

**A LAW REGULATING THE LIBERALISATION
OF THE INTEREST RATE AND RELATED MATTERS
No 160(I) of 1999**

- Short Title.** 1. This Law may be cited as the Liberalisation of the Interest Rate and Related Matters Law, 1999.
- Interpretation.** 2. In this Law, unless the context otherwise requires-
- “credit institution” means any body corporate whose business is to receive from the public deposits or other repayable funds and to grant loans or other credit facilities to the public for its own account;
- “existing housing loan” means an outstanding loan granted by a credit institution prior to the date of the commencement of this Law, for the acquisition of residential property to be used by the borrower as his main place of residence.
- Obligation of credit institutions for transparency on charges.** 3.- (1) All credit institutions shall-
- (a) specifically inform every borrower to whom they have granted a loan or other credit facility, of the rate of interest applicable to the loan or credit facility from time to time, the method of its calculation and the time at which it is due to be collected or charged to the borrower’s account;
- (b) provide every borrower with details regarding any other charges or the recovery of any expenses concerning the loan or credit facility;
- (c) inform borrowers either through an announcement in the daily press or through a written notice to them of any change in the interest rate, the method of its calculation or the time at which interest becomes payable and, generally, of any other change;
- (d) not capitalise interest more than twice a year.
- (2) Anyone who infringes the provisions of subsection (1) of this section is guilty of an offence punishable by imprisonment not exceeding two years or by a fine not exceeding three thousand pounds or both.
- Transitional provision for existing loans secured on mortgaged property.** 4. In the case of loans or credit facilities granted by credit institutions prior to the commencement of this Law which have not yet been repaid and which are secured by a mortgage on property registered in favour of more than one mortgagee, the amount which each mortgagee is entitled to receive in respect of interest due from the sale proceeds of the property, in case of foreclosure, shall not exceed the amount of the capital due at the time of collection.

Transitional provision for existing housing loans.

5.- (1) In the case of existing housing loans the initial amount of which together with that of any supplementary loans do not exceed the amount of sixty thousand pounds, the borrower has the right, with a written notice which must be received by the creditor within one month from the commencement of this Law, to opt to be charged on the outstanding amount of the loan at the fixed interest rate of nine per centum (9%) per annum instead of floating interest rate. This option shall remain in force until full repayment of the loan but any balance remaining outstanding after 31st December, 2002 shall be subject to floating interest rate.

(2) If during the period of fixed interest rate pursuant to subsection (1) of this section, the average floating interest rate for housing loans exceeds nine per centum (9%) per annum, every credit institution the total housing loans of which at the time of the commencement of this Law exceeded twenty five per centum (25%) of its total loan portfolio, shall be granted by the Republic through the state budget a subsidy of an amount arrived at by applying the difference between the above mentioned average floating interest rate and the nine per centum (9%) on the average balance of housing loans for which an option for fixed interest rate had been exercised pursuant to the provisions of subsection (1) of this section.

(3) If during the period of fixed interest rate pursuant to subsection (1) of this section, the average floating interest rate for housing loans is below nine per centum (9%) per annum, every credit institution, the total housing loans of which at the time of the commencement of this Law exceeded twenty five per centum (25%) of its total loan portfolio, shall pay to the Consolidated Fund of the Republic an amount arrived at by applying the difference between the above mentioned average floating interest rate and the nine per centum (9%) on the average balance of housing loans for which an option for fixed interest rate had been exercised pursuant to the provisions of subsection (1) of this section.

For purposes of this section the average floating interest rate for housing loans shall be the amount of interest charged throughout the whole of the transitional period on housing loans with a floating interest rate as a percentage of the average of the daily outstanding balances of such loans.

For every credit institution entitled to a government subsidy or vice versa, the average floating interest rate shall be calculated by applying the method described above on the basis of its own particulars.

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As every payment made pursuant to subsections (2) and (3) above shall be borne by the government or be to its benefit, the competent body to carry out the computations of the amounts payable shall be the Ministry of Finance which may also make use of the services of other organisations.

- Proviso.**
- 6.** The provisions of this Law do not affect in any way the application of-
- (a) section 36 of the Central Bank of Cyprus Laws 1963 to 1998; and
- 48 of 1963
10 of 1979
35 of 1990
233 of 1991
74(I) of 1992
66(I) of 1993
100(I) of 1994
99(I) of 1995
116(I) of 1996
107(I) of 1997
97(I) of 1998.
- (b) the provisions of the Contract Law.
- Cap 149
22(I) of 1995.**
- Repeal
2(I) of 1977.**
- Date of
commencement
of this Law.**
- 7.** This Law repeals the Interest Law of 1977.
- 8.** This Law shall come into force on 1 January, 2001.

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English Translation by the Central Bank of Cyprus