.</p>	<p>17.- (1) Credit acquiring companies are required to ask each member or key function holder to sign an annual statement whereby notifying them of any changes as to their compliance with the provisions of this Directive. The statement must be submitted to the secretary of the management body by 31 January each year.</p> <p>(2) The Central Bank may review these statements during its supervisory inspections of companies.</p> <p>(3) The credit acquiring company is required to disclose to the Central Bank all material changes regarding the compliance of members and key function holders with the provisions of this Directive, especially concerning the criteria of suitability, the criteria of independence and sufficient time commitment, within seven (7) calendar days from the date of their submission to the credit acquiring company's secretary.</p>
<p>Entry into force.</p>	<p>18.- This Directive shall enter into force on the date of its publication in the Official Gazette of the Republic.</p>

CRITERIA REGARDING THE INDEPENDENCE OF MEMBERS

Each member of the management body (independent or otherwise) must act with honesty, integrity and independence of mind so as to assess and question the decisions of senior management officers whenever necessary and must effectively oversee and monitor the decisions taken by the management of the credit acquiring company.

Before appointing a non-executive and independent member, the credit acquiring company must ensure that the candidate member has independence of mind and independent judgment, and is not affected by any conflicts of interest, links or circumstances which are likely to affect or appear likely to affect the candidate member's judgment.

The management body of the credit acquiring company shall adopt suitable criteria for assessing whether a member is independent. The minimum criteria that the candidate member must meet are the following-

- (a) he/she does not have or had a mandate as an executive member of the management body of the credit acquiring company or of another entity within the scope of consolidation of the credit acquiring company for the previous five (5) years;
- (b) he/she does not have a material financial or business relationship with the credit acquiring company;
- (c) he/she is not an employee of a company that holds a qualified holding nor is he/she connected in any other way to a shareholder who holds a qualified holding in the credit acquiring company;
- (d) he/she is not employed by any entity within the scope of consolidation, except where both of the following conditions are met:
 - (i) he/she does not belong to the company's highest hierarchical level, which is directly accountable to the management body;
 - (ii) the member has been elected to participate in the management body of the entity in the context of a system of employee representation;
- (e) he/she was not previously employed in a position at the highest hierarchical level in the credit acquiring company or another entity within its scope of consolidation, being directly accountable only to the management body and there has not been a period of at least three years between ceasing such employment and serving on the management body;
- (f) he/she has not been, within a period of the past three (3) years, a principal of a material professional adviser, external auditor or material consultant to the credit acquiring company or other entity within its scope of accounting consolidation, or otherwise an employee materially associated with the service provided;
- (g) he/she is not or has not been, within the last year, a material supplier or material customer of the credit acquiring company or another entity within the scope of accounting consolidation, nor had another material business relationship, nor is a senior officer nor is otherwise associated, directly or indirectly, with a material supplier, customer or commercial entity that has a material business relationship;
- (h) he/she does not hold a qualifying holding in the credit acquiring company, nor represents in any way the interests of a shareholder who holds a qualified holding in the credit acquiring company, including where the shareholder is the Republic or another member state or any other public body. The sole act of a shareholder, including the Republic, to propose a person for appointment, without this person representing the said shareholder, does not constitute a breach of the proposed person's independence;
- (i) he/she does not receive, other than the remuneration for his or her role and remuneration for employment in line with point (d), significant fees or other benefits from the credit acquiring company or another entity within its scope of accounting consolidation;
- (j) is not a person who has a close family or personal relationship with a member of the management body of the credit acquiring company or another entity within the scope of accounting consolidation or a person who falls within any of the cases set out in points (a) to (h);
- (k) he/she has not completed a term at the management body of the credit acquiring company or the group that exceeds nine (9) years, either on continuous basis or otherwise.
- (l) The remuneration as independent member should not be the sole income of the member.

To: Central Bank of Cyprus
P.O, Box 25529
1395 Nicosia
(or by fax to 22378152)

STATEMENT TO THE CENTRAL BANK OF CYPRUS
REGARDING THE DEPARTURE FROM THE POSITION OF A MEMBER / KEY FUNCTION HOLDER

I, _____ declare to the Central Bank of Cyprus that on the _____, I departed from my position as member or the position of _____ at the credit acquiring company

I declare that the reasons for my departure are the following:

I declare that I wish to bring the following to the attention of the Central Bank of Cyprus:

Date _____

Signature _____

Full name _____