

## Litigation - Cyprus

### Courts continue to assess depositor applications following Eurogroup bail-in

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In March 2013, as a result of the measures imposed as a condition for international financial support, depositors in Cyprus's two largest banks who held credit balances in excess of €100,000 lost a substantial proportion of the excess above €100,000. Unsurprisingly, this led to a flood of litigation by depositors.

In the immediate aftermath of the crisis, more than 3,000 recourse proceedings were filed in the Supreme Court challenging the legality of two orders issued on March 29 2013 by the Central Bank, in its capacity as the resolution authority for credit institutions, in order to implement the measures required by the Eurogroup of finance ministers (for further details please see "Supreme Court rules on administrative recourse in bank resolution measures"). Article 146 of the Constitution gives the Supreme Constitutional Court (now the Supreme Court):

*"exclusive jurisdiction to adjudicate finally on a recourse made to it on a complaint that a decision, act or omission of any organ, authority, or person exercising any executive or administrative authority is contrary to any of the provisions of this Constitution or of any law or is made in excess or in abuse of powers vested in such organ or authority or person."*

The Supreme Court decided that it had no jurisdiction to examine the applications and stated that since the issue concerned the banks' contractual obligations, depositors should institute civil proceedings against the bank concerned in the appropriate district court, and that such proceedings may be extended against the authority which issued the order that affected the bank's ability to repay depositors.

As a result, large numbers of proceedings have been commenced in the district courts against the Central Bank, the two banks concerned and individuals employed by or associated with such banks. They are based on various grounds and many also claim interim relief in the form of asset freezing orders against those whom the claimants regard as responsible for their losses.

A number of these applications for interim orders have now been heard, and in all publicised cases the court has declined to make an asset freezing order. However, given the large number of cases and the diversity of the grounds on which they are based, it is unlikely that the main issues will be tried before the second half of 2014 at the earliest.

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