



## OPINION OF THE EUROPEAN CENTRAL BANK

of 30 November 2007

at the request of the Central Bank of Cyprus on a draft law amending the Cypriot Currency Law  
(CON/2007/39)

### Introduction and legal basis

On 29 October 2007 the European Central Bank (ECB) received a request from the Central Bank of Cyprus (hereinafter the 'CBC') for an opinion on a draft law amending the Law on currency (Counterfeiting and Related Matters) 2004 (hereinafter, the 'draft law' and the 'Currency Law' respectively).

The ECB's competence to deliver an opinion is based on Article 105(4) of the Treaty establishing the European Community and the first and second indents of Article 2(1) 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<sup>1</sup>, as the draft law relates to currency matters. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

### 1. Purpose of the draft law

The main purposes of the draft law are: (i) to amend the statutory definition of 'currency', and (ii) to clarify the interaction between Section 9 of the Currency Law, which prohibits certain dealings with tokens similar to 'currency', as defined in Section 2 of the Currency Law, and two Community legal acts, namely Council Regulation (EC) No 2182/2004 of 6 December 2004 concerning medals and tokens similar to euro coins<sup>2</sup> (hereinafter the 'Council Regulation') and Decision ECB/2003/4 of 20 March 2003 on the denominations, specifications, reproduction, exchange and withdrawal of euro banknotes<sup>3</sup> (hereinafter the 'ECB Decision'). Section 5 of the draft law provides that these changes are due to enter into force on 1 January 2008.

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<sup>1</sup> OJ L 189, 3.7.1998, p. 42.

<sup>2</sup> OJ L 373, 21.12.2004, p.1.

<sup>3</sup> OJ L 78, 25.03.2003, p.16.

## 2. General observations

- 2.1 Section 2 of the draft law amends, for the first time since the adoption of the Currency Law, the statutory definition of ‘currency’. The ECB understands that the aim of this amendment is to ensure that, after the euro has physically entered in circulation in the Republic of Cyprus as legal tender, the Cyprus pound will not be excluded from the scope of the term ‘currency’ and will continue to enjoy legal protection against ‘counterfeiting’, as defined in Section 4(1) of the Currency Law, for the duration of the period during which the Cyprus pound will be accepted for exchange by the CBC<sup>4</sup>. To the extent that the rationale of this amendment is to cater for the protection of the Cyprus pound, the ECB sees no reason to comment on Section 2 of the draft law which, in its proposed formulation, also includes the single currency by implication as ‘legal tender in the Republic’ after 1 January 2008.
- 2.2 Section 4 of the draft law serves a triple objective. It affirms the CBC’s commitment to its obligations under the ECB Decision and, at the same time, it clarifies the relationship between Section 9(1) of the Currency Law and the Council Regulation. Finally, it also introduces sanctions for breaches of Article 2 of the Council Regulation perpetrated within the territory of the Republic of Cyprus. With regard to the interaction between the Currency Law and the ECB Decision, the ECB notes that Section 4(a) of the draft law brings Section 9 of the Currency Law in line with the ECB Decision and, in particular, with Article 2 thereof on reproduction rules for euro banknotes. The ECB welcomes the consulting authority’s initiative to propose this particular amendment in the interests of legal certainty. In the same vein, the ECB appreciates the utility of a proviso to Section 9(1) of the Currency Law, drafted along the lines of Section 4(b) of the draft law, in order to dispel any doubts as to the statutory treatment, under Cypriot law, of medals and tokens similar to euro coins.

This opinion will be published on the ECB’s website.

Done at Frankfurt am Main, 30 November 2007.

[signed]

*The President of the ECB*

Jean-Claude TRICHET

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<sup>4</sup> The reference is to the six-month period prescribed in Section 10(2)(b) of the Adoption of the Euro Law 2007 (N. 33(I)/2007).