

Cyprus

Chamber of commerce:

Cyprus Chamber of Commerce
38 Grivas Dighenis Ave/3 Deligiorgis St
PO Box 21455
1509 Nicosia
Cyprus
Tel: +357 2 669 500
Fax: +357 2 669 048
Email: chamber@ccci.org.cy
Web: www.ccci.org.cy

Professional body:

Cyprus Bar Association
PO Box 1446
Nicosia
Cyprus
Tel: +357 2 466 156
Fax: +357 2 462 135

Banking and securities legislation

Marinella Kilikitas and Elias Neocleous Andreas Neocleous & Co Limassol

According to the EU Commission's *Financial Integration Monitor 2005* working document, the banking sector in Cyprus has "reached a similar stage of development as the EU-15 countries," with Cyprus "stand[ing] out [as a] well-established market econom[y] with bank loans representing well over 100% of GDP."

This development has been facilitated by modern regulations governing financial activities on the island, and a continuing process of revising laws which have to a large extent already been brought into line with the EU's *acquis communautaire*.

Cyprus has focussed its efforts on joining the eurozone and adopting the euro once the Maastricht criteria are satisfied. The target date is January 1 2008. In 2005, only a year after its accession to the EU, Cyprus joined the ERM2 exchange rate mechanism, a two-year precursor to euro adoption. Work is continuing to reduce the fiscal deficit, which has already seen a big improvement, and is anticipated to fall from 6.3% of GDP in 2003 to below the Maastricht benchmark of 3% by the end of this year.

Banking and financial services

The Banking Laws of 1997-2005 that regulate the exercise of banking activity in Cyprus follow the recommendations of the Basle Committee and EU Directives on banking supervision.

Headed by the Central Bank of Cyprus (the CBC) in its supervisory capacity, the banking system in Cyprus is guided by a set of concerted rules, policies and practices aimed at minimizing systemic risk, protecting depositors and ensuring the stability of the banking system.

Under the legal framework of the Banking Laws, and in accordance with the Suppression of Money Laundering Activities Law of 1996 (as amended), the CBC has recently issued a consolidated guidance note to banks operating in Cyprus to regulate, among other things, the duty of confidentiality and to set out procedural requirements for identifying and reporting suspicious transactions by prospective or existing clients.

The Electronic Money Institutions Law 2004 (implementing EU Directives 2000/46/EU and the Codified Banking Directive 2000/28/EU) regulates electronic banking institutions and sets out procedures for the granting, substitution and revocation of licences to banks, cooperative credit institutions and electronic

money institutions operating in Cyprus, whether incorporated in Cyprus or elsewhere

The Capital Movement Law, which came into force in May 2004, repealed the Exchange Control Law and abolished all exchange control restrictions.

The CBC is also the competent advisory authority for the regulation of financial services and the Investment Firms Law of 2002-2005 (as amended) governs the provision of investments and non-core services from outside the Republic to persons resident or domiciled in Cyprus, as well as the provision of investment services from within Cyprus to persons domiciled outside it.

Securities

Laws governing capital markets in Cyprus were enacted fairly recently (the Cyprus Stock Exchange having started operating only in March 1996) and, in light of Cyprus's accession to the EU, have been substantially amended over the past two years.

The Market Abuse Directive (Directive 2003/6/EC) and its implementing measures have been transposed into domestic law through the recent enactment of the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005 (The Law). The Law applies to financial instruments admitted to trading in Cyprus, and has as its main aim the prompt disclosure to the public of market-sensitive inside information. The Cyprus Securities and Exchange Commission (the CySec) is the supervisory body responsible for ensuring compliance with the Law, and can impose administrative fines for breaches (up to CYP1 million (\$2.2 million) for repeated breaches). Failure to comply with the Law can also result in civil liability for damages, loss of profit, or both.

The recent Notification of Transactions of Persons Discharging Managerial Responsibilities Within an Issuer Directive of 2005 describes the obligatory procedures of notification concerning transactions in relation to the issuer made on their own account, which aims at assisting parties in the interpretation and application of the above Law.

The admission of securities to trading, their offer to the public and the information to be contained in any prospectus is governed by The Public Offer and Prospectus Law of 2005 (implementing Directives 2001/34/EC and 2003/71/EC), ensuring a high level of protection for investors. Publication of any prospectus or supplementary information requires approval from the CySec, which will make available on its Internet site the full text of every prospectus it has approved. Generally, upon notification to the CySec, a prospectus approved by a competent authority of another EU member state will be accepted in Cyprus for purposes of seeking admission to

trading on the Cyprus Stock Exchange or making an offer to the public. Failure to comply with the Law in connection with an offer to the public is a criminal offence, subject to a fine of up to C£100,000, imprisonment, or both.

Under Directive UCITS 1/2005 on the Marketing of Units/Shares of a UCITS not Subject to the Directive 85/611/EEC with State of Domicile a Member State or of a UCITS with State of Domicile a Third Country, authorization from the CySec is required for the marketing of units or shares of foreign (that is, non-European) UCITS.

Future legislative changes

Legislation implementing Directive 2004/39/EC on markets in financial instruments and Directive 2004/25/EC on takeover bids is ongoing at the time of writing. A law in relation to the establishment of a Financial Ombudsman is also in draft form.

Cypriot securities laws are likely to undergo further substantial changes over the next year, because the Ministry of Finance is considering amending the Cyprus Securities and Stock Exchange (Central Depository and Central Securities Registry) Laws of 1996 to 2005.

Corporate and commercial

Recommended firms

Tier 1

Andreas Neocleous & Co

Tier 2

Antis Triantafyllides & Sons

Chrysses Demetriades & Co

Tier 3

Chryssafinis & Polyviou

L Papaphilippou & Co

Tassos Papadopoulos & Co

Tier 4

Dr K Chrysostomides & Co

George L Savvides & Co

Georgiades & Pelides

Montanios & Montanios

Andreas Neocleous & Co

Once again, Andreas Neocleous & Co retains its position as the lone tier one law firm in Cyprus. The firm has over forty years experience in the marketplace, however, it is more recent expansion that leads to respect from others. Competitors admit that the firm deserves to remain on top "as they have done tremendously well over the last three to four years." Andreas Neocleous & Co has over sixty lawyers across Nicosia, Paphos, Moscow, Budapest, Prague and Brussels, but the majority are at the head office in Limassol. Indeed, it is here that the firm has grown the most, through the hire of seven new associates, and the office can now offer services in 11 languages. Clients are very complimentary of the "very professional service" that Andreas Neocleous & Co provides. One London client is particularly impressed by the "good amount of attention and resources" from the firm.

Andreas Neocleous & Co was involved in the largest piece of work in Cyprus in 2006 at the time of writing, acting as counsel to RPG Industries on its \$4 billion cross-border merger issues. More specifically, the firm completed its drafting of amendments to the Cypriot Companies Law to implement the statute for a European public limited company, otherwise known as *societas europaea* (SE). The bill was enacted on July 7 2006, which paves the way for the registration of the first Cypriot SEs.

Another impressive client has been the Bank of Austria, which Andreas Neocleous & Co advised regarding its \$500 million acquisition of a majority stake in a Romanian Bank via a Cypriot finance and holding special purpose vehicle structure. The firm has also represented Ritzio Entertainment and i-Mate over the past year in deals valued at \$500 million and \$250 million respectively. In addition, in May 2006, Andreas Neocleous & Co was successful in securing the right to handle the Cypriot aspects of Tyco International's global restructuring.

In bank lending work, Andreas Neocleous & Co has enjoyed many successes this year, and at the same time strengthened its referral relationship with top international firms. At the end of 2005, for example, the firm advised Allen & Overy as lead advisor to a UBS-led consortium regarding Cypriot aspects of \$1.27 billion-worth of credit facilities to be granted to Icelandic company Actavis. Andreas Neocleous & Co also advised A&O and its client Morgan Stanley on a \$300 million share sale and repurchase agreement with a Cypriot counterparty. Other important bank lending clients over the past 12 months include Commerzbank and Rolf Motors.

At the time of writing, Andreas Neocleous & Co was busy working on two large project finance deals. In the first, it was advising Bouygues Bâtiment International in relation to the contractor's €610 million design and build plans for new airports at Larnaca and Paphos. And in the second, the firm was advising Véolia Environment in relation to €120 million-worth of project financing investment in Cyprus' water treatment and waste disposal sector.

The firm should also be congratulated on its foresight in setting up the Middle East Legal Alliance (MELA). This is especially significant in light of Cyprus' accession to the EU, because the island is increasingly used as a regional financial hub for deals in Russia, the Balkans and the Middle East. The formation of MELA is surely a feather in firm's the cap and shows that Andreas Neocleous & Co is prepared for the increased workload EU accession should bring.

Leading lawyers

Kyriacos Georgiades

Elias Neocleous

Key contact partners

Kyriacos Georgiades

Elias Neocleous

Antis Triantafyllides & Sons

Having been an active player in the Cypriot legal market for over half a century, Antis Triantafyllides & Sons is one of the longest serving, most respected financial law firms on the island. Name partner Antis Triantafyllides is the Cypriot member of the Court of Arbitration of the International Chamber of Commerce, but it is his son, the "very good" Stelios, who gets the majority of the praise from the market. One competitor has found himself across the negotiating table from Stelios on many occasions, and considers him to be "a hardworking and serious lawyer." However, such admiration is not restricted to individuals, and the firm's bench strength means the firm comes highly recommended;

Antis Triantafyllides & Sons “handles its business extremely well,” said one client.

The firm has slimmed down slightly to 11 lawyers this year, but those lawyers have been kept as busy as ever over the past 12 months. Work has included a \$200 million repackaging transaction, advising the International Finance Corporation in relation to loans granted for investments in Ukraine, and counselling on two separate M&A transactions for two different Cypriot banks. The largest and most impressive deal though, was a mandate to act for a bank in relation to \$1 billion-worth of financing for two Cypriot companies for investments in Russia.

The capital markets have also proved a fruitful source of work for Antis Triantafyllides this year. Among other highlights, the firm helped list the shares of three Cypriot companies on the Alternative Investment Market, and the shares of one on the main London Stock Exchange.

Once again, many market sources noticed that the gap between Andreas Neocleous & Co and Antis Triantafyllides & Sons is shrinking. The consensus is that there is so much work on the island that the best firms are all getting great experience and the playing field is levelling out a little at the top. It will be interesting to see whether this trend continues in the coming year.

Leading lawyer

Stelios Triantafyllides

Key contact partner

Stelios Triantafyllides

Chrysses Demetriades & Co

Chrysses Demetriades & Co is perceived as one of the most influential law firms in Cyprus, and is one of the many firms that is benefiting from the country’s accession to the EU. Cyprus has a well-structured tax system, and regulation is growing quickly. This, combined with the fact that the Cypriot system is attractive to foreign investors (being so closely based on the UK and US models), has resulted in more work on the island.

The firm is well equipped for this increase in workload, comprising 13 partners and 24 associates at the head office in Limassol as well as a further one-partner, two-associate office in Nicosia. Roughly half of the firm’s lawyers focus their attentions on corporate and commercial work.

The consensus of the market is that “exceedingly efficient” Christos Mavrellis is the best-known lawyer at the firm. One competitor described him as “a bright lawyer with an excellent commercial approach”, while another emphasised that he is “a very good international corporate and commercial lawyer.” Not all the praise is reserved for Mavrellis though. One market analyst also pointed out Chris Georghiades as “a very competent leading lawyer.”

Leading lawyers

Chris Geoghiades
Christos Mavrellis

Key contact partner

Christos Mavrellis

Chryssafinis & Polyviou

Chryssafinis & Polyviou was established in 1920, and as a result is the oldest law firm in Cyprus. Despite having a relatively small corporate and commercial team, the firm is described as “a very good firm that acts as advisor to banks.” One peer even went as far as saying that “Chryssafinis & Polyviou are the best banking lawyers in Cyprus – they are number one.”

The firm has an impressive client list that includes the Bank of Cyprus, Esso, BP, the Cyprus Development Bank and the

Cyprus Broadcasting Corporation. In addition, Chryssafinis & Polyviou has regularly acted for the governments of Cyprus and the US, the House of Representatives and the American Embassy, and is the exclusive legal advisor to Cyprus Airways.

The firm is led by Polis Polyviou who one client described as “a real lawyer... who has a very good understanding of banking practice.” This is proved by Polyviou’s long membership on the board of the Bank of Cyprus.

Leading lawyer

Polis Polyviou

Key contact partner

Polis Polyviou

L Papaphilippou & Co

L Papaphilippou & Co was founded in 1963 by Loukis Papaphilippou, but its current status is due to three mergers (in 1987, 1990 and 1999). The firm’s main office remains in Nicosia, although there are also offices in Limassol and Paphos, as well as in Athens and Warsaw. In total, the firm has 12 partners and six associates on the island, and it is their reputation that has led to its rise in the *IFLR1000* rankings this year.

Leandros Papaphilippou is the son of the founder, and is highly regarded by the market. He is noted as being “a young lawyer and a good lawyer.” Another commentator predicted that Papaphilippou will be a leader in the future, and underlined that he is “a most promising lawyer.”

L Papaphilippou & Co offers an impressive range of services, including specialist advice on banking and finance matters, business law, insurance law, securities law, corporate law and international trade matters. The firm is also the member for Cyprus of the State Capital Law Firm Group.

Leading lawyer

Leandros Papaphilippou

Key contact partner

Leandros Papaphilippou

Tassos Papadopoulos & Co

Tassos Papadopoulos & Co is held in high regard by peers “due to their history, successes and range of legal work.” This is praise indeed for the seven partners and 15 associates at the firm’s main office in Nicosia. However, it is the head of the firm, Pambos Ioannides, who gets the most recognition. He is respected for “handling big cases and knowing what he is talking about”, and is seen as “a very good corporate lawyer who is maintaining a good clientèle.”

Indeed, Tassos Papadopoulos & Co does enjoy close ties with the Cypriot government, as well as with a variety of international banking institutions. The future of such connections looks to be in safe hands too, as the firm has a wealth of young talent working for it. In particular, one commentator spoke of the “very efficient” Marios Eliades as a rising star in the market.

Leading lawyer

Pambos Ioannides

Key contact partner

Pambos Ioannides

Dr K Chrysostomides & Co

2006 marks Dr K Chrysostomides & Co’s 25th year in Cyprus, although the celebrations began slightly earlier than expected. In October 2005, the firm was successful in gaining a new eight-year term to be the sole Cypriot member of Lex Mundi, a leading international association of independent law firms. Dr K Chrysostomides & Co is also a member of the Trans European Law Firms Alliance and the World Services Group.

There are 15 lawyers at the firm in total, but it is name partner Kypros Chrysostomides who is singled out as “a very capable lawyer” by the market. Unsurprisingly, Chrysostomides himself is well respected by his peers, and so he should be. He was a spokesman for the Cypriot government between March 2003 and January 2006, and is now a member of the country’s House of Representatives.

Dr K Chrysostomides & Co offers a broad range of services including corporate law, banking, secured finance, securities and taxation in Greek, English, French and German.

Leading lawyer

Kypros Chrysostomides

Key contact partners

Eleni Chrysostomides
Chryso Dekatris

Other notable firms

George L Savvides & Co is an excellent firm for travel issues, and also benefits from strong links to many international and domestic banks. Similarly, **Georgiades & Pelides** offers a wide range of corporate, commercial and banking advice while also having a good litigation department. The firm was born out of a merger between Georgiades & Georgiades and Nicos Pelides & Co in 1998, and since then its seven partners and two associates have earned a reputation for being adept in equity capital markets work. Name partner Marios Pelides was noted as being “particularly good” by one commentator. Finally **Montanios & Montanios** is suggested by the market as a firm that specializes in shipping finance. The firm is so well-known for its work in this area that the general opinion is that “they deserve to stay on the rankings” despite being a boutique operation. This is echoed by the fact that the firm has received referral work from such international heavyweight firms as Clifford Chance, Norton Rose, Linklaters and Allen & Overy over the past few years.