

FINANCIAL ASSISTANCE FACILITY AGREEMENT

between

EUROPEAN STABILITY MECHANISM

and

THE REPUBLIC OF CYPRUS

as the Beneficiary Member State

and

CENTRAL BANK OF CYPRUS

as Central Bank

TABLE OF CONTENTS

Clause	Page
1. Definitions and Interpretation	3
2. The Financial Assistance Facility and Specific Facilities	4
3. Variations, Supplements or Replacements to the General Terms and/or to Facility Specific Terms.....	5
4. Entry into Force of Amendments	5
5. Execution of the Agreement.....	5
6. Schedules.....	5
Schedule 1 List of Contacts	7

THIS FINANCIAL ASSISTANCE FACILITY AGREEMENT is made by and between:

- (1) **EUROPEAN STABILITY MECHANISM**, an intergovernmental organisation established by the Treaty Establishing the European Stability Mechanism entered into between the euro area Member States, having offices at 6a, Circuit de la Foire Internationale, L-1347 Luxembourg, represented by Mr. Klaus Regling, Managing Director ("**ESM**");
- (2) **THE REPUBLIC OF CYPRUS**, represented by the Minister of Finance, Mr. Harris Georgiades, as the beneficiary member state (the "**Beneficiary Member State**"); and
- (3) **CENTRAL BANK OF CYPRUS**, represented by the Governor of Central Bank of Cyprus, Prof. Panicos O. Demetriades, (the "**Central Bank**");

herein jointly referred to as the "**Parties**" and each of them a "**Party**".

PREAMBLE

WHEREAS

- (A) ESM was established by the Treaty Establishing the European Stability Mechanism entered into between the euro area Member States (the "**ESM Treaty**") for the purpose of mobilising funding and providing stability support for the benefit of ESM members which are experiencing, or are threatened by, severe financial problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its member states.
- (B) ESM may grant financial assistance under financial assistance facility agreements by way of loan disbursements under precautionary conditioned credit lines or enhanced conditions credit lines, loans to ESM members under macro-economic adjustment programmes, facilities to finance the recapitalisation of financial institutions in an ESM member state, facilities for the purchases of bonds in the primary or secondary markets, all subject to strict conditionality appropriate to the financial instrument(s) chosen (each such loan or disbursement under such a financial assistance facility agreement being a "**Financial Assistance**").
- (C) ESM shall finance the making of Financial Assistance by issuing or entering into bonds, notes, commercial paper, debt securities or other financing arrangements ("**Funding Instruments**") in order to fund Financial Assistance on a pooled basis or on a dedicated matched-funding basis or out of the Liquidity Buffer (as defined in the General Terms), as appropriate. The Funding Instruments shall be issued or entered into either on a stand-alone basis or pursuant to one or more debt issuance programmes (each an "**ESM Debt Issuance Programme**") in accordance with the ESM Borrowing Guidelines (as defined in the General Terms).
- (D) The Beneficiary Member State addressed a request for stability support to the President of the Eurogroup on 25 June 2012. In its statement of 27 June 2012, the Eurogroup stated that the financial assistance to Cyprus would be provided by the EFSF or the ESM.

- (E) The Beneficiary Member State has addressed a similar request for financial assistance to the International Monetary Fund in accordance with Recital (8) of the ESM Treaty. The definitive Aggregate Financial Assistance Amount and Aggregate Loan Facility Amount to be made available by ESM to the Beneficiary Member State shall be determined in light of the amount of financial assistance to be provided by the International Monetary Fund and shall be set out in a written notice from ESM to the Beneficiary Member State and the Central Bank and counter-signed by and on behalf of the Beneficiary Member State and the Central Bank.
- (F) The European Commission, in liaison with the ECB, assessed (i) the existence of a risk of financial stability of the euro area as a whole or of its member states (unless ECB has already submitted an analysis under Article 18(2) of the ESM Treaty), (ii) whether the public debt of the Beneficiary Member State was sustainable and (iii) the actual or potential financing needs of the Beneficiary Member State, and on the basis of such assessment the Board of Governors decided in principle to grant stability support to the Beneficiary Member State in the form of a financial assistance facility.
- (G) A Memorandum of Understanding was entered into between the European Commission (on behalf of the ESM and with the approval of its Board of Governors) and the Beneficiary Member State. The financial assistance to be provided to the Beneficiary Member State under this Agreement, including the Facility Specific Terms (as defined below) shall be dependent upon compliance by the Beneficiary Member State with the measures set out in the Memorandum of Understanding.
- (H) The Board of Governors has adopted the proposal of the Managing Director for a financial assistance facility agreement, including the financial terms and conditions and the choice of instruments, and the Board of Directors (as defined in the General Terms) of the ESM has approved this Agreement.
- (I) The release of Financial Assistance under this Agreement (other than the release of the first Tranche of Financial Assistance under this Agreement which has already been approved by the Board of Directors), including the Facility (as defined below), shall, unless otherwise specified, be conditional upon the Board of Directors deciding, on the basis of reports from the European Commission (in liaison with the ECB) in accordance with Article 13(7) of the ESM Treaty, that the Beneficiary Member State has complied with the conditionality attached to this Agreement, including compliance with the measures set out in the Memorandum of Understanding.
- (J) It is acknowledged and agreed that the Central Bank is a party to this Agreement for the purpose of, inter alia, receiving disbursements on behalf of the Beneficiary Member State.
- (K) Appropriate measures related to the prevention of, and the fight against, fraud, corruption and other irregularities affecting any Financial Assistance shall be provided for and implemented by the authorities of the Beneficiary Member State.

Now, therefore, the Parties hereto have agreed as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 Subject to Clauses 1.2 to 1.5 (below), Clause 2 (*Definitions and Interpretation*) of the General Terms shall apply to this Financial Assistance Facility Agreement.

1.2 In this Financial Assistance Facility Agreement the following capitalised terms shall have the following meanings:

"Aggregate Financial Assistance Amount" means up to EUR 10,000,000,000 provided that the definitive Aggregate Financial Assistance Amount shall be determined in light of the amount of financial assistance to be provided by the IMF and shall be set out in a written notice from ESM to the Beneficiary Member State and the Central Bank and counter-signed by and on behalf of the Beneficiary Member State and the Central Bank.

"Aggregate Loan Facility Amount" means up to EUR 10,000,000,000 provided that the definitive Aggregate Loan Facility Amount shall be determined in light of the amount of financial assistance to be provided by the IMF and shall be set out in a written notice from ESM to the Beneficiary Member State and the Central Bank and counter-signed by and on behalf of the Beneficiary Member State and the Central Bank.

"Applicable Facility" means the Facility specified in Clause 2.2 of this Financial Assistance Facility Agreement.

"Availability Period" means in relation to the Facility the period commencing on and including the date when the Facility enters into force and ending on (and including) the Availability Period Termination Date.

"Availability Period Termination Date" means 31 March 2016.

"Debt Agency" means the Public Debt Management Office of the Ministry of Finance.

"Designated Euro Account" means for any Disbursement Date the euro account of the Beneficiary Member State with the Central Bank having initially the following account details: BIC CBCYCY2NXXX IBAN: CY16001000010000000006001010; provided that the Designated Euro Account with the Central Bank may be temporarily or permanently changed by written notice by the Central Bank to ESM and the ECB advising of such change (with a copy addressed to the Beneficiary Member State) at the latest two (2) Business Days prior to the Disbursement Date.

"Facility Specific Terms" means the standard facility terms which apply to a particular category of facility as set out in the Standard ESM Facility Specific Terms signed by the Parties for the purpose of authentication on the date hereof.

"General Terms" means the General Terms for ESM Financial Assistance Facilities signed by the Parties for the purpose of authentication on the date hereof.

"Legal Officer" means the Attorney General of the Republic of Cyprus.

"Maximum Average Maturity" means 15 years.

"**Maximum Maturity**" means 20 years.

"**Minimum Cancellation Amount**" means EUR 100,000,000.

"**Minimum Voluntary Prepayment Amount**" means EUR 100,000,000.

"**MoU**" means the Memorandum of Understanding (as the same may be amended or supplemented from time to time) to be entered into between the Commission, the IMF, the Beneficiary Member State and the Central Bank on 26 April 2013.

- 1.3 The General Terms and, in respect of the Facility referred to in Clause 2.2 of this Financial Assistance Facility Agreement, the relevant Facility Specific Terms shall be incorporated into this Financial Assistance Facility Agreement subject to any variation, supplement or replacement of (a) the General Terms set out in Clause 3.1 of this Financial Assistance Facility Agreement or (b) the relevant Facility Specific Terms set out in Clause 3.2 of this Financial Assistance Facility Agreement.
- 1.4 Clause 1.2 of the General Terms and Clause 4 of the Introductory Provisions to the Facility Specific Terms shall apply in the event of any inconsistency or conflict between this Financial Assistance Facility Agreement, the General Terms and the Facility Specific Terms.
- 1.5 If the Board of Directors of ESM adopts new General Terms or Facility Specific Terms or adopts any amendments to the General Terms or Facility Specific Terms, these shall not be incorporated automatically into this Financial Assistance Facility Agreement. If ESM and each of the Parties to this Financial Assistance Facility Agreement intend to incorporate into this Financial Assistance Facility Agreement the new or amended General Terms or Facility Specific Terms, this shall be effected by an amendment in writing to this Financial Assistance Facility Agreement entered into pursuant to Clause 4 of this Financial Assistance Facility Agreement (following the receipt of all approvals required under the ESM Treaty to authorise such amendment).

2. **THE FINANCIAL ASSISTANCE FACILITY AND SPECIFIC FACILITIES**

- 2.1 ESM makes available to the Beneficiary Member State under this Financial Assistance Facility Agreement a financial assistance facility (the "**Financial Assistance Facility**") in the Aggregate Financial Assistance Amount subject to the terms and conditions of the MoU, the General Terms and the relevant Facility Specific Terms. The Financial Assistance Facility may be made available by ESM to the Beneficiary Member State by way of Financial Assistance. The aggregate principal amount outstanding of the Financial Assistance under the Facility shall not at any time exceed the Aggregate Financial Assistance Amount.
- 2.2 The Financial Assistance Facility may be provided in the form of a Loan Facility in a principal amount up to the Aggregate Loan Facility Amount, such Loan Facility being on the terms and subject to the conditions specified in the Facility Specific Terms entitled "Loan Facility: Facility Specific Terms" (the "**Facility**") which constitutes the Applicable Facility.
- 2.3 ESM shall not be authorised to provide any Financial Assistance under the Facility other than in accordance with and upon the terms of the Agreement. The Beneficiary

Member State shall not be under any obligation to make a Request for Funds under the Facility or to acknowledge any Acceptance Notice.

- 2.4 The Preamble and the Schedules to each document which comprise part of the Agreement do and shall hereafter form an integral part of the Agreement.

3. **VARIATIONS, SUPPLEMENTS OR REPLACEMENTS TO THE GENERAL TERMS AND/OR TO FACILITY SPECIFIC TERMS**

- 3.1 The following variations, supplements or replacements shall apply in relation to the General Terms:

- (a) each reference to "the Applicable Facilities" in the General Terms shall be deemed to be a reference to "the Applicable Facility";
- (b) each reference to "the Facilities" in the General Terms shall be deemed to be a reference to "the Facility";
- (c) in Clause 16.3, the words "provided that in case the provisions of Article 37 of the ESM Treaty do not apply with respect to the Central Bank, the Parties shall enter into such amendments and/or supplements to the Agreement as are necessary to provide for the submission of such Dispute for settlement" shall be added at the end of the sentence.

4. **ENTRY INTO FORCE OF AMENDMENTS**

Any term of this Financial Assistance Facility Agreement may be amended or waived only by an agreement in writing signed by ESM (following the receipt of all approvals required under the ESM Treaty to authorise such amendment), the Beneficiary Member State and each of the other Parties hereto. Following its signature by all Parties, the entry into force of any amendment to this Financial Agreement which adds a new Facility and makes additional or replacement Facility Specific Terms applicable shall be subject to the receipt by ESM of the legal opinion described in Clause 4.1 of the General Terms in relation to the amendment of this Financial Assistance Facility Agreement and incorporation of such additional or replacement Facility Specific Terms.

5. **EXECUTION OF THE AGREEMENT**

This Agreement and its relevant Schedules (if applicable) shall be executed by each Party in three (3) originals in the English language, each of which shall constitute an original instrument.

6. **SCHEDULES**

The Schedule(s) to this Agreement shall constitute an integral part hereof and as of the date of this Agreement comprise:

Schedule 1: List of Contacts

Executed in Nicosia on [●] and in Luxembourg on [●].

EUROPEAN STABILITY MECHANISM

Represented by Klaus Regling, Managing Director

REPUBLIC OF CYPRUS

Represented by Harris Georgiades, Minister of Finance

CENTRAL BANK OF CYPRUS

Represented by Panicos O. Demetriades, Governor of Central Bank of Cyprus

Schedule 1
List of Contacts

For ESM:

European Stability Mechanism
6a, Circuit de la Foire Internationale
L-1347 Luxembourg
Attention: Chief Financial Officer
Tel: +352 260 962 600
Fax: +352 260 911 600
SWIFT-BIC: ECBFDEFFBAC

With copies to:

European Commission
Directorate General Economic and Financial Affairs –
Unit L-4 "Borrowing, lending, accounting and back office"
L-2920 Luxembourg
Attention: Head of Unit
Tel.: (+352) 4301 36372
Fax: (+352) 4301 36599
SWIFT address: EUCOLULL

European Central Bank
Kaiserstrasse 29
D-60311 Frankfurt am Main
Attention: Head of Financial Operations Services Division
Tel.: + 49 69 1344 3470
Fax: + 49 69 1344 6171
SWIFT BIC: ECBFDEFFBAC

For the Beneficiary Member State:

Minister of Finance - Ministry of Finance - Republic of Cyprus,
Michael Karaoli & Gregori Afxentiou, 1439 Nicosia, Cyprus
Attention: Permanent Secretary, Ministry of Finance
Tel.: +357 22601115
Fax: +357 22602743
Email: perm.sec@mof.gov.cy

With copies to:

Central Bank of Cyprus
80 Kennedy Avenue
P.O. Box 25529
1395 Nicosia - Cyprus
Attention: Director of Payment Systems and Accounting Services Department
Tel.: + 357 22 714354 / + 357 22 714100
Email: paymentsystems@centralbank.gov.cy

Public Debt Management Office, Ministry of Finance, Republic of Cyprus
Michael Karaoli & Gregori Afxentiou, 1439 Nicosia - Cyprus
Attention: Head of the Public Debt Management Office
Tel.: + 357 22601182
Fax: + 357 22602749
Email: pdm@mof.gov.cy