



CENTRAL BANK OF CYPRUS
EUROSYSTEM

ECB-RESTRICTED

19 October 2016

Ms Chiara Zilioli
Chairperson
Legal Committee
European Central Bank

Re: Questionnaire on assigning powers to the NCB to assess competition and issue directions to lenders with regard to interest rates (2016/101/LEGCO) – First WP

Dear Chiara,

In response to the letter dated 12 October 2016 on the captioned subject (LS/16/1114):

- 1. Has your central bank been assigned with tasks relating to the protection of competition? Has it been assigned similar powers to regularly assess the state of competition? Please describe briefly the scope of those tasks, also referring to the legal basis.*

The Central Bank of Cyprus has not been assigned with tasks relating to the protection of competition or the assessment of the state of competition.

- 2. Has your central bank been assigned with powers to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits; and/or the application of usury laws in your respective jurisdictions? Please describe briefly the scope of those powers, also referring to the legal basis.*



Section 314A of the CY Penal Code, Cap. 154, as amended, penalises the granting of credit by persons other than credit institutions at an interest rate above the reference interest rate. Under the same section, the reference interest rate is computed and published by the Central Bank of Cyprus.

For the sake of completeness it is mentioned that CY Law 160(I)/99 on the liberalisation of interest rates, as amended, imposes certain restrictions on credit institutions with regard to default interest rates, capitalisation of interest and variation of interest rate, applied to credit facilities. The Central Bank of Cyprus is vested with sanctioning powers in case credit institutions fail to comply with the said restrictions.

3. *Has another public authority, such as the national competition or consumer protection authority, been conferred with such tasks to assess competition, or to regulate interest rates on loans or deposit rates offered by financial institutions? How do these authorities interact with the central bank and/or the prudential supervisor in carrying out such tasks? Please describe briefly the scope of those powers, also referring to the legal basis.*

In Cyprus an independent Commission for the Protection of Competition has been established. Financial services are not excluded from its mandate (CY Law 13(I)/2008 as amended).

Furthermore, a Competition and Consumer Protection Service operates as part of the Ministry of Energy, Commerce, Industry and Tourism. The Service is entrusted with duties inter alia on consumer credit (CY Law 106(I)/2010) as well as and under the mortgage credit framework (CY Law 39(I)/2001 as amended) which is currently under revision for the implementation of the Mortgage Credit Directive 2014/17/EU.

Both aforementioned authorities communicate with the Central Bank of Cyprus when necessary.

For the sake of completeness please note that CY Law 93(I)/1996 on Unfair Terms in Consumer Contracts, as amended, contains a provision on the day count fraction applied with regard to interest rates. The same Law vests the Head of the Competition and Consumer Protection Service in the Ministry of Energy, Commerce, Industry and Tourism the power to investigate following complaint or on its own initiative the compliance of contractual terms with the provisions of the Law and apply to the Court for injunctions.

[REDACTED]

Kind regards,

[signed]

[REDACTED]

Cc. LEGCO members (extended composition)