

Banking - Cyprus

Restrictions on transfers of deposits or funds partially eased

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Introduction

On January 17 2014 the Ministry of Finance published the 25th Decree, as required by Articles 4 and 5 of the Enforcement of Restrictive Measures on Transactions in Case of Emergency Law 2013. The decree further clarifies the restrictions that are in place on the use of credit and debit cards and other payment instruments, including the amounts that can be withdrawn and/or transferred from such instruments. The decree also contains a number of prohibitory measures relating to the termination of fixed-term deposits.

The decree will be in force until February 10 2014 and contains the following restrictive measures (and exceptions thereto).

Cash withdrawals

The maximum amount of cash withdrawn should not exceed the daily allowance of €300 for each natural person or €500 for each legal person in each credit institution, or an equivalent amount in foreign currency. All cash withdrawals are calculated per person, consolidating all accounts held in each credit institution.

Cashing of cheques

The cashing of cheques is prohibited.

Cashless payments and transfers of deposits or funds

The cashless payment or transfer of deposits or funds to accounts held in other credit institutions within Cyprus is permitted for amounts of up to €15,000 a month for each natural person or up to €75,000 a month for each legal person in each credit institution, regardless of the purpose.

Furthermore, the cashless payment or transfer of deposits or funds to accounts held in other credit institutions within Cyprus for the purchase of goods and/or services is permitted regardless of the amount, provided that the payment is not made from one credit institution to another into the person's own account. The credit institution is authorised to request justification for the contemplated transaction.

Cashless payments and/or transfers of deposits or funds to accounts held abroad are prohibited. However, this is not an absolute prohibition – the following exemptions apply:

- For transactions that fall within the normal business activity of the customer (who may be required to provide documents justifying such transactions):
 - the payment and/or transfer of deposits or funds of up to €1 million per transaction is not subject to committee approval, provided that the particular credit institution authorising such a transaction has reviewed the necessary documents and, based on such documents, has concluded that the transaction is justified; and
 - the payment and/or transfer of deposits or funds of more than €1 million per transaction is subject to committee approval. The credit institution or payment

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institution must submit all the relevant documents, as well as the name of the relevant credit institution. In providing its approval, the committee will take into account the liquidity position of the credit institution.

- Payments made for salaries of employees are permitted on the presentation of relevant supporting documents.
- For a person who is studying abroad and is a first-degree relative of a Cyprus resident, transfers for living expenses of up to €5,000 a quarter are permitted, as well as for tuition fees. Supporting documents must be provided and tuition fees must be paid only to the beneficiary educational institution. The credit institution must maintain a record of all such transactions and monitor these for any irregularities.
- Transfers of deposits or funds outside of Cyprus not exceeding €5,000 a month for each person and each credit institution and/or payment institution, regardless of the purpose, are also permitted.

Export of euro notes and foreign currency

The decree provides some welcome relaxation of the amount of money in cash that can be taken out of Cyprus. In particular, exports of euro notes and/or foreign currency notes are prohibited only for amounts in excess of €3,000 (when the restrictive measures first came into force, the limit was €1,000), or the equivalent in foreign currency, for each natural person for each journey abroad.

Opening of new bank accounts in Cyprus

The decree does not lift the restrictions on opening new bank accounts in Cyprus and provides that a new bank account for any customer who is not an existing customer of the particular credit institution on the date of issue of the Sixth Decree (which entered into force on April 11 2013) can open a new bank account only if:

- the account is credited only with funds transferred from abroad into Cyprus;
- prior committee approval is obtained;
- the account relates to a new fixed-term deposit created with funds from cash, provided that:
 - the amount to be deposited exceeds €5,000;
 - the term of the new fixed-term deposit is at least three months; and
 - the new fixed-term deposit may not be terminated before its maturity; or
- the account relates to a new loan granted after August 2 2013, provided that:
 - the account is used exclusively for the servicing of the loan; and
 - all deposits into the account are used exclusively for the servicing of the loan and not for any other transactions.

General exemptions

The decree provides a number of general exemptions to the restrictive measures, including:

- all new funds transferred to Cyprus from abroad (any re-transfers to a second credit institution in Cyprus will be exempt only if the first credit institution to which the new funds were transferred states that the funds are already exempt);
- the withdrawal of cash using credit and/or debit and/or pre-paid cards issued by foreign institutions on accounts abroad;
- the cashing of cheques issued on accounts held with foreign institutions abroad;
- cash withdrawals from accounts of credit institutions with the Central Bank;
- payments and receipts of Cyprus itself;
- payments and receipts of the Central Bank;
- foreign diplomatic missions and United Nations missions in Cyprus, based on the exemptions specified in the Vienna Convention for Diplomatic Relations and the agreements between Cyprus and the United Nations and other international agreements which have precedence over national legislation;
- payments via a debit and/or credit and or pre-paid card; and
- transactions or payments that have been authorised by the committee.

The decree generally maintains the status quo of restrictions, with minor relaxations, and offers some allowance to credit institutions to self-regulate some of the payments or transfers that would have previously been subject to committee approval.

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