

ESTABLISHMENT OF AN INDEPENDANT FINANCIAL STABILITY FUND

On 14 December 2011 the House of Representatives voted a law which provides for the establishment of an Independent Financial Stability Fund. The establishment of the Fund was already provided by the law which was enacted in April 2011 and which introduced the imposition of a levy on all banks and cooperative credit institutions operating within the Republic of Cyprus.

Who is liable to the levy?

- ▶ All banks licensed under the Cyprus Banking Law
- ▶ Branches in Cyprus of banks established in other EU member states or third countries, which operate in Cyprus
- ▶ Cooperative credit institutions licensed under the Cooperative Societies Law of Cyprus
- ▶ The Housing Finance Association.

Purpose of the Fund

The purpose of the Fund is to improve the existing scheme for the administration and resolution of financial crisis, secure the financial stability and restore to a healthy condition affected financial institutions.

Taxable basis rate and payment of the levy

The levy is imposed on all relevant liabilities of the financial institution, excluding the equity of the bank and convertible enhanced capital securities which can be treated as equity.

In the case of the Cooperative Central Bank deposits by other cooperative credit societies are not considered relevant liabilities.

The levy provided by the law is a basic levy of 0.03% on the relevant liabilities of the financial institution.

The levy is based on the amount of the relevant liabilities as at 31 December of the previous year and must be paid by 30 June of the following year.

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Administration of the Fund

The Fund is administered by a Committee consisting of six members, the Chairman who is the Governor of the Central Bank, two senior officers of the Central Bank of Cyprus, the Director General of the Ministry of Finance, a senior officer of the Ministry of Finance and a senior officer of the Authority for the Supervision and Development of Cooperative Societies.

Effective date

The law provides that the levy will be imposed as from 1 January 2013. The levy at the rate of 0.95% imposed in April 2011 will cease at the end of 2012.