

The Cyprus Legal Framework

Benefits & Advantages for International Companies, Borrowers & Banks



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ADVOCATES AND LEGAL CONSULTANTS

The Cyprus legal framework, i.e., Cyprus statutes, rules and regulations, case law and international agreements, has been instrumental in the establishment of the Cyprus shipping industry and in the continued development of Cyprus as an international maritime centre.



English law is the international law of shipping and Cyprus law relating to shipping and corporate matters is to a large extent based on English law.

Cyprus was a British colony until 1960.

During this period the common law and principles of equity applied in Cyprus and most basic statutes were based on English statutes or were a codification of the common law.

- Companies Law, Cap 113 — English Companies Act of 1948
- Contract Law, Cap 149 — Indian Contract Act of 1872 which incorporated the English common law and statute law applicable at that time.

- After independence the common law and principles of equity and all laws in force on the date of independence were retained in force.
- The Admiralty Court of Cyprus applies English law unless modified by Cyprus law. Its rules of civil procedure and evidence are modelled on English law.
- Decisions of English and Commonwealth courts given after independence are considered as having persuasive authority.
- New merchant shipping laws enacted in 1963 were modelled on the English Merchant Shipping Act of 1894.
 - The Merchant Shipping (Registration of Ships, Sales and Mortgages) Law
 - The Merchant Shipping (Masters and Seamen) Law



The close connection of Cyprus shipping and corporate law to English law, which is the primary law in shipping, has enabled Cyprus to provide a stable and familiar legal environment for shipping activities in Cyprus. Our legal framework provides an element of certainty and is accepted and trusted by shipowners, borrowers, bankers and their lawyers.

Corporate and Shipping related legal framework

- Main Statutes:
 - Companies Law, Cap 113
 - Merchant Shipping (Registration of Ships, Sales and Mortgages) Law of 1963
 - Merchant Shipping (Masters and Seamen Law) of 1963
 - Merchant Shipping (Fees and Taxing Provisions) Law of 2010
- Treaties for the avoidance of Double Taxation
- Bilateral Agreements and International Conventions on Shipping
- EU Regulations and Directives

Ship financing legal framework provides
satisfactory security package for lenders

- **Cyprus Mortgage and Deed of Covenants**

- It can secure either a loan or a guarantee or other obligations of the ship owning company or of a third party
- The statutory mortgage to secure account current is a very versatile document
- English style statutory mortgage but with a collateral deed of covenants attached thereto
- Order of priority of claims in the event of an enforced sale is the same as under English law

- **Statutory pledge of share certificates pursuant to the Contract Law and equitable mortgage or charge of shares.**
- **Registration of mortgage at both the Shipping Registry and the Companies' Registry and of other security at the Companies' Registry.**
- **Possibility for one lender to act as security trustee on behalf of itself and the other lenders in a syndicated loan transaction.**

Conclusion

The Cyprus legal framework enables international shipping companies, borrowers and banks to operate in a regulated business environment, within the European Union, with a beneficial EU approved tax system and with legal certainty.

Thank you

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