

New Leasing Law 72(I)/2016

July 26, 2016

The new legislation on the leasing, N.72 (I) / 2016, which came into force on 28.04.2016, aims to regulate the provision of leasing services to the public, as well as the supervision of the leasing services providers' activities, targeting at a smooth operation of leasing institutions.

A lease contract must be concluded in writing, under which the lessee takes exclusive possession of the certain property from the lessor, for payment of an agreed rent. A contract also must expressly provide to the lessee the right of the property purchase during the term of a contract or its renewal. The law, inter alia, defines the following types of leases (a) an ordinary lease is a lease in which the lessee chooses the leased property and the lessor buys and leases it to the lessee; (b) a reverse lease means a lease under which the lessee transfers a full ownership of the leased property to the lessor, whilst, simultaneously, the lessee retains a possession and usage of the property for the rent payment to the lessor; (c) a lease with a sublease is a lease during which it is allowed to rent the lease property to any other person; (d) a syndicated lease means a lease in which two or more leasing companies are participating.

Application This law applies on the leasing services providers, excluding the following: (a) providers which do not deal with the public, including the provision of leasing services by legal entities, exclusively, to their parent or their subsidiary company or to a subsidiary of their parent company; (b) provision of the leasing services by physical or legal persons whose principal activity is the sale of movable property, and which provide leasing services for the sale of movable property up to the amount of five thousand euro (€ 5.000) per object, and only to the extent required for the exercise of their main business purposes; (c) lease services for which the agreement provides a credit for a total period of less than three (3) months.

Basic provisions of the law The law provides for and/or regulates, inter alia, the following: (a) organizations which are entitled to provide leasing services, (b) conditions for issuance of the operating licenses for leasing companies, (c) content of lease contracts, (d) activities supervision of leasing companies by the Central Bank, (e) lease of an immovable property etc.

Prohibition The provision of leasing services to the public by persons other than the following is prohibited - (a) leasing company, registered in Cyprus, which was granted a license by the Central Bank to provide leasing services, (b) licensed credit institution, excluding a licensed credit institution, whose license held under the Operations of Credit Institutions Law does not allow the provision of leasing services, (c) credit institution incorporated in a Member State which was granted a license by the competent supervisory authority of another Member State, in case the leasing services provided are covered by the license, and which provides the said services in Cyprus through a branch or cross-border services, (d) leasing company which is a subsidiary

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of a credit institution established in a Member State, which fulfils the conditions laid down by the Article 10A of an Operations of Credit Institutions Law and / or directives made thereunder, and which provides leasing services in Cyprus through a branch or cross-border services.

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| Website: www.erotocritou.com | Telephone: +35725370101 | Fax: +35725370102 |
Email: info@erotocritou.com