

THE CENTRAL BANK OF CYPRUS LAWS OF 2002 TO (No.3) 2014

Unofficial translation of Directive issued by virtue of sections 16 and 36

The translation of this Directive is not official. It has been prepared by the Central Bank of Cyprus to assist users and it comprises the translation of the Directive into the English language to serve as a reference tool. The Central Bank of Cyprus is not responsible as to its content.

138(I) of 2002
166(I) of 2003
34(I) of 2007
86(I) of 2013
103(I) of 2013
66(I) of 2014
139(I) 2014
144(I) 2014

This Directive is issued by the Central Bank by virtue of the powers vested in it by sections 16 (a) and 36 of the Central Bank of Cyprus Laws of 2002 to (No. 3) 2014.

PART I

INTRODUCTORY PROVISIONS

- Sort title. 1. This Directive may be cited as the Bureaux de Change Businesses Directive of 2014.
- Scope of application. 2.-(1) This Directive regulates the provision to members of the public of services that involve buying or selling foreign currency of immediate delivery, without creating any payment account or entering into forward contracts.
- (2) This Directive shall not apply to:
- (a) transactions in foreign currency carried out by a credit institution or any subsidiary of such a credit institution, provided that the subsidiary is included in the supervision on a consolidated basis, that is exercised over a credit institution;
- (b) transactions in foreign currency carried out by investment firms, only in the case of services connected with the provision of investment services; and
- (c) the acceptance of foreign currency for the payment of goods and/or services.
- Interpretation. 3 -(1) In this Directive, unless the context requires otherwise:
- "applicant" means a legal person who has applied to the Central Bank to be granted a licence to operate in the Republic as a Bureau de Change Business;
- "Bureau de Change Business" means a legal person who has obtained and maintains an authorisation from the Central Bank to provide members of the public with a service that involves buying or selling foreign currency of immediate delivery, without creating any payment account or entering into forward contracts;
- "agent" means a natural or legal person who is authorised by a Bureau de Change Business to provide services of a Bureau de Change Business in its name;
- "initial capital" refers to the minimum capital necessary to obtain a licence to operate as a Bureau de Change Business and includes:
- (a) The issued and paid up capital plus share premium accounts but excluding cumulative preferential shares;
- (b) reserves, excluding revaluation reserves; and
- (c) profits and losses brought forward as a result of the application of the final profits and losses of the previous year.
- "Republic" means the Republic of Cyprus;

Official Journal of
the EU: L176
27.06.2013 p. 1.

"qualifying holding" in relation to a Bureau de Change Business has the meaning attributed thereto by point 36 of paragraph 1 of section 4 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 relating to the supervisory prudential requirements of credit institutions and investment firms and amendment of Regulation (EU) No. 648/2012;

42(l) of 2009
163(l) of 2013.

"auditor" means a person who is licensed under the Auditors and Obligatory Audits of Annual and Consolidated Accounts Law of 2009 and 2013;

144(l) 2007
106(l) 2009
141(l) 2012
154(l) 2012.

"investment services" has the meaning attributed thereto by the Investment Services and Activities and Regulated Markets Laws of 2007 to 2012;

"investment firm" has the meaning attributed thereto by the Investment Services and Activities and Regulated Markets Laws of 2007 to 2012;

Cap. 113.
9(l) of 1968
76(l) of 1997
17(l) of 1979
105(l) of 1985
198(l) of 1986
19(l) of 1990
46(l) of 1992
96(l) of 1992
41(l) of 1994
15(l) of 1995
21(l) of 1997
82(l) of 1999
149(l) of 1999
2(l) of 2000
135(l) of 2000
151(l) of 2000
76(l) of 2001
70(l) of 2003
167(l) of 2003
92(l) of 2004
24(l) of 2005
129(l) of 2005
130(l) of 2005
98(l) of 2006
124(l) of 2006
70(l) of 2007
71(l) of 2007
131(l) of 2007
186(l) of 2007
87(l) of 2008
41(l) of 2009
49(l) of 2009
99(l) of 2009
42(l) of 2010
60(l) of 2010
88(l) of 2010
53(l) of 2011
117(l) of 2011
145(l) of 2011
157(l) of 2011
198(l) of 2011
64(l) of 2012
98(l) of 2012
190(l) of 2012
203(l) of 2012
6(l) of 2013
90(l) of 2013
74(l) of 2014
75(l) of 2014.

"subsidiary" has the meaning given thereto by section 148 of the Companies Law and, in addition, a company shall be deemed to be a subsidiary of another company if, according to the opinion of the Central Bank, the latter exercises substantial control over it;

"own funds" in relation to a Bureau de Change Business has, mutatis mutandis, the meaning attributed thereto by sections 26, 28, 30, 36-91 of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 in relation to the prudential requirements for credit institutions and investment firms and amendment of Regulation (EU) No. 648/2012;

"Central Bank" means the Central Bank of Cyprus;

"member state" refers to a member state of the European Union or to another state which is party to the agreement of the European Economic Area;

"parent" has the meaning attributed thereto by section 148 of the Companies Law;

"legal person" refers to a company or any other team of persons incorporated either in the Republic or in another member state;

"group" means a group of undertakings which consists of-

(a) a parent undertaking,

(b) its subsidiaries,

(c) the entities in which the parent undertaking or its subsidiaries have a holding;

(d) (i) the undertaking or undertakings which, without being connected with their parent undertaking through a relationship described in paragraphs (b) and (c) above, are managed on a unified basis with the parent undertaking pursuant to a contract concluded with the parent undertaking or in accordance with the articles of association of those undertakings, or,

(ii) the undertaking or undertakings which are not connected with the parent undertaking through a relationship described in points (b) and (c) above, and whose the administrative, management or supervisory bodies consist in their majority, of the same persons in office during the financial year and until the consolidated accounts are drawn up;

66(l) of 1997
74(l) of 1999
94(l) of 2000
119(l) of 2003
4(l) of 2004
151(l) of 2004
231(l) of 2004
235(l) of 2004
20(l) of 2005
80(l) of 2008
100(l) of 2009
123(l) of 2009
27(l) of 2011
104(l) of 2011
107(l) of 2012
14(l) of 2013
87(l) of 2013
102(l) of 2013
141(l) of 2013.

"credit institution" as defined by section 2 of The Business of Credit Institutions Laws of 1997 (No. 4) 2013;

"foreign currency" means any currency other than the euro;

"close links" as defined by section 2 of The Business of Credit Institutions Laws of 1997 (no. 4) of the 2013;

"branch" in relation to Bureau de Change Business refers to a place of business other than the head office, which is part of the Bureau de Change Business, has no legal personality and carries out, in whole or in part, the Bureau de Change Business operations;

(2). Any reference in this Directive to Law, or Regulation, or Act of the European Union refers to that Law, or Regulation, or Act of the European Union, as may be amended, or corrected, or replaced.

PART II

AUTHORISATION OF BUREAUX DE CHANGE BUSINESSES

Section A - General Provisions

Obligation for Bureau de Change Business to hold a prior authorisation.	<p>4. A person shall not carry on a Bureau de Change Business in the Republic, unless is a holder of an authorisation from the Central Bank in accordance with the provisions of this Directive.</p> <p>An authorisation to operate as a Bureau de Change Business is granted by the Central Bank only to legal persons who fulfil the following conditions:</p> <ul style="list-style-type: none">(a) They have been incorporated in the Republic; and(b) they have their head offices within the Republic.
Granting of authorisation (general criteria).	<p>5.-(1) To obtain an authorisation to operate as a Bureau de Change Business, the interested person must submit an application to the Central Bank together with the following:</p> <ul style="list-style-type: none">(a) A copy of the applicant's memorandum and articles of association together with the amendments which might be required in order to enable the applicant to operate in accordance with the provisions of this Directive;(b) a program of operations the Bureau de Change Business intends to carry out;(c) a business plan including a forecast budget calculation for the first three financial years which demonstrates that the applicant is able to employ the appropriate and proportionate systems, resources and procedures to operate soundly;(d) proof of possession of the required capital by the applicant, for example confirmation from an independent audit firm or from a credit institution;(e) a description of the measures taken by the applicant in order to comply with the provisions of paragraph 11 of this Directive;(f) a description of the applicant's governance arrangements and organisational structure, including any plans of outsourcing of operational activities, the use of branches, the provision of services via agents and the estimated personnel number;(h) a description of the risk management procedures, the internal control mechanisms including administrative, accounting and information and technology procedures, the management information system and the procedures for processing transactions which the applicant is obliged to establish in writing;
188(l) of 2007 58(l) of 2010 80(l) of 2012 192(l) of 2012 101(l) of 2013.	<ul style="list-style-type: none">(i) a description of the internal control mechanisms which he applicant intends to establish in order to comply with the provisions of the Prevention and Suppression of Money Laundering Activities Laws of 2007-2013;(j) the identity of persons holding in the applicant, directly or indirectly, qualifying holdings, the size of their holdings, as well as their replies on the questionnaire which is available on the website of the Central Bank;(k) the identity of the members of the management body of the applicant and persons responsible for the management of its activities, as well as their replies on the questionnaire which is available on the website of the Central Bank;(l) the most recent audited financial statements of the applicant together with the unaudited financial statements for the current year. In case there is a parent company or the applicant belongs to a group, the applicant must also submit to the Central Bank copies of the most recent audited financial statements of the parent company and/or of the group;(m) the address of the applicant's head offices and(n) full documentation of the funding source of the Bureau de Change Business.

(2) (a) Upon receipt and during the processing of the application, the Central Bank should be able to communicate with a person fully authorised for this purpose;

(b) Throughout the entire period of operation of a Bureau de Change Business, the Central Bank must be able to communicate in the Republic, with the persons who will be responsible for its management.

(3) The Central Bank reserves the right of requesting any additional information or documents considered necessary for evaluation of the application and/or to consult any other authority in the Republic or abroad.

(4) The Central Bank shall not grant an authorisation for the operation as a Bureau de Change Business, if it is not fully convinced that the applicant:

(a) satisfies all the criteria and the conditions as specified in this Directive; and

(b) will be in position to satisfy the above criteria and conditions throughout the entire period of operation.

(5) The Central Bank shall not grant an authorisation for the operation as a Bureau de Change Business, if it is not fully convinced that the applicant has:

(a) a robust governance framework for the conduct of its business;

(b) a clear organisational structure with responsibilities allocated in a clear, transparent and coherent manner and properly trained staff;

(c) effective procedures to identify, manage, monitor and report the risks it undertakes, appropriate management, control and accounting procedures, which are extensive and proportionate to the nature, scale and complexity of the operations that it will carry out;

(d) adequate internal control mechanisms aimed primarily to verify that the Bureau de Change Business operates in accordance with the provisions of this Directive; and

(e) appropriate systems and sufficient financial resources for the proper conduct of its business.

(6) Bureaux de Change Businesses must satisfy, throughout the course of their operation, the criteria and conditions for granting authorisation as set out in this Directive.

(7) When the applicant or an already licensed Bureau de Change Business intends to perform other business activities as well, the Central Bank may require the establishment of a separate legal person for the activities of the Bureau de Change Business, if the other business activities hinder the Central Bank from monitoring the compliance of the Bureau de Change Business with the provisions of this Directive.

The Central Bank may require for the same reason the establishment of a separate legal person after the commencement of other business activities.

(8) In connection to the need of ensuring the correct and prudent management of a Bureau de Change Business, the Central Bank shall not grant an authorisation to operate as a Bureau de Change Business, if it is not convinced as to the suitability of the persons having a qualifying holding therein.

In the assessment of the suitability of a qualifying shareholder who is a legal person, it shall also be taken into consideration the suitability of the members of its management body.

The suitability of the persons holding, directly or indirectly, qualifying holding in the applicant will be mainly assessed by means of a questionnaire that they are required to complete and submit to the Central Bank.

(9) In accordance with paragraph 9 of this Directive, Bureaux de Change Businesses are obliged to disclose any changes affecting the accuracy of the information submitted to the Central Bank in connection with the identity of persons who possess a qualifying holding in their share capital.

(10) The Central Bank assesses the fitness and probity of the members of the management body, qualifying shareholders and senior management (i.e. persons who hold key posts), pursuant to the

21.11.2014 (PI 525/2014).

provisions of Directive on the Assessment of the Fitness and Probity of the Members of the Management Body and Managers of Authorised Credit Institutions of 2014.

The fitness and probity of the members of the management body or senior management will be mainly assessed by means of a questionnaire which must be completed and submitted to the Central Bank.

If the Central Bank is not satisfied with the fitness and probity of the above persons for the effective and prudent management of a Bureau de Change Business, it will not grant an authorisation.

(11) Without prejudice to the generality of paragraph 9, all resignations and departures from the management body and the senior management of a Bureau de Change Business must be notified to the Central Bank, including details of the reason for the resignation/ departure.

(12) If there are close links as defined in section 2 of the Banking Law between the applicant and other natural or legal persons, the Central Bank shall grant authorisation only if those links do not hinder the exercise of effective supervision. If one or more of the natural or legal persons having close links with the applicant is subject to legal regulatory or administrative provisions of a third country, the Central Bank shall grant authorisation only if these provisions or any difficulties in their enforcement do not hinder the exercise of effective supervision.

(13) The name of the Bureau de Change Business, the number, and the date of issue of the authorisation as well as any other information the Central Bank deems necessary, shall be recorded on the authorisation.

(14) The Central Bank may prescribe additional requirements for the granting of a Bureau de Change Business authorisation, may specify, prescribe or clarify the obligations of the Bureau de Change Business and the competent persons in relation thereto, as well as any issue that needs to be dealt with by virtue of this Part.

Acquiring of a qualifying holding in a Bureau de Change Business.

6. (1) A natural or legal person which has decided to acquire a qualifying holding in a Bureau de Change Business or directly or indirectly increase its participation in it or cease to have a qualifying holding in a Bureau de Change Business so as-

(a) the proportion of the capital or voting rights held would reach or exceed or be decreased below the thresholds of twenty percent (20%), of thirty percent (30%), or fifty percent (50%); or

(b) the Bureau de Change Business is to become its subsidiary or cease to be its subsidiary,

must notify in writing the Central Bank for its intention, before making the acquisition, terminating the holding, or increase or decrease it respectively.

(2) Each prospective buyer must provide the Central Bank with information about the size of the intended qualifying holding and with his answers to the questionnaire which is available on the website of the Central Bank.

(3) In case the influence of the above persons is likely to have a negative effect on the prudent and sound management of the Bureau de Change Business, the Central Bank will express its disagreement.

Decision taking.

7.-(1) The Central Bank shall issue a decision on the application and notify the applicant for the granting of an authorisation or the rejection of the application, within three months of receiving a duly completed application for authorisation as a Bureau de Change Business.

(2) The application will be considered as being duly completed only if it is submitted with all required information and is accompanied by all the data and documents specified under paragraph 5 of this Directive. The rejection of an application shall be duly justified.

(3) The Central Bank shall notify the legal person about an incomplete application within a reasonable time period.

- Public register. 8.-(1) The Central Bank will establish and maintain an accessible to public register of all Bureaux de Change Businesses, the number, and date of issue of their authorisation, the addresses of their head offices and branches, the names and addresses of their agents.
- (2) The Central Bank will ensure the regular updating of the register.
- (3) Access to the public register is provided through the website of the Central Bank and/or with any other means the Central Bank may determine.
- Amendments to the data submitted with an application. 9. A Bureau de Change Business must notify the Central Bank, without undue delay, and at any time during its operation, of any amendment that affects the accuracy of the information, data, and documents submitted with the application.

Chapter B -

Conditions and procedures for the granting and maintenance of an authorisation as a Bureau de Change Business

- Initial capital and own funds. 10.-(1) Any legal person applying for a Bureau de Change Business authorisation shall maintain at the time of authorisation an initial capital of at least twenty thousand euro (€ 20.000).
- (2) A Bureau de Changes Business shall maintain throughout its operation own funds at least equal to the initial capital referred to in subparagraph (1).
- Activities. 11.-(1) Legal persons who have been granted with an authorisation by the Central Bank to operate as Bureaux de Change Businesses must maintain for these operations, separate bank accounts with credit institutions operating in the Republic or in other member states.
- (2) For each transaction of purchase or sale of foreign currency Bureaux de Change Businesses are obliged to issue a transaction receipt which must contain the following information:
- (a) Date the transaction is executed;
- (b) amount and currency tendered;
- (c) exchange rate;
- (d) charges and fees for services received; and
- (e) for transactions equal to or higher than one thousand euro (€ 1.000), the name and address of the customer as identified by his identity card or passport, or any other official document;
- (3) Bureaux de Change Businesses may not proceed with the processing of any transaction exceeding the amount of seven thousand five hundred euro (€ 7.500) per person, per day.
- (4) Prior notification of the Central Bank is required in relation to the proposed appointment of agent/agents or for the establishment of branch/branches.
- Outsourcing of operational functions to third parties. 12.-(1) If a Bureau de Change Business intends to outsource any important operational function to third parties in or outside the Republic it shall inform the Central Bank accordingly.
- (2) An operational function shall be regarded as important if a defect or failure in its performance would materially impair the financial performance of a Bureau de Change Business or the continuity of the provision of services or its continuing compliance with the requirements of its authorisation or its other obligations laid down by the provisions of this Directive.
- (3) Outsourcing of important operational functions of a Bureau de Change Business may not be undertaken in such a way as to impair materially the quality of its internal controls and/or the ability

of the Central Bank to monitor the compliance of the Bureau de Change Business with all obligations laid down in this Directive.

(4) Any outsourcing of important operational functions shall meet the following conditions:

(a) The outsourcing shall not result in the delegation of the responsibilities of the senior management;

(b) the relationship and obligations of the Bureau de Change Business under this Directive towards the transacting public shall not be altered;

(c) the conditions with which the Bureau de Change Business is to comply in order to be authorised and remain so in accordance with this Directive shall not be undermined;

(d) none of the other conditions subject to which the Bureau de Change Business was authorised shall be undermined, and

(e) by a provision in the contract for outsourcing important operational functions of the Bureau de Change Business, the person providing the outsourcing services shall, in relation to the operational functions, submit to the Central Bank any information which it may require and also allow it to carry out on-the-spot examinations whenever it is considered appropriate.

Accounting and statutory audit.

13.- (1) The provisions of Articles 142 (1) -4 (a) and 143 (1) - (4) of the Companies Act shall apply, mutatis mutandis, to Bureaux de Change Businesses.

(2) Any legal person pursuing parallel to Bureau de Change Business operations other business activities shall provide the Central Bank with separate accounting information for its activities as Bureau de Change Business.

(3) For those Bureaux de Change Businesses which are required under the provisions of Cypriot and community law to have their financial statements audited by authorised external auditors, the accounting information referred to in this paragraph shall be subject to such audit.

Termination of authorisation to operate.

14.- (1) An authorisation granted to a Bureau de Change Business shall be terminated immediately if one of the following cases is applicable:

(a) The Bureau de Change Business does not make use of its authorisation within twelve (12) months from the date of its issue;

(b) the Bureau de Change Business expressly renounces the authorisation;

(c) the Bureau de Change Business fails to provide any services for a period exceeding six (6) months;

(2) the Bureau de Change Business shall inform the Central Bank on the termination of the validity of its authorisation.

(3) A legal person whose license was terminated under this paragraph, shall remain under the supervision of the Central Bank, until the Central Bank is satisfied that all relevant obligations have been settled.

Withdrawal of authorisation 158(l) of 1999 99(l) of 2014.

15.- (1) Without prejudice to the generality of section 54 of the General Principles of Administrative Rights Law, the Central Bank may withdraw the authorisation of a Bureau de Change Business where the Bureau de Change Business:

(a) Was granted authorisation through false representations and/or any other irregular means; and

(b) fails to comply with the requirements of the present Part.

(2) The Central Bank may specify the procedure to be followed for the withdrawal of a Bureau de Change Business authorisation.

(3) The withdrawal of an authorisation shall be duly justified, notified to the Bureau de Change Business and entered in the public register referred to in paragraph 8 of this Directive.

(4) Following the withdrawal of an authorisation the legal person shall remain under the supervision of the Central Bank until such time as the Central Bank is satisfied that all relevant obligations have been settled.

Suspension of authorisation and deadline for compliance.

16. The Central Bank may instead of the withdrawal of an authorisation of a Bureau de Change Business or at the time of commencement of withdrawal proceedings, suspend in whole or in part an authorisation. The Central Bank may set deadlines for compliance on the expiration of which and if no action taken, it may suspend and/or withdraw the authorisation.

Chapter C - Other requirements

Agents and branches.

17.-(1) A Bureau de Change Business intending to provide services via an agent it must submit to the Central Bank an application accompanied by the following information and documents:

(a) The name and address of the agent;

(b) a description of the internal control mechanisms which will be established by the agent to ensure compliance with the requirements of the Prevention and Suppression of Money Laundering Activities Laws of 2007-2013;

(c) the identity of the agent, the directors and persons responsible for the management of the agent as well as evidence that they are fit and proper persons, in particular a copy of their criminal record and a non-bankruptcy report; and

(d) a copy of the agreement between the Bureau de Change Business and the agent, which will include, inter alia, a provision according to which the agent is responsible to submit to the Central Bank any information regarding its operations deemed necessary by the Central Bank as well as permission to carry out on-the-spot examinations, whenever it is considered necessary.

(2) The Central Bank approves the provision of Bureau de Change Business services via an agent, if the agent meets the following criteria:

(a) The agent has established adequate internal control mechanisms to ensure compliance with the requirements of the Prevention and Suppression of Money Laundering Activities Laws of 2007-2013;

(b) there is no indication that in connection with the proposed appointment of the agent terrorist financing or money laundering is attempted or has taken place or been attempted;

(c) the appointment of the agent could not increase the risk of terrorist financing or money laundering; and

(d) the directors and persons responsible for the management of the activities of the agent are fit and proper persons.

Responsibility.

18. The Bureau de Change Business is fully and unconditionally responsible-

(a) for the acts and omissions of its employees;

(b) for the acts and omissions of its agents, when they act on behalf of the Bureau de Change Business;

(c) for the acts and omissions of its branches; and

(d) for the acts and omissions of third parties to which operational activities of the Bureau de Change Business have been outsourced.

Maintenance of records. 19. Without prejudice to the Prevention and Suppression of Money Laundering Activities Laws of 2007-2013, the Bureaux de Change Businesses must maintain records in the Republic for the purposes of this Part for at least five (5) years.

PART III

TRANSPARENCY OF CONDITIONS GOVERNING THE PROVISION OF BUREAUX DE CHANGE BUSINESSES SERVICES

Charge for providing information. 20. Bureaux de Change Businesses may not charge the transacting public for fulfilment of their information obligations under the provisions of this Part.

Burden of proof. 21. Bureaux de Change Businesses have the burden of proof that they have complied with the information requirements of this Part.

Responsibility and method of providing information. 22. Bureaux de Change Businesses and their agents have the responsibility to quote for each working day, in each branch and prominently in an analytical table:

(a) The exchange rates to be used for the conversion of each currency which shall be freely determined; and

(b) the chargeable fees and/or commission which shall also be freely determined.

PART IV

SUPERVISION OF BUREAUX DE CHANGE BUSINESSES AND SUBMISSION OF RETURNS

Examination and submission of data. 23. Bureaux de Change Businesses shall, when so requested by the Central Bank, make available for examination their liquid and other assets, books, files and any other documents. Additionally, Bureaux de Change Businesses shall allow the Central Bank to conduct on-the-spot examinations at their headquarters, and branches, including the branches of their agents, and at any other entity to which they have outsourced operational activities.

PART V

FINAL PROVISIONS

Date the present Directive enters into force. 24. This Directive shall enter into force on the date of its publication in the Official Gazette of the Republic.