

DIRECTIVE REGARDING THE OPERATION OF THE CENTRAL INFORMATION REGISTER FOR THE ISSUERS OF DISHONOURED CHEQUES (CIR), THE CONSEQUENCES OF THEIR RECORDING TO THE REGISTER AND RELATED MATTERS

We inform you that as of 01/02/2003, the Central Bank of Cyprus together with the Commissioner of the Cooperative Societies Supervision and Development Authority had established the Central Information Register (hereinafter referred to as the "CIR") which contains data for issuers of dishonoured cheques. The Management Committee of the CIR, which is appointed by the Central Bank, is responsible for monitoring the operation of the CIR and in particular, for registering, deleting, maintaining and updating the information for registered natural and legal persons.

Pursuant to a directive issued by the Central Bank of Cyprus regarding the operation of the central information register for the issuers of dishonoured cheques, the consequences of their recording to the register and related matters as well as the opening and operation of current accounts¹, the following provisions are defined:

Definition of Dishonoured Cheque

"dishonoured cheque" means a cheque drawn on any bank which, after its first presentation to the paying bank, it was returned as unpaid due to insufficient funds and:

- (a) it is presented again for payment at least fifteen (15) calendar days from its first presentation, and remains unpaid due to insufficient funds in the account of the issuer with this bank, or
- (b) it is presented again for payment and was returned unpaid on the basis that the issuer gave instructions to stop its payment.

The term includes cheques in any currency and issued at any time before or on the date they become payable.

It is noted that, in accordance with section 305A of the Criminal Code (Cap 154), when a person issues a cheque which, on or after the date on which it is due, is presented to the credit institution on which it was issued remains unpaid due to insufficient funds of its issuer or due to the fact that the account has closed and remains unpaid for fifteen (15) days after its presentation, constitutes a criminal offence.

Criteria and conditions for registration in the CIR

The criteria / conditions for registering a natural or legal person in the CIR are as follows:

- (a)
 - i. If the natural or legal person issues at least three (3) dishonoured cheques in any twelve (12) month period, or
 - ii. the total amount of any dishonoured cheque(s), which has been issued over a twelve (12) month period, exceed(s) the amount of €2,000,

or

- (b) the person, evaluated by the bank, is from a position which allows the control of the account from which the dishonoured cheque has been issued.

Pursuant to the directive of the Central Bank of Cyprus, a cheque returned:

- a) due to the closure of the current account, whether this was on the initiative of the account holder or by the bank in which the account is maintained, or
 - b) due to the freezing of the current account as a result of the inclusion of the account holder(s) in the CIR, or
 - c) due to the freezing of the current account pursuant to the Prevention and Suppression of Money Laundering Activities (Law 61(I)/1996) as this is amended and/or replaced from time to time, or
 - d) due to the freezing of the current account due to a court order, law or regulation of the European Union
- is equivalent to a return due to no/insufficient funds, unless the cheque presented for payment took place after the time period of the validity of the cheque, as this is defined from time to time by the Management Committee of the CIR.

The Management Committee may, by a justified decision, extend and cover/include also, besides the person for which there is a reason to be included, an inclusion in the CIR, of:

- i. any attorney or agent(s) of the included, in the CIR, person, who have the authority to issue cheques as proxies or proxies of the issuer,
- ii. the co-holder(s) of joint current accounts with the included, in the CIR, person,
- iii. in the case of legal entities, all or any one of the Members of the Board of Directors or any other officers, who, participated in or caused the issuance of dishonoured cheque(s) directly or indirectly.

¹ Any account with a bank in any currency, on which the holder has the right, among others, to draw cheques.

Consequences of a registration in the CIR

The consequences of a person's registration in the CIR are the following:

1. Freezing of all current accounts and contact, without delay, the person added in the CIR. A bank that maintains current accounts in the name of a registered person, should not allow any withdrawal or debit in relation to the account, with the exception of owed amounts relating to the repayments of liabilities to the bank where the account is held. The account can be debited for the payment of dishonoured cheques issued prior to the notification of the issuer's registration, for the payment of insurance premiums or insurance contracts that are assigned to the bank.
2. Persons added to the CIR, are forbidden from issuing any cheques and should return all unused cheques in their possession, for all current accounts maintained with the bank, within ten (10) calendar days, to any banking centre of the Bank.
The provisions under paragraph one (1) and two (2) also apply to the current accounts for which the registered person is a co account holder and for which the accounts are defined with the connecting "and".
3. The opening of any current account or provision of a cheque book to a registered person in the CIR is not permitted from any bank for the duration of the registration of the specific person in the CIR.
4. The bank may proceed with the closure of an account which is frozen due to the registration in CIR which is dormant for two (2) years, and which presents nil or negative balance and provided that there are no dishonoured cheques or a connected cheque book in respect to this account. It is noted that the closure of the account does not have any impact on CIR registered cheques, the information of which will continue to appear in the systems of the CIR and of the banks.

It is noted that a bank that returns a dishonoured cheque, pursuant to the directives of the Central Bank of Cyprus and/or the regulations in relation to the Central Information Register shall submit all information of the returned cheque and its issuer to the Management Committee (including personal data), provided that they meet the registration criteria and that the information is initially registered to the preliminary list.

If a dishonoured cheque, recorded in the preliminary list, is subsequently settled through the paying bank, the paying bank shall update accordingly the preliminary list, however the settlement of a dishonoured cheque does not remove it from the preliminary list.

Any entry, correction or deletion of data in the CIR is performed following a decision of the Management Committee.

The Central Bank shall notify for the registration of a person in the CIR, all banks as well as the registered person(s), by sending a letter to the last known home and / or work address.

The consequences of the registration of a person in the CIR and the related obligations of the banks shall be terminated **only** with the removal of this person from the CIR.

It is clarified that, in addition to the above mentioned legal obligation of the bank for the transmission to CIR of personal data of customers to whom a cheque book is granted, the bank collects and processes personal data of customers for the purposes of entering into and carrying out a business/contractual relationship of the customer with the bank or for the purpose of taking measures at the request of the customer prior to the entering into a contract (for example, for the application for the granting of a cheque book, printing, filing, clearance of cheques) as well as for the protection of the legitimate interests of the bank as the controller of the personal data.

Deletion from the CIR

Deletion of a registered person from the CIR can be performed when the settlement of each dishonoured cheque issued by this person within one (1) month from the date of return of each dishonoured cheque is proven or when at least twelve (12) months have elapsed from the proven settlement of dishonoured cheques or after the elapse of six (6) years from the last registration of a dishonoured cheque in respect to the specific person and after submitting to the Management Committee a sworn declaration that there is no ongoing legal proceeding against this person in respect to this person's cheques filed with CIR.