

UNOFFICIAL TRANSLATION

The Enforcement of Restrictive Measures on Transactions in case of Emergency Law of 2013

Decree as per articles 4 and 5

WHEREAS there is lack of substantial liquidity and significant risk of deposits outflow with possible outcome the risk of the viability of the credit institutions with chain effects that could lead to instability of the financial system and have destabilizing consequences on the economy and society of the country as a whole,

AND WHEREAS under these circumstances an emergency situation is created that justifies the enforcement of temporary restrictive measures on transactions in order to safeguard financial stability,

AND WHEREAS under these circumstances it is not necessary to impose the same restrictive measures on all credit institutions

For safeguarding public order and public security and for overriding reasons of public interest,

12(I) of 2013 The Minister of Finance in exercising the powers granted to him by sections 4 and 5 of the Enforcement of Restrictive Measures on Transactions in case of Emergency Law of 2013, following a recommendation from the Governor of the Central Bank, issues the following Decree:

Short title. 1. The present Decree shall be cited as the Enforcement of Temporary Restrictive Measures on Transactions of Foreign Banks in case of Emergency First Decree, of 2013.

Interpretation 2. (1) In the present Decree, unless a different meaning results from the context-

«Law» means The Enforcement of Restrictive Measures on Transactions in case of Emergency Law of 2013.

“catalogue” means the catalogue of credit institutions compiled by virtue of section 3 of this Decree and published in the official Gazette of the Republic as an Annex to this Decree

“international customer” means a customer of a credit institution that is included in the catalogue, who is

i. a non resident of Cyprus as defined in the Directive of the Central Bank of Cyprus for the definition of the word "resident of Cyprus" for statistical purposes, issued on 27 June 2008 under the Central

Bank of Cyprus Laws of 2002 to 2007 or

- ii. a corporation, trust, partnership or legal entity, whereby 100% of the ultimate beneficial owners thereof are non resident natural persons or a company listed on a recognised exchange ,outside the Republic, as defined in the Directive for the calculation of the capital requirements and large exposures of banks of 2006 to (No.2) of 2011. Provided that any such company is not listed on the Cyprus Stock Exchange.

“compliance officer” means the compliance officer as defined in section 69 of the the Prevention and Suppression of Money Laundering Activities Law.

“domestic customer” means a customer of a credit institution in the Republic other than an international customer.

(2) Terms not otherwise defined in this Decree shall have the meaning ascribed to them by the Law.

- 3. (1) A credit institution that satisfies the conditions of this paragraph may apply to the Central Bank requesting its inclusion in the catalogue of credit institutions, compiled by the Minister following a recommendation of the Governor and upon the consent of the Governor, and published in the official Gazette of the Republic as an Annex to this Decree.

The Minister, following a recommendation of the Governor and upon the consent of the Governor ,shall include a credit institution in the catalogue of credit institutions published in the official Gazette of the Republic as an Annex to this Decree provided that the Governor is satisfied that all of the following conditions are met:

- a. The credit institution is a branch or a more than 50% subsidiary of a foreign bank.
- b. The credit institution for the purpose of giving effect to this Decree internally splits into two operations: one dealing with international customers and the other with domestic customers.
- c. In the case of a subsidiary of a foreign bank:
 - i. A letter of comfort is provided to the Central Bank of Cyprus from the parent bank of the credit institution confirming that, as long as this Decree is in force, it will always support the liquidity position of the subsidiary in the Republic so that the subsidiary in the Republic will not request Emergency Liquidity Assistance from the Central Bank of Cyprus or liquidity from Eurosystem credit

- operations,.
- ii. A standby credit facility is provided to the subsidiary by the parent bank for an amount of at least equal to 30% of customer deposits.
 - iii. The ratio of liquid assets, as liquid assets are defined in the Directive to Banks on the Computation of Prudential Liquidity in all currencies (Revised November 2010), to total customer deposits will not be lower than 60%.

With respect to liened (blocked funds) held as collateral for credit facilities granted, the lower between the liened (blocked) funds and outstanding credit facility balance shall be excluded from the total customer deposits mentioned in (ii) and (iii).

- d. A list of the international customers is submitted to the Central Bank of Cyprus in a standardised electronic template in a format specified by the Central Bank of Cyprus with written confirmation from the Compliance Officer of the credit institution that all the persons included in the list of international customers are international customers as defined in paragraph 2 of this Decree.
 - e. The Central Bank of Cyprus, if it deems necessary, may request the External Auditors of the credit institution to confirm in writing that the credit institution meets all the conditions of this section.
- (2) The Compliance Officer of a credit institution that is included in the catalogue shall regularly monitor compliance with the conditions of this section and report any change immediately to the Central Bank of Cyprus.
- (3) New international customers may be added on the list of international customers submitted to the Central Bank of Cyprus under paragraph 3(d).

Provided that the credit institution shall immediately notify the Central Bank of Cyprus of any changes to the list of international customers submitted to the Central Bank of Cyprus under paragraph 3(d) and submit to the Central Bank of Cyprus the new list of international customers with written confirmation from the Compliance Officer of the credit institution that is included in the catalogue, that all the persons in the list of international customers are international customers as defined in paragraph 2 of this Decree. Whereas the new list of international customers replaces the old list and enters into force immediately after confirmation of the Central Bank of Cyprus about the receipt of the list.

Provided that the Central Bank of Cyprus may, if it deems necessary, request additional confirmation from the External Auditors of the credit institution.

- (4) The Compliance Officer of the credit institution that is included in the catalogue shall electronically report the credit institution's transactions weekly to the Central Bank of Cyprus.
- (5) A credit institution shall remain in the catalogue provided that all the conditions of this section are continuously met. The Central Bank of Cyprus shall ensure the implementation of this condition.

4. By virtue of sections 4 and 5 of the Law, following a recommendation by the Governor and with the consent of the Governor, the following restrictive measures are imposed on credit institutions that are included in the catalogue:

- (a) All cashless payments or transfers of deposits/funds from a credit institution that is not included in the catalogue to an international customer of a credit institution included in the catalogue or to such a credit institution's own account are considered as cashless payments or transfers of deposits/funds to accounts held abroad and are subject to the provisions of any other Decree issued under the Law.
- (b) All cashless payments or transfers of deposits/funds from a domestic customer to an international customer of a credit institution included in the catalogue or to such a credit institution's own account are considered as cashless payments or transfers of deposits/funds to accounts held abroad and are subject to the provisions of any other Decree issued under the Law.
- (c) All cashless payments or transfers of deposits/funds from a credit institution that is included in the catalogue, for its own account or by the order of an international customer, are permitted and are not subject to any restrictive measure imposed under any other Decree issued under the Law.
- (d) All transactions between a credit institution that is included in the catalogue and an international customer are permitted and are not subject to any restrictive measure imposed under any other Decree issued under the Law.
- (e) All transactions between international customers are permitted and are not subject to any restrictive measure imposed under any other Decree issued under the Law.
- (f) All transactions between a credit institution that is included in the

catalogue, by the order of an international customer or for their own account, and an entity outside the Republic are permitted and are not subject to any restrictive measure imposed under any other Decree issued under the Law.

- (g) Credit institutions that are included in the catalogue are prohibited from servicing domestic customers that maintain accounts with their Head Office or soliciting and obtaining new business from domestic customers or opening new accounts for domestic customers.
- (h) All domestic customers are also subject to the restrictive measures imposed by any other Decree issued under the Law.

Provided also that all permissions relating to an international customer are applicable only if accounts of international customers, since the entry into force of the Enforcement of Temporary Restrictive Measures on Transactions in case of Emergency First Decree, of 2013 and until the date this Decree comes into force, have not been credited with funds from accounts of domestic customers and with funds from domestic banks.

Provided also that in the case that funds from accounts of domestic customers and funds from domestic banks have been credited into the account of an international customer, since the entry into force of the Enforcement of Temporary Restrictive Measures on Transactions in case of Emergency First Decree, of 2013 and until the date this Decree comes into force, these funds shall be subject to the provisions of any other Decree issued under the Law.

5. This Decree shall apply for a sixteen day period starting from the day of its publication in the Official Gazette of the Republic.

Harris Georgiades
Minister of Finance

25 April 2013.

