

Investments Abroad By Cypriot Investors*September 2003***Simplified procedures for investment overseas by residents of cyprus**

The Central Bank of Cyprus has announced new simplified procedures for direct investments overseas by residents of Cyprus in line with its policy of full harmonisation with the European Union aquis communautaire.

Definition of "Direct Investment"

The term "direct investment" means any investment effected by a resident of Cyprus for the establishment, extension or maintenance of a stable and long term relationship with an enterprise in another country, through the acquisition of at least 10 percent of the share capital and implies the control or significant participation of the investor in the management of the enterprise.

It is stressed that these procedures are applicable only to direct investments abroad by residents of Cyprus and not to portfolio investments.

Export of funds for direct investments abroad

The export of funds for direct investments abroad by residents of Cyprus, which have been free of restrictions regarding the country, sector or amount since 7 January 2000, will henceforth be effected through commercial banks without reference to the Central Bank.

Application for direct investment abroad

Cypriot investors will apply to their commercial bank to which they will provide information for the proposed investment using appropriate forms.

Furthermore, investors will have to submit information confirming the genuineness of their investment proposal, such as a copy of the relevant investment agreement, the present value of the proposed investment prepared by an independent professional assessor, and relevant details concerning the contracting parties.

Interested parties could apply to us for further information. We will also be able to provide the forms for the necessary statistical declaration.

Monitoring of investment abroad by the Central Bank of Cyprus

The Central Bank will follow closely the flow of investments abroad to ensure that any negative impact on the balance of payments is minimised or avoided. For this reason, commercial banks will be instructed to report to the Central Bank all those cases necessitating the transfer of funds in excess of CYP5 million per investment, per annum, prior to the issue of the foreign exchange. The foreign exchange value will be calculated by taking into account the investment capital transferred abroad as well as any guarantees issued by commercial banks for the purpose of the investment. The Central Bank reserves the right to request from investors information proving that their investments have been effected.

Exchange control and foreign investments

There are no exchange control restrictions concerning current payments and medium and long-term foreign currency loans. Remaining exchange control restrictions concerning outward capital flows by residents and short-term foreign currency loans will be abolished gradually until the time of accession.

In the meantime, the following policy applies to outward investments:

- Every resident family (i.e. parents and children under 25) may transfer abroad up to CY€200.000 in order to acquire a second residence for its own use.

Each resident natural person (18 years old and over) may transfer abroad up to £50.000 per year in order to purchase securities listed on stock exchanges in EU countries or units issued by UCITS fulfilling EU requirements. Alternatively part or all of this amount may be deposited in accounts with foreign banks.

Notes:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Our company will be glad to assist you in this respect. Please do not hesitate to contact us.