



**OPINION OF THE EUROPEAN CENTRAL BANK**  
**of 14 January 2011**  
**on the sanctioning powers of the Cyprus Stock Exchange**  
**(CON/2011/2)**

**Introduction and legal basis**

On 6 December 2010, the European Central Bank (ECB) received a request from the Cypriot Ministry of Finance for an opinion on a draft law amending the Laws on securities and the Cyprus Stock Exchange (Central Securities Depository and Central Registry) of 1996 to 2010 (hereinafter the ‘draft law’).

The ECB’s competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third indent 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 the Central Bank of Cyprus. 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 purpose of the draft law is to empower the Board of the Cyprus Stock Exchange to impose fines for infringements of the Laws on securities and the Cyprus Stock Exchange (Central Depository and Central Securities Registry) of 1996 to 2010 (hereinafter the ‘Basic Law’) and/or any regulatory or administrative acts adopted thereunder, as well as bring proceedings for any failure to pay fines that it has imposed.

**2. Application to the Central Bank of Cyprus**

While not expressly mentioned, the Central Bank of Cyprus is not excluded from the scope of application of the draft law. It follows that the Central Bank of Cyprus could be subject to fines imposed by the Board of the Cyprus Stock Exchange which raises the question whether the draft law is compatible with the principle of central bank independence in Article 130 of the Treaty. The ECB understands that the Basic Law, as amended by the draft law, is not related to and does not interfere with the pursuit, by the Central Bank of Cyprus, of its core activities. Considering that (i) the purpose of the principle of central bank independence is not to immunise national central banks from national laws which are not related to and

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

do not interfere with the pursuit of their tasks specified in their statutes and the Statute of the European System of Central Banks and the European Central Bank, and that (ii) any sanctions imposed on the Central Bank of Cyprus may be challenged before the High Court, the ECB is satisfied that the draft law is compatible with the principle of central bank independence.

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

Done at Frankfurt am Main, 14 January 2011.

[signed]

*The President of the ECB*

Jean-Claude TRICHET