

Country Reports

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Updates from Slovakia, Cyprus and Lithuania



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Cyprus: New laws to improve the legal framework on Non-performing loans

Several new laws were enacted in July 2018 to facilitate the reduction of non-performing debt in the Cyprus banking system. The main changes are summarised below.

- Law 83(I) 2018 amends the Companies Law in order to facilitate debt restructuring and promote corporate rescue. The moratorium during the tenure of an Examiner ceases if the company does not meet its obligations.
- Law 85(I) 2018 amends the Law of 2015 on Insolvency of Natural Persons (Personal Repayment Plans and Debt Relief Orders) in order to simplify procedures and facilitate the rehabilitation of the debtors who have not committed offences by speeding up their return to productive economic activity.
- Law 86(I) 2018 amends the Law of 2015 on Sale of Credit Facilities and Related Matters in order to remove all fees on the transfer of property or of a charge payable by the buyer. In addition, it clarifies the rules regarding the outcome of the sale of credit facilities, the transfer of rights and

obligations, priorities, the continuation of lawsuits and the retention of documents.

- Law 87(I) 2018 amends the Law of 1965 on Transfer and Mortgage in order to enable a lender to split an existing mortgage into two or more mortgages for the same aggregate amount. The priority among the split mortgages is decided by the lender, but the order of priority in relation to other charges over the same assets is unchanged. The lender may sell any mortgage, irrespective of any notices issued before the new law took effect. No government fees are payable by the buyer.
- The Securitisation Law (Law 88(I)2018) establishes a framework for debt securitisation under the supervision of the Central Bank of Cyprus. The debtor's obligations and rights do not change with the securitisation of the loan and the securities are unaffected. The sale and transfer of the loan to the SPV is final and binding on the transferor and in the event of the subsequent insolvency of the transferor, there will be no recourse against the transferee.

The current exemptions from income tax, capital gains tax, SDC tax, stamp duty and transfer fees for transfers of

immovable property from a borrower to the lender in the course of loan restructuring have been extended to borrowers who dispose of the property themselves in the open market. Both sets of exemptions will continue until the end of 2019.

The Insolvency Practitioners Regulations have also been amended in order to increase by 50 percent the fee payable to the insolvency practitioner for successful implementation of a personal restructuring plan.

To further facilitate the reduction of non-performing debt, a debt relief programme known as ESTIA will come into force at the beginning of 2019. Any loan secured on a principal private residence with a value of €350,000 or less will be written down to the market value of the property and extended up to 25 years at a below-market interest rate. The government estimates that the scheme, which will be administered by the Cyprus Land Development Corporation and funded by the government for the next 25 years, will benefit approximately 15,000 debtors, with total debts estimated at €3.4 billion. ■



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