

Cyprus

Chamber of commerce:

Cyprus Chamber of Commerce
38 Grivas Dighenis Ave/3 Deligiorgis St
PO Box 21455
1509 Nicosia
Cyprus
Tel: +357 2 88 98 00
Fax: +357 2 66 90 48
Email: chamber@ccci.org.cy
Web: www.ccci.org.cy

Professional body:

Cyprus Bar Association
Florinis 11, office 101
1065 Nicosia
PO Box 21446
1508 Nicosia
Cyprus
Tel: +357 22873300
Fax: +357 22873013
Email: cybar@cytanet.com.cy
Web: www.cyprusbarassociation.org

Recent legislative developments

Elias Neocleous
Andreas Neocleous & Co
Limassol

The past year has seen significant changes in Cyprus as the country has continued its integration into the EU. The most noticeable and fundamental change was the adoption of the euro as the national currency on January 1 2008, making Cyprus the 14th member of the Eurozone and further increasing its attractiveness as an investment destination.

In parallel, the government has continued to introduce new laws to align domestic legislation with recent EC Directives. Another legislative theme has been aimed at maintaining and increasing Cyprus's competitiveness as an international financial centre. In the following paragraphs we summarise important developments over the past year and highlight new legislation in the pipeline.

Implementation of Mifid

The new Investment Services and Activities and Regulated Markets Law of 2007, No 144(1) of 2007, which was passed on October 25 2007, replaces the Investment Firms Law of 2002 with effect from November 1 2007. As well as implementing Mifid, it also harmonises domestic law with relevant European directives regarding investor compensation schemes; capital adequacy of investment firms and credit institutions; organisational requirements, operating conditions and recordkeeping obligations for investment firms; transaction reporting; market transparency; and admission of financial instruments to trading.

Implementation of the Takeover Bids Directive

The new Law on Public Takeovers, which transposes the European Takeover Bids Directive (Directive 2004/25/EC) into

domestic law, applies to public takeover bids for companies whose registered office is in the Republic of Cyprus and which are admitted to trading on a locally regulated market. Some of its provisions will also apply to companies whose registered office is outside Cyprus, provided certain conditions are met.

A key feature of the new law is the provision of a set of general principles governing public takeover bids, such as the equal treatment and protection of shareholders. In addition, the law sets out the procedures to be followed before and after the announcement of the public takeover bid, the mechanics of a public takeover bid (such as the way in which information will be disseminated), restrictions on the offeror company after the announcement of the bid, and the circumstances under which the initial public takeover bid can be revoked. The law also includes new squeeze-out and sell-out provisions.

Migration of companies

A further amendment to the Cyprus Companies Law introduced the necessary provisions for companies to migrate to and from Cyprus, placing a limited company on a similar footing to a *Societas Europaea*, which is free to move its registered office between European member states.

A company incorporated in Cyprus may now relocate its central management and control to another member state, provided the country concerned has legislation in place allowing the migration of companies. Conversely, a company incorporated in another member state may migrate to Cyprus as long as the legislation of its current domicile permits it. In either case the company remains registered in its country of origin while operating in a different jurisdiction.

Reduction of stamp duty

Contracts and various other legal documents in Cyprus are subject to stamp duty. While

the rates have generally been low, the absence of an upper limit on the stamp duty liability has been seen as a deterrent to using Cyprus for very large transactions such as bond issues. During 2007 the government addressed this by passing new legislation capping the amount of stamp duty payable on transactions. The cap applies to transactions in excess of €8.54 million and limits the stamp duty payable to €17,086 however large the value of the contract.

Consolidation no longer mandatory for small groups of companies

Another law passed in 2007 reduced the administrative burden on companies registered in Cyprus by relieving small groups of companies of the requirement to prepare consolidated financial statements. To qualify for the "small groups" exemption none of the companies in the group may be a public company and the group must satisfy at least two of the following three criteria:

- (i) aggregate gross assets before deduction of liabilities do not exceed €14.6 million;
- (ii) aggregate turnover does not exceed €29.2 million; and
- (iii) average aggregate number of employees does not exceed 250.

The exemption is not available if other legislation to which the group is subject requires the production of consolidated financial statements.

The law also simplified the accounting requirements applying to intermediate holding companies, by exempting intermediate holding companies whose ultimate holding company publishes consolidated financial statements in line with generally accepted accounting principles from the obligation to prepare consolidated financial statements.

Transparency Requirements Law

The Transparency Requirements Law took effect on January 1 2008. It transposes into

domestic legislation the European Parliament and Council Directive 2004/109/EC on transparency requirements of listed transferable securities, and in part the European Commission Directive 2007/14/EC, which sets out detailed rules for the implementation of certain provisions of Directive 2004/109/EC.

The Law requires issuers to publish accurate and concise information about their business performance and their assets, including annual and half-year financial statements as well as quarterly financial reports, and obliges issuers to report on transactions in their securities on an ongoing basis. Significant shareholders (those holding 5% or more of voting rights in an issuer) are also obliged to report their transactions in the issuer's securities.

Further developments

Following the election of a new president and the appointment of a new government in February 2008, detailed legislative priorities have yet to be announced. The new government has stressed that it will take special care to maintain and increase Cyprus's attractiveness as an international business centre, and future legislation is likely to be geared towards this objective, as well as to implementing European legislation.

Financial and corporate

Recommended firms

Tier 1

Andreas Neocleous & Co

Tier 2

Antis Triantafyllides & Sons
Chrysses Demetriades & Co

Tier 3

Chryssafinis & Polyviou
Dr K Chrysostomides & Co
L Papaphilippou & Co
Montanios & Montanios

Tier 4

George L Savvides & Co
Georgiades & Pelides
Tassos Papadopoulos & Associates

Cyprus adopted the Euro in January 2008 - reinforcing its EU integration while also opening up the domestic market to continuous investment.

Presidential elections followed in February 2008, resulting in victory for Demetris Christofias, leader of the leftwing Akel party. Christofias succeeded Tassos Papadopoulos,

the former name partner of Cypriot law firm Tassos Papadopoulos & Co (now Tassos Papadopoulos & Associates). The new government, elected in March 2008, has so far continued a business-friendly momentum, which will be aided further with the implementation of European legislation.

Although the local market is limited in size, Cyprus has become a portal for Western investment into larger emerging jurisdictions including Russia, China, India and the Middle East.

There is also a growing interest in exploiting possible offshore energy reserves, and recent changes to the law regarding stamp duty should make Cyprus more attractive for large finance issues.

The legal market has welcomed corporate and financial legislation enacted in the past year, which has eliminated unnecessary bureaucratic requirements and made Cyprus a more attractive and lower-cost business environment.

There are still no foreign law firms operating in Cyprus, meaning lawyers at local firms - many of which have only one or two partners - must have expertise in a range of practice areas.

The exception is Andreas Neocleous & Co, which has two offices in Cyprus alone and around 100 lawyers in total. These lawyers can afford to be more specialised, giving their firm a unique position in the market.

Andreas Neocleous & Co

Andreas Neocleous & Co is the most recognised and established firm in Cyprus - consistently receiving mandates from businesses operating in the market. The firm also boasts an international network of offices, including Ukraine, Russia, Hungary, the Czech Republic and Belgium.

Clients have only positive words to say about the firm: "You will find that Andreas Neocleous & Co are the best lawyers in Cyprus," says one.

On January 1 2008, Andreas Neocleous & Co became the first Cypriot law firm to incorporate as a limited liability company under Cyprus's recently amended Advocate and Companies Laws. Incorporation will help the firm modernise its ownership and management structures.

In the past year, the firm has acted in a string of key transactions. In one standout deal, the firm advised Bergesen Worldwide Gas on the restructuring and migration of a *Societas Europaea* (SE) from Denmark to Cyprus in May 2008. The team, headed by Elias Neocleous, also advised the client on a potential \$1 billion merger between the migrated company and a Cypriot company.

The deal indicates that international clients are responding to the effects of the EU Cross-Border Merger Directive, which allows countries from other EU states to merge with Cypriot SEs at no extra tax cost.

Cross-border capital markets transactions are also keeping the firm busy, and Andreas Neocleous & Co is taking on sophisticated multi-jurisdictional deals. In May 2008, the firm worked alongside Hogan & Hartson to advise Norilsk Nickel on LionOre's \$5.2 billion migration to Cyprus. LionOre Mining was previously listed on the Toronto, London and Botswana stock exchanges.

In one headline-making deal, the firm advised on MTV Networks International's \$360 million sale of its Cyprus holding company (which includes MTV Russia and VH1 Russia) to a subsidiary of Russian media group Prof-Media in November 2007.

Peers praise the firm for its work advising Rreef (a subsidiary of Deutsche Bank) on the acquisition of Lanitis Development - Cyprus's first leveraged buyout. The deal, worth \$126 million, saw Elias Neocleous acting as legal counsel.

In other notable work, the firm advised Marfin Popular Bank on a €3 billion MTN programme and issue of a €750 million tranche of notes in May 2007. The firm also acted for the Ashmore Group on the structuring of investments into the telecoms industry in India by the use of Cyprus SPVs.

In another highlight deal, the firm advised Horus Capital on the acquisition of shares of a Cypriot company. The transaction involves advising on the review and the drafting of the loan documents.

Maria Kyriacou, described by one peer as an experienced and competent banking lawyer, assisted Barclays Bank by providing due diligence on the acquisition of shares in a company in Cyprus. Kyriacou joined the team in January 2007 when the firm merged with MA Kyriacou Law Firm.

Leading lawyers

Kyriacos Georgiades
Elias Neocleous

Antis Triantafyllides & Sons

Antis Triantafyllides & Sons is one of the oldest firms in Cyprus and is recognised for its international clientele in structured finance and corporate finance transactions. The firm, based in Nicosia, specialises in corporate and banking work and counts Deutsche Bank, IBM, AIG, the European Bank for Reconstruction and Development and Russia's Vneshtorgbank as clients.

Clients and competitors praise the firm for the quality of its work. Says one commenta-

tor: “Stelios Triantafyllides is an excellent lawyer. He knows his stuff, is experienced, clever and well respected.” On the other hand, some in the market note that while the firm’s reputation as a boutique is excellent, its lack of size can be restrictive.

The firm has a well-known capability to act in sophisticated cross-border transactions in the emerging markets. In May 2007, the firm acted as local counsel in a \$1.5 billion acquisition financing of an infrastructure project in Russia. The firm has also been advising banks on loan participation notes and on the structuring of a \$1 billion series of credit-limited notes.

Antis Triantafyllides & Sons is also capitalising on the country’s offshore energy reserves, acting as local counsel for Urals Energy, an independent oil company in Russia.

Leading lawyers

Stelios Triantafyllides

Chyrsses Demetriades & Co

Chyrsses Demetriades & Co has had a strong year advising on some of the highest-value deals in the Cypriot market.

Christos Mavrellis heads the corporate department and is well recognised by the market. His former ministerial employment has also served him well: since 1994 the firm has been retained by a foreign government to advise on the development of an offshore centre. “Christos Mavrellis has the ease to talk to various government departments,” says a rival.

Finance partner Demosthenes Mavrellis is also an active lawyer of the firm, and this year advised AFI Development on its \$1.4 billion flotation on the London Stock Exchange. Demosthenes Mavrellis has also been developing the firm’s long-term relationship with the Central Bank of Cyprus, with the bank recently appointing him to assist in drafting the Regulation of Trustees, Directors and Fiduciary Services in Cyprus.

Leading lawyers

Chris Georghiades
Christos Mavrellis

Chryssafinis & Polyviou

Chryssafinis & Polyviou stands out in the market for its boutique banking practice. Named partner Polis Polyviou is recognised for his first-class experience in corporate and commercial transactions and his very strong connections with the Bank of Cyprus. “Polyviou is the best banking lawyer in Cyprus,” says a peer.

Commentators note that Chryssafinis & Polyviou’s relationship with the Bank of Cyprus is what drives the practice forward. Although Polyviou is known for his expertise in banking transactions, he is also noted for his work in M&A and competition law. The firm has advised corporate clients on shareholder agreements, corporate-governance issues, and management and reorganisation issues.

Leading lawyers

Polis Polyviou

Dr K Chrysostomides & Co

Dr K Chrysostomides & Co moves up a tier after receiving positive reviews from clients and peers. “I could not be happier with the quality of service they provide; they have the business acumen of a first-rate international firm,” says one client.

Dr K Chrysostomides & Co is one of the founding members of the Lex Mundi association of independent law firms, and is noted for its dedication to seeing deals through to their conclusion. “They are inclined to bend over backwards to make a deal happen by any means necessary,” says one competitor.

Associate Stelios Hadjilambris joined the firm in July 2007 and been acting in corporate and commercial transactions. In the past year Hadjilambris advised Vostok Gas, through a Cyprus holding company, on the \$1.5 billion issue of loan notes. Clients are clearly impressed by Hadjilambris’ work: “I am happy with his response time,” says one, “and I am comfortable in handing over responsibility to him because he delivers.”

The team has also been advising an Austrian telecoms company on the \$1.5 billion purchase of a mobile network provider through a Cyprus holding company. The firm also advised SABMiller in its 99.8% acquisition of CJSC Sarmat through a Cyprus holding company, and acted for another client on its listing on the Frankfurt Stock Exchange.

Leading lawyers

Chryso Pitsilli-Dekatris

L Papaphilippou & Co

“L Papaphilippou & Co is an old firm but has a strong reputation on the domestic market,” says one market commentator. The firm, established more than 50 years ago by Loukis Papaphilippou, has had a lively year. In a one noteworthy transaction the firm acted as legal counsel to the seller in Piraeus Bank’s €15 million acquisition of the Cypriot branch network of Arab Bank in January 2008.

L Papaphilippou & Co counts a number of regional banks as clients, including Eurohypo, Sybil Europe, Alpha Bank, Marfin Popular Bank, and the Cyprus Development Bank.

Leading lawyers

Leandros Papaphilippou

Other notable firms

Tassos Papadopoulos & Associates was registered in May 2007 after the dissolution of Tassos Papadopoulos & Co. The firm is the former practice of Tassos Papadopoulos, who left the firm to become the Cypriot president in 2003.