

A LAW TO PROVIDE FOR THE PUBLIC DEBT MANAGEMENT

The House of Representatives votes as follows:	
Short title	1. This Law shall be cited as the Public Debt Management Law of 2012 to 2013
Interpretation	<p>PART I – PRELIMINARY PROVISIONS</p> <p>2. For the purposes of the present Law –</p> <p>“securities” means any form of short-term, medium-term and long-term bills, bonds, securities or other transferable securities issued either with a discount by deducting the interest from their nominal value payable on maturity of the security or are issued with the payment of periodic interest throughout the entire life of the security and such securities are issued either in an electronic form (dematerialised) or in printed form;</p> <p>“short-term” means a period of up to one year;</p> <p>“liquidity management bills” means bills with payment to be effected between 7 to 21 days;</p> <p>“Permanent Secretary” means the Permanent Secretary of the Ministry of Finance;</p> <p>“Public Debt Management Office” means the Public Debt Management Office of the Republic established under section 4;</p> <p>“borrowing” means the borrowing of the Republic of Cyprus and includes the procedures that create financial obligations for the Republic of Cyprus by entering into loan agreements and the issue of securities on behalf of the Republic of Cyprus;</p> <p>“public debt” means the financial obligations of the Republic of Cyprus created by the borrowing;</p> <p>“borrowing instruments” includes, <i>inter alia</i>, loan agreements and securities;</p> <p>“debt management operations” means the debt management operations of the Republic of Cyprus and includes the preparation of the medium-term strategy for the management of</p>

Scope	<p>the public debt, the preparation and implementation of the annual financing programme for the Republic of Cyprus, the borrowing and other market transactions to achieve the strategic objectives of the public debt management including transactions to facilitate the public debt, contacts with market agents, recording data of the public debt and other debt management operations, including the preparation of reports on the public debt and its management;</p> <p>“annual report” means the annual report on the management of the public debt as established in section 25;</p> <p>“government guarantee” means the provision of a guarantee which consists of the express commitment of the Republic of Cyprus to guarantee the fulfilment of financial obligations for which the guarantee is issued and in no case shall statements of intent, letters of support or similar letters shall be considered that they comprise a guarantee of the Republic of Cyprus or any other form of legal commitment or financial obligation for the Republic of Cyprus;</p> <p>“medium-term” means a period of more than one year and up to five years;</p> <p>“collective action clause” means a clause the purpose of which is to reinforce the rights of bondholders by introducing provisions relating to their collective representation and the debt restructuring by special majority and their implementation in the case of insolvency of the issuer;</p> <p>“Minister” means the Minister of Finance.</p> <p>3. The present Law –</p> <p>(a) regulates the conditions under which the Government of the Republic of Cyprus (hereinafter referred to as “the Republic of Cyprus”) may borrow and manage its debt (hereinafter referred to as “the public debt”) and its cash liquidity;</p> <p>(b) regulates the assessment of the fiscal risk contained in granting guarantees and loans by the Republic of Cyprus and</p> <p>(c) provides for the establishment of a Public Debt Management Office.</p>
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<p>Establishing a Public Debt Management Office</p>	<p>PART II – PUBLIC DEBT MANAGEMENT OFFICE</p> <p>4. (1) The present Law hereby establishes a Public Debt Management Office, within the Ministry of Finance, which, under the general supervision of the Permanent Secretary and in accordance with the present Law, is responsible, for handling the debt management operations, the management of the cash liquidity of the government, the assessment of the risk of government guarantees, the borrowing transactions, and the preparation of any legislation with regard to regulating the debt management operations.</p> <p>(2) The Council of Ministers may, by virtue of Regulations issued under the present Law, delegate further duties to the Public Debt Management Office, in addition to those referred to in subsection (1).</p> <p>(3) The Minister appoints one of the Directors of Finance of the Ministry of Finance as Head of the Public Debt Management Office, on the recommendation of the Permanent Secretary and the decision of the Minister shall be published in the Official Gazette of the Republic.</p> <p>(4) The Head of the Public Debt Management Office reports to the Permanent Secretary.</p>
<p>International name of the Public Debt Management Office</p>	<p>5. The Public Debt Management Office shall be referred to internationally as the Public Debt Management Office (PDMO)</p>
<p>Seal of the Public Debt Management Office</p>	<p>6. (1) The Public Debt Management Office has its own seal which bears the logo of the Republic of Cyprus and the designation “Republic of Cyprus – Ministry of Finance – Public Debt Management Office”.</p> <p>(2) The seal of the Public Debt Management Office shall be kept by the Head of the said Office.</p>

<p>Power to borrow and purposes of borrowing</p>	<p>PART III – BORROWING BY THE REPUBLIC OF CYPRUS AND PUBLIC DEBT MANAGEMENT</p> <p>7. (1) The Minister has the exclusive power to borrow funds on behalf of the Republic of Cyprus by entering into loan agreements or by issuing securities, in the domestic market and abroad, in local or foreign currency, and to sign loan agreements and agreements that regulate the sale of securities of the Republic of Cyprus.</p> <p>(2) Any borrowing referred to in subsection (1) shall be for the following purposes:</p> <p>(a) to finance the deficit in the budget of the Republic;</p> <p>(b) to maintain a credit balance in the Government General Account at a size determined by the Council of Ministers, including the liquidity buffer stock in accordance with section 20;</p> <p>(c) to form sinking funds against securities and loans of the Republic of Cyprus in accordance with section 22;</p> <p>(d) to fulfil the obligations generating from government guarantees which have become payable;</p> <p>(e) to refinance the outstanding debt of the central government, including the repayment of a loan prior to its maturity, and to repurchase or exchange securities of the Republic of Cyprus;</p> <p>(f) to directly protect the economy of the Republic of Cyprus or to handle financial, natural or environmental catastrophes or for any other national emergency;</p> <p>(g) to grant credit facilities to the European Financial Stability Fund or to any other similar Organisation in accordance with the contractual commitments and obligations of the Republic of Cyprus;</p> <p>(h) for any other purpose, having informed the House of Representatives.</p> <p>(3) In case the borrowing is effected for any of the reasons set out in paragraph (f) the Minister shall inform the House of Representatives with regard to the terms and conditions of the</p>
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<p>Ultimate objective of public debt management</p>	<p>debt, as soon as possible, and in any case within 10 days from contracting the said debt.</p> <p>8. The ultimate objective of the public debt management is to ensure that the financing needs of the Republic are always met in time and that the cost of the borrowing is the lowest possible in the medium term, within the framework of an acceptable level of risk.</p>
<p>Debt management strategy</p>	<p>9. (1) The medium-term debt management strategy, which covers a time horizon of three to five years, is prepared and updated at least once a year on a rolling basis, by the Public Debt Management Office.</p> <p>(2) The medium-term debt management strategy and the updating of the same are provisionally approved by the Minister and, after informing the Budget and Finance Committee of the Parliament, are submitted for final approval to the Council of Ministers.</p> <p>(3) For every year, the first medium-term debt management strategy is approved by the Council of Ministers not later than the end of October of the previous year.</p> <p>(4) The medium-term debt management strategy is based on the objective established in section 8, and takes into account:</p> <p>(a) the borrowing needs of the Republic of Cyprus;</p> <p>(b) the current macro-economic conditions;</p> <p>(c) the current conditions of the market and</p> <p>(d) any other factors which may be related to the market development and the public debt management strategy.</p> <p>(5) The public debt management strategy includes the range of acceptable risks to the debt portfolio.</p> <p>(6) Following the final approval of the debt management strategy in accordance with subsection (2), the borrowing of the Republic of Cyprus and the other debt management operations are subject to and are enforced on the basis of this strategy.</p>

Annual financing programme	<p>10. (1) For every fiscal year, the Public Debt Management Office prepares an annual financing programme, which covers the projected accumulated borrowing needs of the Republic of Cyprus.</p> <p>(2) The annual financing programme is based on the determined medium-term debt management strategy and the annual cash flow forecast of the Republic of Cyprus and includes scheduled borrowing transactions for the year, the borrowing tools to be used and the indicative date or indicative period of such a loan.</p> <p>(3) The annual financing programme is updated at least twice a year.</p> <p>(4) The Minister approves the annual financing programme and its updates.</p> <p>(5) For every year, the first annual financing programme is approved not later than the end of November of the previous year.</p>
Borrowing by issuing securities of the Republic of Cyprus	<p>11. (1) The issuance of securities of the Republic of Cyprus is carried out by the Public Debt Management Office, by any method approved by the Minister, including an auction, private placement and syndication.</p> <p>(2) The sale of securities of the Republic of Cyprus by auction, with the exception of liquidity management bills, is effected on the basis of an indicative calendar auction schedule, which constitutes an integral part of the annual financing programme established in section 10.</p> <p>(3) The indicative auction schedule is published immediately after its approval on the website of the Public Debt Management Office and/or the Official Gazette of the Republic.</p> <p>(4) (a) The Head of the Public Debt Management Office has the power, on behalf of and on account of the Republic of Cyprus, to determine the terms of issue of the securities and also the terms and conditions of carrying out the auctions of securities of the Republic of Cyprus, including liquidity management bills and to accept or reject tenders that have been submitted at securities auctions.</p>

<p>Borrowing by entering into a loan agreement</p> <p>112(l) of 2002</p>	<p>(b) The terms and conditions of securities auctions may also include collective action clauses, the regulation of which is effected by Regulations issued on the basis of the present Law.</p> <p>(5) In the case where the securities of the Republic of Cyprus are issued in another manner other than by auction and their issue has been included in the annual financing programme, approved by the Minister in accordance with section 10, the Head of the Public Debt Management Office may determine the terms and conditions for the said issue, select the successful tenderer of the issue and sign agreements on behalf of and on account of the Republic of Cyprus, which shall regulate the sale of the said securities.</p> <p>(6) In the case where the securities of the Republic of Cyprus are issued in another manner other than by auction and their issue has not been included in the annual financing programme, approved by the Minister in accordance with subsection (4) of section 10, the terms and conditions for the issue of the said securities of the Republic of Cyprus are subject to the subsequent approval of the Minister and are deemed part of the approved annual financing programme.</p> <p>(7) The Head of the Public Debt Management Office may issue securities of the Republic of Cyprus for purposes other than borrowing of the Republic, with or without the exchange of cash, with special terms, on the basis of directions of the Minister, issued following a relevant decision of the Council of Ministers and informing the House of Representatives.</p> <p>(8) In the case where the issue of securities in accordance with the provisions of subsection (7) concerns the competences of the Central Bank of Cyprus, then the opinion of its Governor is also required.</p> <p>12. (1) Subject to subsections (2) and (3), the financing of the Republic of Cyprus by banks, other credit institutions, investors and lenders by entering into loan agreements, is implemented by the Public Debt Management Office under terms and conditions approved by the Minister.</p> <p>(2) Irrespective of the provisions of section 28 (1) and (4), of the</p>
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22(I) of 2004	<p>Law on the Management of Revenues and Expenditure and the Accounting System of the Republic, in the event that the borrowing referred to in subsection (1) has been included in the annual financing programme, as approved by the Minister, in accordance with section 10, the Head of the Public Debt Management Office has the power to effect the loan, to negotiate and determine the terms and conditions of the said loan and to sign the loan agreement on behalf of and on account of the Republic.</p> <p>(3) The loan agreements between the Republic of Cyprus and other entities of public international law ("international agreements") are entered into by decision of the Council of Ministers.</p>
Transaction documents	<p>13. The documents of the Public Debt Management Office for the execution of transactions in undertaking debt on behalf of and on account of the Republic shall bear the seal of the Public Debt Management Office and two signatures of officers of the Public Debt Management Office, authorised by the Minister, one of which must necessarily be that of the Head of the Public Debt Management Office.</p> <p>Provided that, in the case of absence or other impediment of the Head of the Public Debt Management Office, the Minister may sign in his place or any other officer of the Public Debt Management Office, authorised by the Minister for this purpose, or the Permanent Secretary.</p>
Other debt management operations	<p>14. (1) The Head of the Public Debt Management Office, in accordance with the purposes of the public debt management and the medium-term debt management strategy, executes the debt management operations of the Republic of Cyprus, including, <i>inter alia</i>, the following operations:</p> <p>(a) swaps and other transactions in derivatives;</p> <p>(b) buybacks and exchanges or switches;</p> <p>(c) repayment of the loan prior to the determined repayment date following the approval of the Minister;</p> <p>(d) converting the loan from one form to another;</p>

<p>12(I) of 2006 91(I) of 2010 40(I) of 2011 176(I) of 2011</p>	<p>(e) consolidating two or more loans and</p> <p>(f) performing any similar transactions or operations.</p> <p>(2) Subject to the provisions of the Law on the Coordination of Procedures for the Award of Public Works Contracts, Public Supply Contracts and Public Service Contracts and Related Matters, the Head of the Public Debt Management Office, subsequent to the approval of the Permanent Secretary, may enter into contracts for assigning to private or state Organisations, the execution of certain similar operations necessary for the sufficient and effective execution of the operations established in the present Law.</p>
<p>Record of public debt management</p>	<p>15. The Public Debt Management Office shall retain a complete and accurate record of the outstanding debt of the Republic of Cyprus and the government guarantees, and for any other transactions in derivatives, in an appropriate database.</p>
<p>Retaining a confidential transactions record</p>	<p>16. The Public Debt Management Office shall retain a complete confidential record of all executed transaction documents of the public debt and the management of the cash liquidity, within the file record of the Ministry of Finance.</p>
<p>Confidentiality of transactions and protection of personal data</p>	<p>17. (1) The Minister, staff and any person who has or obtains access to personal data or confidential information of transactions of the Public Debt Management Office shall treat such information and data with complete confidentiality.</p> <p>(2) The confidential information on transactions and the personal data of those involved in the transaction shall be granted to other Authorities and Organisations or made public only in those cases established by law or following the written consent of those involved in the transaction: The provisions of the present section apply to both natural and legal persons involved in the transaction.</p>
<p>Report to the Permanent Secretary and the Minister</p>	<p>18. The Head of the Public Debt Management Office notifies the Permanent Secretary and the Minister in writing and without delay of any borrowing and other debt management operations which were executed on account of the Republic of Cyprus.</p>
<p>Status of the</p>	<p>19. (1) The debt of the Republic of Cyprus constitutes an absolute</p>

debt of the Republic of Cyprus	<p>and unconditional financial obligation of the Republic and the obligations of the public debt constitute one of the first claims on the Republic in accordance with article 166 of the Constitution of the Republic of Cyprus and its fulfilment does not depend on any other claim or counterclaim for payment.</p> <p>(2) In the case of an incorrect loan on behalf of and on account of the Republic of Cyprus, on the grounds of negligence or deliberately, which was undertaken for purposes other than those stated in section 7, or in the case where the borrowing that was undertaken has not been included in the annual financing programme as approved by the Minister in accordance with section 10, this does not in any way affect the legality and binding force of the said debt with regard to the lender.</p> <p>PART IV – MANAGEMENT OF THE CASH LIQUIDITY AND ESTABLISHMENT AND MANAGEMENT OF SINKING FUNDS</p>
Liquidity buffer stock	<p>20. (1) For every fiscal year, the Public Debt Management Office prepares a proposal with regard to the desired size of the liquidity buffer stock of the Republic of Cyprus in the form of the minimum and maximum liquidity levels in the General Government Account (hereinafter the “liquidity buffer stock range”), taking into account:</p> <ul style="list-style-type: none"> (a) the market volatility; (b) the current credit facilities of the Republic of Cyprus; (c) the accuracy of forecast of cash reserves and cash flows of the Republic of Cyprus and (d) any other factors related to determining the appropriate liquidity buffer stock. <p>(2) The proposal shall be updated at least every quarter.</p> <p>(3) The Council of Ministers, having perused the proposal referred to in subsection (1), decides on its approval.</p> <p>(4) The first decision of the Council of Ministers with regard to the indicative liquidity buffer stock and the liquidity buffer stock range of the Republic of Cyprus shall be taken within three months at the latest from the time the present Law comes into</p>

<p>Establishment and management of a sinking fund</p>	<p>operation.</p> <p>21. (1) The Public Debt Management Office is responsible for retaining the liquidity buffer stock range by borrowing the necessary funds in time.</p> <p>(2) In the case where the liquidity exceeds the maximum level, the Public Debt Management Office, subject to the provisions of subsection (3), may invest the surplus in the market, use it to buyback outstanding securities of the Republic of Cyprus or use it for the early repayment of loans.</p> <p>(3) The investment of liquidity surplus of the Republic of Cyprus is effected in accordance with a written investment policy of liquidity surplus prepared by the Public Debt Management Office and approved by the Minister.</p> <p>22. (1) The Minister may decide to form a sinking fund for the repayment of any loan or security of the Republic of Cyprus.</p> <p>(2) The Public Debt Management Office manages any such sinking fund on behalf of the Republic of Cyprus.</p>
<p>Government guarantees to third parties</p>	<p>PART V – RISK ASSESSMENT OF GOVERNMENT GUARANTEES AND LOANS OF THE REPUBLIC OF CYPRUS</p> <p>23. (1) Prior to the issue of any form of government guarantees, the Public Debt Management Office, assesses the financial risk incurred by the Republic of Cyprus for the said guarantees and the result of the assessment of the risks and the method used for the assessment are presented in writing to the Minister prior to the issue of the guarantees.</p> <p>(2) In the case of government loan guarantees, the Public Debt Management Office, recommends to the Minister the level of a guarantee fee which corresponds to the credit risk of the Republic of Cyprus which derives from such guarantees and the recommendation shall be sent in writing to the Minister who shall determine the amount of the said fee.</p> <p>(3) The beneficiary of a government loan guarantee shall pay the Republic the guarantee fee determined by the Minister.</p>

	<p>(4) Concerning outstanding guarantees issued prior to the enactment of the Public Debt Management Law 2012, the Public Debt Management Office assesses the financial risk for the Republic stemming from the guarantees and the result and the method of assessment are presented in written form to the Minister</p> <p>(5) The Public Debt Management Office at regular intervals and at least once yearly performs a reassessment of the financing risk stemming from of a sufficiently representative sample of government guarantees and informs the Minister in written form</p> <p>(6) for the purpose of monitoring and assessment of the risk of guarantees the Public Debt Management Office has the power to request and receive from the beneficiaries of government guarantees, the credit institutions or government services analytical information concerning the outstanding guarantees. Any other government entity, as authorised by the Minister, may contribute to the collection of such information.</p>
Loans to third parties	<p>24. (1) Prior to granting a loan to a third party by the Republic of Cyprus, the Public Debt Management Office assesses the risk the Republic of Cyprus shall incur by providing the said loan or credit, and recommends the amount of the interest rate to cover the financing cost and the credit risk of the Republic of Cyprus.</p> <p>(2) The recommendation and the method used to assess the risk shall be sent in writing to the Minister who shall determine the amount of interest rate.</p> <p>(3) The borrower shall pay the Republic of Cyprus the interest rate determined by the Minister.</p>
Annual report to the House of Representatives	<p>PART V – ANNUAL REPORT ON THE PUBLIC DEBT MANAGEMENT TO THE HOUSE OF REPRESENTATIVES</p> <p>25. (1) The Public Debt Management Office, at the end of March every year, prepares and sends to the Permanent Secretary and the Minister an annual report on the management of the public debt, which shall be submitted by the Minister to the Council of Ministers and to the House of Representatives for their information and shall regard the debt management operations and the liquidity buffer stock of the previous fiscal year.</p>

Relationship with credit rating agencies	<p>(2) The annual report shall, <i>inter alia</i>, include the following –</p> <p>(a) information on the debt management strategy and its philosophy;</p> <p>(b) information as to the contribution of the debt management strategy and the debt management operations in achieving the debt management goals as stated in section 8;</p> <p>(c) statistics on the outstanding public debt;</p> <p>(d) statistics on existing government guarantees, including the assessment of the financial risk the said guarantees involve;</p> <p>(e) the size of the liquidity buffer stock and any changes to its size in the fiscal year, as defined in section 20;</p> <p>(f) an analysis of developments and a description of the prospects in capital markets and</p> <p>(g) the developments with regard to the assessment of the creditworthiness of the Republic of Cyprus.</p> <p>(3) The Minister approves the report and having informed the Council of Ministers, submits the annual report to the President of the House of Representatives, by the 30th April, the latest, every year.</p> <p>(4) The report is published by the Public Debt Management Office immediately after it has been submitted to the House of Representatives.</p> <p>PART VII – CREDIT RATING AGENCIES</p> <p>26. (1) The Public Debt Management Office is the connection point between the Ministry of Finance and the international rating agencies of the creditworthiness of the Republic of Cyprus.</p> <p>(2) The Public Debt Management Office represents the Ministry of Finance and coordinates the contacts between the Ministry of Finance and the credit rating agencies and also all the similar operations, including entering into contracts between the Republic of Cyprus and the credit rating agencies.</p>
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	<p>(3) At regular intervals and at least once every quarter, the Public Debt Management Office prepares an information report on the creditworthiness of the Republic of Cyprus, which is submitted by the Minister to the Council of Ministers.</p>
Waiver of State immunity	<p>PART VIII – MISCELLANEOUS PROVISIONS</p> <p>27. Provided that the Minister is satisfied that it is in the public interest, he may, with regard to any borrowing of the Republic of Cyprus that is regulated by foreign law, and within the limits established by Cypriot legislation, waive any right of the Republic of Cyprus to claim state immunity in litigation proceedings in foreign courts to settle any difference that may arise from the said loan and with regard to its assets.</p>
Consolidated Fund	<p>28. (1) The revenue from borrowing that has been entered into on the basis of the present law and any other revenues from public debt management transactions executed on the basis of the provisions of the present law are deposited in the Consolidated Fund of the Republic.</p> <p>(2) The amounts required for the repayment of the securities and the loans of the Republic, including the interest, the commission and any other expenses or amounts related to the issue of securities or with the entering into and implementation of loan agreements and all other transactions and debt management operations referred to in the present law, including the creation of sinking funds, shall be borne by the Consolidated Fund of the Republic.</p>
Power to issue regulations	<p>29. The Council of Ministers may issue Regulations, which are published in the Official Gazette of the Republic and which regulate –</p> <p>(1) Any other duties to be performed by the Public Debt Management Office in accordance with subsection (2) of section 4;</p> <p>(2) the collective action clauses and their functioning on the basis of subparagraph (b) of subsection (4) of section 11.</p>
Delegation of	<p>30. (1) The Minister may delegate in writing with authorisation or in</p>

powers	<p>any other lawful manner, any of his duties deriving from the present law, excluding the power to approve the annual financing programme of the Republic of Cyprus, to the Permanent Secretary or the Head of the Public Debt Management Office.</p> <p>(2) In the case where a loan agreement or a similar agreement that regulates the sale of securities of the central government is to be signed abroad, the Minister may delegate the signing of the said agreement, in addition to the persons referred to in subsection (1), to the Ambassador or High Commissioner of Cyprus to the said country.</p> <p>(3) The Minister may delegate all or in part the operations for the repayment of the debt to other Services or Organisations.</p>
Disclaimer of personal responsibility	<p>31. The Minister, staff and any other person acting under the present law or pursuant to the provisions of the present law for the issue and repayment of securities, for entering into and the repayment of loans or for the execution of any other debt management operations, shall bear no personal responsibility with regard to making any payment or refusal to make a payment.</p>
<p>Repealed 92 of 1968 50 of 1973 142(I) of 2001 75(I) of 2003 11(I) of 2012 103 of 1989 12(I) of 1996 24(I) of 1997 75(I) of 1999 41(I) of 2008 72(I) of 2010 Cap. 209</p>	<p>PART IX – TRANSITIONAL PROVISIONS</p> <p>32. (1) With the entry into force of the present Law, the Loan (Development) Laws, the Cyprus Treasury Bills Law, the Loan (Savings) Law and the regulations issued under such laws, are repealed.</p>
Transitional Provisions	<p>(2) The powers, rights and obligations of the Republic of Cyprus with regard to the existing debt entered into in pursuance to the laws and regulations which are repealed under subsection 1,</p>

	<p>shall continue to apply until the final settlement of the said loan and the loan agreements entered into and the securities issued prior to the coming into force of the present law, shall remain in force.</p> <p>(3) The government guarantees issued by the Republic of Cyprus prior to the entry into force of the present law, shall continue to apply and represent the obligations of the Republic of Cyprus in accordance with the issued government guarantees.</p>
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Republic of Cyprus
Ministry of Finance
Public Debt Management Office