Dear Mr. Georgiades,

It has come to the attention of the European Central Bank (ECB) that on 15 March 2019 the Cypriot Parliament adopted a law on the national investment fund and the Cypriot investment management organisation (hereinafter referred to as the “Law”).

The ECB understands that the Law establishes a national fund for the management of revenues derived from the exploitation of hydrocarbons, as well as a national organisation, namely the Cypriot Investment Management Organisation, which will be offering investment management services in relation to the fund and in relation to the fund’s assets. The ECB takes note of the fact that for a transitional period the Council of Ministers may, following the recommendation of the Minister for Finance and subject to the provisions of Article 51 of the Law on the Central Bank of Cyprus Law, designate the Central Bank of Cyprus (CBC) as one of the operational administrators of the fund, with the task of investing and managing it in accordance with the provisions of the Law. The Law further provides that any costs incurred by the CBC, or by any other administrator, for the performance of their duties are to be included in the budget of the fund and that the fees of operational administrators are to be determined in an agreement entered into between the Minister for Finance and the administrator. In addition, the Law limits the liability of the CBC, and of its officers and employees, to acts or omissions done in the course of the performance of their duties resulting from wilful misconduct or gross negligence, and considers the fund to be an institution or a body for the purposes of the monetary financing prohibition enshrined in the CBC Law.

Article 2(1), third indent, of Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions requires national authorities to consult the ECB on draft legislative provisions within its fields of competence, in particular

1 The official ECB letter is addressed in the official language of the concerned Member State.
2 Ο περί του Εθνικού Ταμείου Επενδύσεων τίτλος και του Κυπριακού Οργανισμού Διαχείρισης Επενδύσεων και για Συναφή Θέματα Νόμος του 2019 (33(I)/2019).
3 Ο περί της Κεντρικής Τράπεζας της Κύπρου Νόμος του 2002 (Ν. 138(I))/2002).
on national central banks. Considering the role conferred on the CBC under the Law, the ECB notes that the Law would have been analysed from the perspective of a potential conferral of new tasks on the CBC, including in respect of any considerations regarding the prohibition of monetary financing under Article 123 of the Treaty on the Functioning of the European Union.

The ECB would appreciate the Ministry of Finance giving due consideration to the above observations by honouring the obligation to consult the ECB in the future where applicable, in particular in the case of further legislative work initiated in relation to the CBC’s role in the context of the Law.

Yours sincerely,

[signed]

Cc: Mr C. Herodotou, Governor, Central Bank of Cyprus

Mr P. Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs, European Commission

Mr L. Romero Requena, Director-General Legal Service, European Commission

Encl. Guide to consultation of the ECB by national authorities regarding draft legislative provisions