



Sales and purchases of loans in Cyprus

The statutory framework regulating the purchase and sale of credit facilities in Cyprus was amended as part of an overhaul of the insolvency framework. The 2018 amendments sit alongside a new securitisation framework.

This note highlights the key aspects of the Purchase and Sale of Credit Facilities and Relevant Matters Law of 2015, as amended in 2018 (the “**Law**”).

What credit facilities are caught?

The Law regulates the sale and acquisition of credit facilities granted by credit institutions authorised pursuant to the provisions of the Business of Credit Institutions Laws 1997 to 2015 (the “**Banking Law**”).

Credit facilities falling under the scope of application of the Law are:

- any credit facility contract, including, inter alia, loans and credit card overdrafts, from which amounts remain outstanding, irrespective of whether such facility was terminated or has expired
- rights and obligations of a creditor against a primary debtor as these result from a civil court judgment in relation to a credit facility, provided amounts remain outstanding under such judgment

Who can acquire credit facilities?

The following entities are able to acquire credit facilities pursuant to the provisions of the Law:

- credit-acquiring companies established in Cyprus and authorised to acquire credit facilities pursuant to the provisions of the Law by the Central Bank of Cyprus (“**CBC**”), which must have a paid-up issued share capital of at least €100.000;
- credit institutions in Cyprus authorised under the Banking Law;
- credit institutions licensed and supervised by the competent authorities of an EU Member State and entitled to establish a branch in Cyprus pursuant to the provisions of the Banking Law;
- financial institutions, which are subsidiaries of credit institutions licensed in an EU Member State and which provides services or carries out business in Cyprus through a branch in Cyprus established pursuant to the provisions of the Banking Law.

Conditions for credit acquiring companies

For a company acquiring credit to be authorised by the CBC for the acquisition of credit facilities pursuant to the provisions of the Law, several conditions must be satisfied, including, inter alia, the ability of such company to fully comply to the provisions of the Law and the fitness of shareholders and directors of such company to carry out such business.

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CBC powers

The CBC is afforded with wide-ranging supervisory powers under the Law with a view to safeguarding financial stability in Cyprus. The CBC is empowered to carry out investigations, revoke licenses granted under the Law and impose administrative fines of up to €300.000 in relation to infringements of the statutory provisions, while credit-acquiring companies or other acquirers of credit facilities are required to provide to the CBC access to its records and premises and report on its activities accordingly.

The Law further empowers the CBC to approve or reject an intended direct or indirect acquisition of special participation rights in a credit-acquiring company or an increase or decrease of such participation in particular percentages. Special participation means the direct or indirect holding of share capital which represents 10% or more of the share capital or the voting rights, enabling material influence in the management of the company.

Sale and transfer of credit facilities

Prior to the sale of credit facilities, the intended seller must either:

- notify its intention to sell part or whole of the credit facility concerned, by publishing such notice in the Official Gazette and three national newspapers, upon which publication the debtor and its guarantors are entitled to submit, within 45 days as of the date of such notice, an offer to acquire the facility concerned; or
- call upon the debtor of the credit facilities concerned, together with its guarantors, to submit, within 45 days, an offer of acquisition of the credit facility on behalf of such debtor and or its guarantors.

Any credit facility transferred to a purchaser following its acquisition is transferred together with all rights and obligations arising under the terms of the contract for such facility and shall be valid as between such purchaser and the original debtor. The time at which the credit facility is transferred is that agreed between the seller and purchaser in their relevant agreement.

As of the time of purchase of credit facilities, the purchaser replaces the seller of the credit facilities concerned vis-à-vis all rights and obligations relating to any collateral securing the credit facility, including any guarantees and charges against property. Specific arrangements apply for any rights of set-off of the credit facility transferred, which fully protect the purchaser.

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