Insolvency law reform in Cyprus – the first steps

Kyriacos Kourtellos and Demetris Roti look at the first steps toward reform in Cyprus aiming to modernise and streamline the procedure for the compulsory liquidation of companies.
of the secured creditors to repayment of the amount secured by the charge are not diminished;
e. the liquidator’s powers to obtain information from officers and managers of the company are enhanced, and a liquidator may apply to the court for public examination of any contributory, or any previous liquidator or insolvency office-holder of the company;
f. under an expedited process aimed at avoiding delays and reducing costs, the Official Receiver may apply to the court for early dissolution of the company if he is satisfied that the assets of the company are insufficient to cover the costs of liquidation and that the company’s affairs do not require further investigation; and
g. the period in which a compulsory liquidation must be completed is limited to 18 months, with any extension of the period in a particular case requiring the approval of the court.

The Bill, together with the Explanatory Memorandum signed by the Attorney General, and the completed Impact Analysis Questionnaire, have been submitted to the House of Representatives in order to enact the Bill into law.

While enactment of the Bill will mark a long-awaited first step in the modernisation of the insolvency regime in Cyprus, the changes it introduces are limited in scope, and many practitioners were hoping for a far more comprehensive reform. For example, the Bill does not deal with issues that have recently been addressed in the United Kingdom, such as the registration of a pledge of shares or the abolition of the requirement for a memorandum of association of a company. Nevertheless the Bill is a move in the right direction as it should simplify compulsory liquidation procedures and save time and costs.

Once the Bill becomes law, the manner in which it is implemented, and particularly the approach adopted by the courts, will be critical factors in determining the degree of success it will achieve. As the courts themselves are currently a major bottleneck, reducing the time taken to complete liquidations will require a much more expeditious approach on their part.