EUROPEAN CENTRAL BANK

EUROSYSTEM

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OPINION OF THE EUROPEAN CENTRAL BANK

of 8 October 2026

on the governance structure and conflict of interest rules of the Central Bank of Cyprus

(CON/2026/31)

Introduction and legal basis

On 4 August 2026 the European Central Bank (ECB) received a request, and on 17 September 2026 the ECB received an updated request, from the Central Bank of Cyprus (CBC), in agreement with the Cypriot Ministry of Finance, for an opinion on (a) a draft law recasting and repealing the Law on the Central Bank of Cyprus of 2002[1] (hereinafter the 'first draft law'), (b) a draft law amending the Law on the Central Bank of Cyprus of 2002 (hereinafter the 'second draft law'), and (c) a draft amendment to the articles of the Constitution of the Republic of Cyprus[2] which concern the CBC (hereinafter the 'third draft law', and together with the first and second draft laws, the 'draft laws').

The ECB's competence to deliver an opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and Article 2(1), third indent, of Council Decision 98/415/EC[3], as the draft laws relate to the CBC.

In accordance with Article 17.5, first sentence, of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft laws

1.1 The explanatory memorandum accompanying the consultation request notes that the overall purpose of the draft laws is to modernise the legislative framework governing the functioning of the CBC, as well as to reform its governance structure, with a view to enhancing the CBC's institutional and operational efficiency and decision-making, while ensuring its independence.

1.2 *Purpose of the first draft law*

1.2.1 The first draft law recasts and repeals the Law on the Central Bank of Cyprus of 2002 (hereinafter the 'Law on the CBC') and is envisaged to enter into force on 1 July 2027. While the first draft law carries over a number of existing provisions of the Law on the CBC, it also introduces various amendments, notably in relation to the CBC's governance structure and the framework governing the monitoring and control of conflicts of interest of the CBC's senior officials.

1.2.2 As regards the CBC's governance structure, the first draft law provides that the CBC's highest governing body will be the Executive Board, which will be comprised of six members: the Governor,

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1 Ο περί της Κεντρικής Τράπεζας της Κύπρου Νόμος του 2002 (Ν. 138(Ι)/2002).

2 Το Σύνταγμα της Κυπριακής Δημοκρατίας.

3 Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42, ELI: http://data.europa.eu/eli/dec/1998/415/oj).

the Deputy Governor and four more directors. The Executive Board is granted a broad range of responsibilities, such as defining the CBC's strategy, objectives and general direction, performing the tasks and exercising the powers conferred upon the CBC, implementing policy decisions taken by the ECB and the Single Resolution Board, managing and supervising the CBC's operations, representing the CBC in legal proceedings, dealing with matters related to the CBC's employees, and overseeing the payment, clearing and settlement systems. The Governor acts, *ex officio*, as the chair of the Executive Board, leads the CBC and the Executive Board, and participates, *ex officio*, as an independent person, in the Governing Council and General Council of the ECB. The other members of the Executive Board must duly take into consideration the Governor's role as a member of the Governing Council and General Council of the ECB at all times. Nonetheless, and subject to the provisions of the Treaty and the Statute of the European System of Central Banks and of the European Central Bank (hereinafter the 'Statute of the ESCB'), the Governor will inform the Executive Board of all current issues requiring its attention and provide it, where possible in practice, with information that will assist it in taking decisions and determining its policy. The Deputy Governor is to exercise all the powers of the Governor in the event of absence or temporary incapacity of the Governor, subject to the provisions of the Treaty and the Statute of the ESCB. The first draft law provides that nothing in the first draft law limits the rights afforded to the Governor by the Treaty, the Statute of the ESCB or the Governor's participation in the European System of Central Banks (ESCB) to decide whether he or she will be replaced by an alternate in the Governing Council and General Council of the ECB, and who that alternate might be. The first draft law also abolishes the post of non-executive director, of which there are currently five, as well as the Personnel Committee and Audit Committee of the CBC.

1.2.3 The first draft law provides that the Governor, Deputy Governor and the remaining members of the Executive Board are to be appointed for a single, non-renewable, term of office of eight years. The first draft law also sets out the conditions that a person must fulfil in order to be appointed and, consequently, to take up their duties. These are, inter alia, that they must hold a degree from a university or other higher education institution, be of high ethical standing, and have recognised experience in the field of banking (central, investment, commercial or other), finance or economics. A person appointed to the post of Governor or Deputy Governor must be a citizen of the Republic of Cyprus, while a person appointed as a member of the Executive Board must be a citizen of a Member State.

1.2.4 The first draft law provides that directors are to be relieved from office if they no longer fulfil the conditions required for the performance of their duties or if they are found guilty of serious misconduct. The decision regarding the dismissal of a director, as well as the imposition of a disciplinary judgment in respect of any director, can only be exercised by the Council established in accordance with Article 153(8) of the Constitution, composed of members of the Supreme Constitutional Court. In addition, the position of a director becomes vacant (a) upon the director's death, or (b) upon his or her written resignation with 30 days' prior notice.

1.2.5 The first draft law contains a number of provisions which focus on legal impediments to individuals' appointment as director of the CBC, including as Governor or as Deputy Governor. In particular, it prohibits the appointment to the position of director of any person who has already served as a

director, or who has not completed his compulsory military service (as applicable), or who has outstanding debts to the State[4].

1.2.6 In the same vein, the first draft law prohibits the appointment as a director of any person who, inter alia, (a) is an employee or representative of an international organisation (e.g. the United Nations, the Council of Europe, the Union, the World Trade Organization); (b) is an employee or representative of the public or wider public sector of any State, with the exception of a person who holds the position of professor at a university or other higher education institution (but is on leave without pay) or a person who is representing the Republic in an international monetary or economic organisation (without being a member of the Republic's civil service); (c) has been declared bankrupt (without having been discharged from such bankruptcy) or is under Court administration or is in an arrangement with creditors; (d) is subject to a judicial prohibition due to mental illness or has otherwise been declared as having impaired mental capacity; (e) has been convicted of specific offences; or (f) enters into transactions in or holds financial instruments issued by or linked to, or is bound by any employment or services contract with, or holds any position in the management of (i) any institution which is subject to the supervision of and/or licensing by the CBC or which has filed a licensing application with the CBC, (ii) any entity affiliated to an institution referred to in point (i), or (iii) any entity conducting lobbying and advocacy activities directed at the CBC. Where an appointed person obtains a financial instrument covered by the abovementioned prohibition, the first draft law requires that person to promptly notify the Executive Board and dispose of that instrument within a reasonable period.

1.2.7 The first draft law also requires that, for the duration of his or her term of office, a director must not come within any of those situations referred to in the first draft law which, if in existence at the time of the director's appointment, would have constituted a legal impediment to such appointment. Directors who find themselves in any such situation must inform the Executive Board and furnish all relevant information, which the Executive Board must communicate to the Republic's Attorney General. Moreover, after their appointment and for the duration of their term of office, (a) the Governor and the Deputy Governor must remain citizens of the Republic and members of the respective Community of which they were a member at the time of their appointment, and (b) the remaining directors must remain citizens of a Member State. Directors who find themselves in any situation that deviates from these requirements must again inform the Executive Board and furnish all relevant information, which the Executive Board must communicate to the Republic's Attorney General.

1.2.8 The first draft law sets cooling-off requirements to be followed by directors. In particular, for a period of 365 days following the end of their term of office, directors must not be hired by, enter into a services contract with, or hold any position in the management of (a) any institution which is subject to the supervision and/or licensing by the CBC or which has filed a licensing application with the CBC; (b) any entity affiliated to an institution referred to in point (a); (c) any entity providing services to an entity referred to in points (a) or (b); or (d) any counterparty to the CBC in monetary policy or

4 The first draft law clarifies that 'debts with the State' includes amounts owed to any ministry or department or independent service or other special fund of the Republic, which are deemed to be the final or established amounts in respect of which all administrative and judicial procedures for determining them have been exhausted.

foreign exchange operations. Similarly, for a period of 183 days after the end of their term of office, directors are prohibited from being hired by, entering into a services contract with, or holding any position in the management of (a) any entity conducting lobbying and advocacy activities directed at the CBC or providing services to the CBC, or (b) any payment or settlement system operator, a central counterparty or payment instrument provider that is subject to CBC oversight. During this period of 183 or 365 days, as the case may be, former directors must submit to the Executive Board on a semi-annual basis written declarations on their private financial transactions and other professional activities.

1.2.9 Moreover, the first draft law requires directors, both prior to appointment and on an annual basis after it, to submit a signed declaration of interests. Prior to appointment, the declaration must be submitted to the persons responsible for the director's appointment, and after appointment, to the Executive Board. The declaration of interests must include information about the director's previous occupational activity, private activities, official mandates and financial interests, as well as about any gainful occupational activity of the individual in question and their partner[5]. Directors must also submit a list of private financial transactions carried out during the year immediately preceding the declaration of interests, and submit information, to the best of their knowledge, about any private financial transaction (that exceeds EUR 10 000 per transaction) carried out during the year immediately preceding the declaration of interests, by (a) their partner or (b) their minor children. The declarations of interest are to be published on the CBC's website and will be without prejudice to any requirement to submit a wealth declaration under applicable rules pursuant to Cypriot law or contractual obligations. In the event of the expiration or early termination of an appointment, the last declaration of interest must be submitted within 30 days from the last day on which that person was a director. The CBC must process and retain any personal data collected in the declarations of interests in accordance with the applicable data protection legislation.

1.2.10 Further, the first draft law provides that directors must avoid any situation which may raise conflict of interest concerns. Such a concern arises where a director has personal interests[6] that may influence, or may be perceived as influencing, the impartial and objective carrying out of their duties and responsibilities and also extends to, but is not limited to, their direct family members (any parent, child, brother or sister) or partners. In particular, directors may not use their involvement in a decision-making process, or the professional information they possess, to gain personal advantage of any kind. A conflict of interest does not exist where a director is only concerned as part of the general public or a broad class of persons. Directors must disclose to the Executive Board in writing, without undue delay, any situation that may raise conflict of interest concerns and provide all necessary information. In addition, they must recuse themselves from taking part in any discussions, deliberations or votes in relation to any such situation and must not be provided with any related documentation.

1.2.11 Directors must not use confidential information for their own benefit or for the benefit of a third party, including when carrying out private financial transactions and irrespective of whether such

5 The first draft law clarifies that 'partner' means a spouse or cohabitee.

6 Article 14(2), point (a), of the first draft law clarifies that 'personal interests' means, for the purposes of Article 14(2), any actual or potential benefits, whether of a monetary or non-monetary nature.

transactions are carried out directly or via a third party, at their own risk and on their own account, or at the risk and on the account of a third party. Directors are also required to report to the Executive Board, without delay, any gainful occupational or other remunerated activities of their partners. The Executive Board has the power to require a director to dispose, within a reasonable time, of any instruments or assets which may give rise to a conflict of interest. Directors must not undertake any private financial transactions, subject to a limited number of exceptions (e.g. investment in collective investment schemes). Directors must not sell any permitted investment until one year after the date of purchase. The one-year minimum holding period will not apply if the corresponding sale transaction relates to unforeseen personal expenditures, or is to cover current or future expenses relating to non-investment purposes, or is part of a systematic and periodic investment plan which has been agreed with a credit institution or financial adviser. Directors are also prohibited from carrying out any permitted private financial transactions in the seven days before a monetary policy meeting of the Governing Council (the 'embargo period'). Directors must also give 30 days' non-retractable advance notice to the Executive Board before executing any transaction exceeding EUR 50 000, except in respect of a sale transaction related to unforeseen personal expenditures or covering current or future expenses relating to non-investment purposes. The advance notice must not be given during an embargo period. Directors may continue to hold certain financial instruments or assets that came into their possession prior to their appointment, or after their appointment in circumstances over which they had no influence. However, the sale of such financial instruments or assets, or the exercise of rights attached to them, requires the prior approval of the Executive Board.

1.2.12 The first draft law clarifies that nothing in the first draft law prohibits a director from carrying out certain acts and transactions, provided that those acts and transactions are disclosed in accordance with any requirements of any rule of law and the terms on which those acts and transactions are made are terms that are generally available to the public. These acts and transactions include the acquisition of rights and obligations with a deposit-taking undertaking, an undertaking which provides credit, or an insurance undertaking. Nothing in the first draft law prohibits directors from receiving any reward for the use of any debit card or credit card or other tangible or intangible payment method, to the extent that the entity providing the reward does so in accordance with terms that are generally available to the public. It is also clarified, for the avoidance of doubt, that directors are entitled to carry out the following transactions for private purposes: (a) purchase or sale of non-financial assets, including real estate; (b) buying or selling foreign exchange for non-investment purposes; and (c) buying or selling goods for non-investment purposes.

1.2.13 Furthermore, the first draft law revises the provision on the CBC's independence contained in the Law on the CBC by clarifying that the prohibition on receiving instructions applies to the CBC and to its directors and employees, and by requiring them to act independently and objectively in the performance of their tasks.

1.2.14 The first draft law grants the CBC the right to establish or participate in other legal persons for the purposes of the first draft law. It also grants the CBC the competence to promote financial literacy, with a view to educating or informing the public regarding the history and role, in Cyprus and

abroad, of the economy, media of exchange, financial systems, and banking (central, investment, commercial or other).

1.2.15 The first draft law provides that the CBC must not pay interest on government deposits held with the CBC, unless expressly authorised by Union law or by decisions of the ECB. It also requires the CBC to inform the Government and the Minister for Finance of certain issues of financial and macroeconomic importance.

1.2.16 The first draft law revises the provisions concerning the CBC's capital and financial statements. First, it adjusts the capital of the CBC from EUR 30 million to EUR 150 million, which is the current level of capital as stated in the 2025 Annual Report of the CBC[7]. Second, it provides that the financial statements of the CBC, as well as the summary balance sheets of the CBC, need to be adopted by the Executive Board, and provides for the publication of adopted financial statements on the CBC's website. The first draft law also provides that the CBC determines its net profit or net loss for each financial year in accordance with approved accounting principles applicable to the ESCB as laid down by the ECB. In relation to the distribution of the CBC's net profit, the first draft law provides that the Executive Board informs the Minister for Finance where it decides that a further retention of profits in favour of the General Reserve Fund as provided for in the first draft law[8] is needed.

1.2.17 The first draft law deletes a provision of the Law on the CBC that entrusts the CBC, in its capacity as the banker of the Government, with the management of the public debt of the Government, as this responsibility has been transferred to the Public Debt Management Office of the Ministry of Finance[9]. It also deletes another provision of the Law on the CBC that provides for the conversion of the CBC's claims against the Government into a long-term loan with a duration of 30 years, given that this loan was fully repaid in 2018.

1.2.18 Further, the first draft law clarifies that nothing in it invalidates or limits any obligation or duty which, from time to time, arises from Union law and binds the Republic, the CBC and/or the Governor and/or the Deputy Governor and/or any other CBC director and/or any employee and/or any person that, without being a CBC director or employee, performs duties assigned to such person by the CBC and/or any person who may act as the alternate to the Governor in the Governing Council or General Council of the ECB.

1.2.19 The first draft law contains a number of other necessary updates, such as revisions to existing definitions and the introduction of new definitions, and updates to the amounts of the relevant criminal and administrative fines that may be imposed in the context of the first draft law.

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7 The CBC Annual Report 2025 is available on the CBC's website at www.centralbank.cy.

8 Article 51 of the first draft law provides that the CBC's net profit is distributed as follows: (a) 20 % of the net profits for the relevant financial year must be transferred to the General Reserve Fund; if the General Reserve Fund falls below the capital of the CBC then, following a decision of the Executive Board, an amount not exceeding 50 % of the net profits may be transferred to the General Reserve Fund until it is equal to the capital of the CBC; (b) the balance of net profits for the corresponding financial year, after deduction of the amount referred to in paragraph (a), is transferred to the General Government Account in credit to the Consolidated Fund of the Government of the Republic, unless the Executive Board decides to retain further profits in favour of the General Reserve Fund if it considers it necessary on the basis of ensuring the continued and proper functioning of the CBC and the necessary financial independence to achieve its objectives.

9 Pursuant to the Law on the management of public debt of 2012 (Ο Περί της Διαχείρισης του Δημόσιου Χρέους Νόμος του 2012 (Ν. 195(Ι)/2012)).

1.2.20 As noted in paragraph 1.2.1, the first draft law mirrors a number of existing provisions of the Law on the CBC, with some necessary minor adaptations. These include the provisions on the monetary unit and legal tender of the Republic, foreign exchange and transactions in precious metals, the monetary functions of the CBC, transactions of the CBC with credit institutions, the macroprudential oversight of the financial system, payment, clearing and settlement systems, and submission of information.

1.3 *Purpose of the second draft law*

1.3.1 The second draft law amends the Law on the CBC for a transitional period, i.e. from the adoption of the second draft law until the entry into force of the first draft law (i.e. 1 July 2027).

1.3.2 The second draft law provides that any new appointment of a Governor, Deputy Governor or executive director will be for a term of eight years. The appointed person must hold a degree from a university or other higher education institution, be of high ethical standing, and have recognised experience in the field of banking (central, investment, commercial or other), finance or economics. A person appointed to the post of Governor or Deputy Governor must be a citizen of the Republic of Cyprus, while a person appointed as an executive director must be a citizen of a Member State.

1.3.3 Any appointment or renewal of a non-executive director during the transitional period provided for under the second draft law will remain effective only until the entry into force of the first draft law. In the event of repeal of the second draft law, and unless otherwise provided for by the repealing law, the term of office of any non-executive directors of the CBC will be automatically terminated.

1.4 *Purpose of the third draft law*

1.4.1 The third draft law amends the articles of the Constitution that concern the CBC with effect as of the end of 30 June 2027.

1.4.2 In particular, the third draft law deletes Article 119 of the Constitution, which concerns the powers and responsibilities of the Governor of the CBC. Specifically, Article 119 currently empowers the Governor, assisted by the Deputy-Governor, to administer the currency laws of the Republic, to be in charge of the management of the CBC, and to exercise all other powers and perform all other functions and duties within the fields of competences of the CBC or which have been conferred on them by law. The same article also requires the Governor to submit semi-annual reports on the state of the currency, funds and securities of the Republic to the President and Vice-President of the Republic, who ensure that such reports are laid before the House of Representatives. Similarly, the third draft law deletes Article 120 of the Constitution. This article concerns the powers and responsibilities of the Deputy-Governor. For example, it provides that the Deputy Governor must have such powers and perform such functions and duties as normally appertain to his or her office, be subject to the directions of the Governor, and act for the Governor in the event of the latter's absence or temporary incapacity to perform his or her duties.

1.4.3 The third draft law deletes the wording of Article 121, which concerns the conversion of the Issuing Bank of the Republic into a central bank, and replaces references in the Constitution to the 'Issuing Bank of the Republic' – which have become obsolete – with references to the CBC.

1.4.4 The third draft law proposes a revised Article 121 governing matters related to the new governance structure of the CBC provided for in the first draft law. It provides that the CBC is not subject to any

ministry and is responsible, inter alia and without limitation, for the application of the monetary laws of the Republic. It further provides that the Executive Board of the CBC is the supreme internal governing body of the CBC and is responsible, inter alia and without limitation, for the management of the CBC.

1.4.5 The revised Article 121 provides that the Executive Board is composed of several members, including the Governor and the Deputy Governor of the CBC. The members of the Executive Board, except the Governor and the Deputy Governor, are to be appointed jointly by the President and the Vice-President of the Republic of Cyprus, who may request the non-binding views of the Governor and the Deputy Governor. The President and the Vice-President of the Republic may jointly issue decrees in relation to, inter alia, the introduction, completion, registration or publication of declarations, forms or procedures in relation to the appointment of the members of the Executive Board (including the Governor and the Deputy Governor).

1.4.6 The Governor is, by virtue of his or her position, the chair of the Executive Board and takes precedence over everyone in the CBC and the Executive Board. No act or action of the Executive Board will be considered valid if, at the time when it occurs, the position of Governor is vacant. The Deputy Governor is, by virtue of his or her position, the vice-chair of the Executive Board and takes precedence over everyone, apart from the Governor, in the CBC and the Executive Board. Subject to any applicable provision of Union or national law, when the Governor is absent or temporarily prevented from acting, the Deputy Governor will exercise all the powers of the Governor.

1.4.7 The revised Article 121 further provides that the CBC's structures and operation are to be governed by one or more laws that may regulate, without limitation, matters relating to, inter alia: (a) the qualifications, appointment, exercise of disciplinary procedures against and dismissal of the Governor or Deputy Governor and of the remaining members of the Executive Board; (b) the appointment, exercise of disciplinary procedures against and dismissal of employees of the CBC; (c) the competences, procedures, powers, duties or services of the CBC, Executive Board, Governor, Deputy Governor, members of the Executive Board or employees of the CBC; and (d) any other matter deemed necessary and or appropriate to be settled in relation to the CBC. The remuneration and other terms of service of the members of the Executive Board (including the Governor and Deputy Governor) are to be laid down in their appointment documents and must not be adversely modified after their appointment.

1.4.8 The members of the Executive Board (including the Governor and Deputy Governor) are to be dismissed only by the Council established in accordance with Article 153(8) of the Constitution, and solely in the circumstances set out in a law governing the operation of the CBC. This Council also has the exclusive competence to exercise disciplinary judgment in respect of any member of the Executive Board (including the Governor and Deputy Governor). The Council's decisions cannot be challenged before any other organ or authority or person in the Republic, and it has the discretion to decide that, pending the conclusion of the relevant proceedings, the relevant person must abstain from his or her duties as a member of the Executive Board. Decisions to refer a member of the Executive Board to the Council are made by the Attorney General of the Republic in the light of the evidence before him or her. In such proceedings before the Council, the relevant

member has all the rights guaranteed by Article 12(5) of the Constitution to a person accused of having committed a criminal offence.

1.4.9 Finally, the revised Article 121 obliges the Governor to submit semi-annual reports on the state of the currency, capital and securities of the Republic to the President and Vice-President of the Republic, who shall ensure that such reports are submitted to the House of Representatives.

2. Observations

2.1 This opinion focuses on the provisions of the first draft law that differ from earlier versions of the Law on the CBC which the ECB has already reviewed and opined on[10]. This opinion also considers the third draft law.

2.2 *Governance structure of the CBC*

2.2.1 The ECB notes the establishment of an Executive Board and the restructuring of the CBC's decision-making structure. The introduction of a collegiate decision-making process aims at strengthening the quality of the CBC's internal deliberations with respect to the exercise of its tasks and is comparable with the regimes applicable in other jurisdictions across the Union. The ECB therefore understands that the establishment of a new collegiate decision-making body serves the purpose of greater responsibility-sharing[11].

2.2.2 The ECB welcomes the amendments to the Law on the CBC that clarify the competences of the decision-making bodies of the CBC, in line with past ECB opinions on the CBC's governance[12]. Specifically, the ECB understands that the Executive Board will be exclusively responsible for carrying out all the CBC's tasks and exercising all its powers under the Treaty and the Statute of the ESCB. The ECB further understands that the Executive Board will be responsible for carrying out the CBC's tasks in relation to the supervision of credit institutions, without prejudice to the provisions of Council Regulation (EU) No 1024/2013[13] (hereinafter the 'SSM Regulation')[14].

2.3 *Personal independence*

2.3.1 The ECB stresses that the responsibilities assigned to the Executive Board by the first draft law must be without prejudice to the responsibilities and prerogatives of the Governor as a member of the Governing Council and General Council of the ECB, in relation to which the Governor must be fully independent as regards the expression of views and the exercise of voting rights and must not accept any instructions as regards his or her participation in the meetings of the Governing Council and General Council. In this respect, the ECB takes note that the first draft law provides that the Governor participates, *ex officio*, as an independent person, in the Governing Council and General Council of the ECB, and that it requires the other Executive Board members to take duly into

10 See, in particular, Opinions CON/2012/51, CON/2013/41, CON/2013/78, CON/2018/23 and CON/2019/24. All ECB opinions are published on EUR-Lex.

11 See paragraph 2.2 of Opinion CON/2018/23.

12 See paragraphs 2.3 and 2.4 of Opinion CON/2013/41, paragraph 4 of Opinion CON/2013/78 and paragraph 2.3 of Opinion CON/2018/23.

13 Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63, ELI: http://data.europa.eu/eli/reg/2013/1024/oj).

14 See paragraph 2.3 of Opinion CON/2018/23.

consideration the Governor's role as member of the Governing Council and General Council of the ECB at all times.

2.3.2 The ECB welcomes the provision of the first draft law concerning the appointment of an alternate as a member of the Governing Council of the ECB, which is to be without prejudice to the Treaty and the Statute of the ESCB. In particular, Article 10.2 of the Statute of the ESCB and Article 4.4 of the ECB Rules of Procedure stipulate, inter alia, that, if a member of the Governing Council is prevented from voting for a prolonged period (i.e. more than one month), he/she may appoint an alternate as a member of the Governing Council[15].

2.3.3 While, in accordance with Article 14.2 of the Statute of the ESCB, national central bank (NCB) statutes must provide for a minimum term of office of five years for a Governor, this does not preclude longer terms of office. The independence of the CBC would also be at stake if the same rules for the security of tenure and grounds for dismissal of governors did not also apply to other members of the decision-making bodies of NCBs involved in the performance of ESCB-related tasks. As the ECB understands that the first draft law entrusts the Executive Board with the performance of the CBC's ESCB-related tasks, then the same rules must be applicable to all members of the Executive Board of the CBC[16]. Given that the first draft law ensures that all Executive Board members have a term of office of eight years, the ECB considers this to be in line with the rules regarding the security of tenure.

2.3.4 Furthermore, NCB statutes must ensure that governors are not dismissed for reasons other than those set out in Article 14.2 of the Statute of the ESCB, i.e. if they no longer fulfil the conditions required for the performance of their duties or have been guilty of serious misconduct. These safeguards also apply to other members of NCB decision-making bodies involved in the performance of ESCB-related tasks, especially where a governor is 'first among equals' with colleagues with equivalent voting rights, or where these other members are involved in the performance of ESCB-related tasks[17]. The ECB understands that the first draft law does not introduce any new grounds for the dismissal of directors of the CBC, including for the Governor and the Deputy Governor[18]. Furthermore, the ECB understands that a dismissal decision can only be taken by the Council established in accordance with Article 153(8) of the Constitution following its own assessment of the fulfilment of the dismissal grounds set out in Article 14.2 of the Statute of the ESCB.

2.3.5 Personal independence also entails ensuring that no conflict of interest arises between the duties of members of NCB decision-making bodies involved in the performance of ESCB-related tasks in relation to their respective NCBs (and of Governors in relation to the ECB) and any other functions which such members of decision-making bodies may have and which may jeopardise their personal independence. As a matter of principle, membership of a decision-making body involved in the performance of ESCB-related tasks is incompatible with the exercise of other functions that might create a conflict of interest. In particular, members of such decision-making bodies may not have

15 See paragraph 2.8 of Opinion CON/2018/23.
16 See paragraph 3.1.1 of Opinion CON/2018/23.
17 See paragraph 2.2 of Opinion CON/2014/51.
18 See paragraphs 1.2.4 and 1.2.6.

an office or have an interest that may influence their activities, whether through office in the executive or legislative branches of the State or in regional or local administrations, or through involvement in a business organisation. Therefore, the ECB welcomes the new provisions on the eligibility criteria for the appointment of individuals to the positions of director, Governor and Deputy Governor of the CBC, which aim to strengthen the independence of these posts[19]. These new provisions reinforce the current provisions of the Law on the CBC which require the executive directors, the Deputy Governor and the Governor to perform their duties full-time and not to take up any other employment[20].

2.4 *Financial independence*

2.4.1 The independence of an NCB, as required under Article 130 of the Treaty and Article 7 of the Statute of the ESCB, would be at stake if it could not autonomously avail itself of sufficient financial resources to fulfil its mandate (i.e. the performance of ESCB-related tasks required under the Treaty and the Statute of the ESCB)[21]. The principle of financial independence requires an NCB to have sufficient means not only to perform its ESCB-related tasks but also its own national tasks, for example financing its administration and own operations.

2.4.2 In the light of this, the ECB welcomes the adjustment of the capital of the CBC from EUR 30 million to the actual level of the capital, which is EUR 150 million. This is without prejudice to whether this adjustment is sufficient to meet the CBC's capital needs.

2.4.3 The requirement for the Executive Board to inform the Minister for Finance where it decides that a further retention of profits in favour of the General Reserve Fund is needed should be without prejudice to the consideration that decisions on the allocation of profits should be taken by the CBC's decision-making bodies themselves, independently and on professional grounds.

3. Framework of incompatibilities and conflicts of interest

3.1 *General observations*

3.1.1 As previously noted by the ECB[22], Article 130 of the Treaty and Article 7 of the Statute of the ESCB address the independence of central banks in the European System of Central Banks (ESCB)[23], stipulating that when exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB, neither the ECB, nor an NCB, nor any member of their decision-making bodies, are to seek or take instructions from Union institutions, bodies,

19 See paragraph 3.1.4 of Opinion CON/2018/23.

20 Article 17A(2) of the Law on the CBC provides that the executive directors shall perform their duties on a full-time basis and shall not undertake any other employment. and Article 19(1) of the Law on the CBC provides that the Governor and the Deputy-Governor should devote their entire time during their term of office exclusively to the service of the CBC and should not engage in any other work, profession or business.

21 See paragraph 2.3 of Opinion CON/2017/17.

22 See Opinion CON/2025/38.

23 Regarding the doctrine of the ECB as to independence and its ramifications, see the ECB's Convergence Report 2025, Section 2.2. Available on the ECB's website at www.ecb.europa.eu.

offices or agencies, from any government of a Member State or from any other body. This independence was thus entrusted to the ECB and the CBC, as an NCB, by primary law[24].

3.1.2 Based on considerations of central bank independence, and in order to ensure the independence of NCBs such as the CBC when exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB, the ECB has established an ethics framework. This includes the ECB's Code of Conduct for high-level ECB officials[25] (hereinafter the 'Single Code'), which applies, among others, to the members of the Governing Council of the ECB when exercising their functions as members of a high-level ECB body, and Guideline (EU) [2021/2253] of the European Central Bank (ECB/2021/49)[26], which is addressed to the NCBs of the Eurosystem and establishes ethics requirements applicable to the members of the decision-making bodies and staff of the NCBs[27].

3.1.3 The NCBs, as an integral part of the ESCB, must act in accordance with the guidelines of the ECB[28]. Hence, as previously noted by the ECB, any relevant national legislation is without prejudice to the ethics framework which the ECB has established in order to ensure the independence of the ECB and the NCBs when exercising the powers and carrying out the tasks and duties conferred upon them by the Treaties and the Statute of the ESCB, as both frameworks have their own scope and legal basis[29].

3.1.4 Furthermore, as also previously noted by the ECB, Article 19 of the SSM Regulation stipulates that when carrying out the tasks conferred on it by the SSM Regulation, the ECB and the national competent authorities acting within the Single Supervisory Mechanism (SSM) must act independently. Article 31(3) of the SSM Regulation furthermore requires the ECB, in cooperation with the national competent authorities, to: (a) establish and maintain comprehensive and formal procedures including ethics procedures and proportionate periods to assess in advance and prevent possible conflicts of interest resulting from subsequent employment within two years of members of the Supervisory Board; and (b) provide for appropriate disclosures. Those procedures are without prejudice to the application of stricter national rules[30]. The legal basis for these provisions of the SSM Regulation is Article 127(6) of the Treaty.

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24 See paragraph 2.1 of Opinion CON/2025/23, paragraph 2.1 of Opinion CON/2025/27, paragraph 2.1 of Opinion CON/2025/32, paragraph 2.1 of Opinion CON/2025/33, paragraph 2.1 of Opinion CON/2025/36 and paragraph 2.1 of Opinion CON/2025/38.

25 Code of Conduct for high-level ECB officials (OJ C 478, 16.12.2022, p. 3).

26 Guideline (EU) [2021/2253] of the European Central Bank of 2 November 2021 laying down the principles of the Eurosystem Ethics Framework (ECB/2021/49) (OJ L 454, 17.12.2021, p. 7, ELI: http://data.europa.eu/eli/guideline/2021/2253/oj).

27 See paragraph 2.2 of Opinion CON/2025/23, paragraph 2.2 of Opinion CON/2025/27, paragraph 2.2 of Opinion CON/2025/32, paragraph 2.2 of Opinion CON/2025/33, paragraph 2.2 of Opinion CON/2025/36 and paragraph 2.2 of Opinion CON/2025/38.

28 See Article 14.3 of the Statute of the ESCB.

29 See paragraph 2.1.4 of Opinion CON/2025/19, paragraph 2.3 of Opinion CON/2025/23, paragraph 2.3 of Opinion CON/2025/27, paragraph 2.3 of Opinion CON/2025/32, paragraph 2.3 of Opinion CON/2025/33, paragraph 2.3 of Opinion CON/2025/36 and paragraph 2.3 of Opinion CON/2025/38.

30 See paragraph 2.1.1 of Opinion CON/2025/19, paragraph 2.4 of Opinion CON/2025/23, paragraph 2.4 of Opinion CON/2025/27, paragraph 2.4 of Opinion CON/2025/32, paragraph 2.4 of Opinion CON/2025/33, paragraph 2.4 of Opinion CON/2025/36 and paragraph 2.4 of Opinion CON/2025/38.

3.1.5 In view of this independence and these requirements of the SSM Regulation, the ECB has established an ethics framework to ensure the independence of national competent authorities, such as the CBC, when assisting the ECB in carrying out the tasks conferred on it by the SSM Regulation. This ethics framework includes the Single Code, which applies, among others, to the members of the Supervisory Board of the ECB when exercising their functions as members of a high-level ECB body, and Guideline (EU) 2021/2256 of the European Central Bank (ECB/2021/50)[31], which is addressed to the national competent authorities of the SSM and establishes ethics requirements applicable to the members of their bodies and the members of staff of the national competent authorities. In view of the responsibility of the ECB for the effective and consistent functioning of the SSM[32], the national competent authorities must comply with Guideline (EU) 2021/2256 (ECB/2021/50)[33].

3.1.6 As previously noted by the ECB, in contrast to the ethics framework, which is ultimately based on Article 127(6) of the Treaty, the amendments to Directive 2013/36/EU of the European Parliament and of the Council[34] (hereinafter the 'CRD') introduced by Directive (EU) 2024/1619 of the European Parliament and of the Council[35] (hereinafter the 'CRD6'), including its provision on the supervisory independence of competent authorities[36], are based on Article 53(1) of the Treaty. A legal act based on this provision cannot alter the rights and obligations of the ECB and the national competent authorities when carrying out the tasks conferred on them by the SSM Regulation based on Article 127(6) of the Treaty. It follows from settled case-law of the Court of Justice of the European Union[37] that the different legal bases, namely Article 53(1) and Article 127(6) of the Treaty, cannot be combined as the legal basis for a legal act, in view of the different procedures involved. In particular, the measures adopted under Article 53(1) of the Treaty are adopted by the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, and after consulting the Economic and Social Committee (and, if relevant, the ECB in accordance with Articles 127(4) and 282(5) of the Treaty). By contrast, the regulations adopted under Article 127(6) of the Treaty are adopted by the Council alone, in a special legislative procedure in which

31 Guideline (EU) 2021/2256 of the European Central Bank of 2 November 2021 laying down the principles of the Ethics Framework for the Single Supervisory Mechanism (ECB/2021/50) (OJ L 454, 17.12.2021, p. 21, ELI: http://data.europa.eu/eli/guideline/2021/2256/oj).

32 See Article 6(1) of the SSM Regulation.

33 See paragraph 2.5 of Opinion CON/2025/23, paragraph 2.5 of Opinion CON/2025/27 and paragraph 2.5 of Opinion CON/2025/32, paragraph 2.5 of Opinion CON/2025/33, paragraph 2.5 of Opinion CON/2025/36 and paragraph 2.5 of Opinion CON/2025/38.

34 Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338, ELI: http://data.europa.eu/eli/dir/2013/36/oj).

35 Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (OJ L, 2024/1619, 19.6.2024, http://data.europa.eu/eli/dir/2024/1619/oj).

36 See Article 4a of the CRD as inserted by the CRD6.

37 See judgment of the Court of Justice of 29 April 2004, *Commission* v *Council*, C-338/01, ECLI:EU:C:2004:253, paragraphs 57 and 58; and judgment of the Court of Justice of 10 January 2006, *Commission* v *Parliament and Council*, C-178/03, ECLI:EU:C:2006:4, paragraphs 43 to 60.

the Council acts unanimously, after consulting the European Parliament and the ECB[38].

3.1.7 Hence, as previously noted by the ECB, the amendments made by the CRD6 are without prejudice to the ethics framework which the ECB has established to ensure the independence of the national competent authorities in the context of the SSM, as both frameworks have their own scope and legal basis. The Union legislator acknowledged this through the CRD6's amendments to the CRD, which provide that Article 4a(2) of the CRD is without prejudice to the rights and obligations of the national competent authorities pursuant to the SSM established by the SSM Regulation[39]. For the avoidance of doubt, national legislators may wish to clarify this within the text of their national legislation transposing the CRD6. From an ECB perspective, the provisions of the CRD6 may nevertheless serve as guidance for establishing safeguards for the independence of the ECB and the national competent authorities when carrying out the tasks conferred on them by the SSM Regulation[40].

3.2 *Specific observations*

3.2.1 The ECB understands that Article 65(3) of the first draft law has the effect that the first draft law taken as a whole – and in particular its provisions on the reporting of personal interests, the prohibition and management of conflicts of interests and the regulation of private financial transactions – operates without prejudice both to the Single Code and to Guidelines (EU) [2021/2253] (ECB/2021/49) and (EU) 2021/2256 (ECB/2021/50), on the one hand, and to the obligations of the Cypriot competent authorities pursuant to the SSM established by the SSM Regulation, on the other hand[41].

3.2.2 The Single Code sets limits on the establishment of post-employment relationships directly with credit institutions, 'any other financial institution' or 'any entity engaged in lobbying in relation to the ECB, or consultancy and/or advocacy for the ECB or for any institution'[42]. For the first category, the Single Code establishes a cooling-off period of one year for members and six months for alternates, while for the two latter categories it establishes a cooling-off period of six months for members and three months for alternates[43]. In contrast, under the first draft law, the categories of entities in respect of which a cooling-off period is applied extend to those listed in paragraph 1.2.8 and follow the wording of Article 4a of the CRD. From this perspective, the cooling-off regime under the first draft law appears to introduce slightly different provisions from those contained in the Single Code as regards the members of the Executive Board of the CBC, who are or may become

38 See paragraph 2.6.2 of Opinion CON/2024/21 of the European Central Bank of 21 June 2024 on a proposal for a regulation of the European Parliament and of the Council as regards certain reporting requirements in the fields of financial services and investment support (OJ C, C/2024/5048, ELI: http://data.europa.eu/eli/C/2024/5048/oj), paragraph 2.1.3 of Opinion CON/2025/19, paragraph 2.7 of Opinion CON/2025/23, paragraph 2.6 of Opinion CON/2025/27, paragraph 2.6 of Opinion CON/2025/32, paragraph 2.6 of Opinion CON/2025/33, paragraph 2.6 of Opinion CON/2025/36 and paragraph 2.6 of Opinion CON/2025/38.

39 See Article 4a(2), fourth subparagraph, of the CRD, as inserted by the CRD6. This acknowledgement refers directly to the dismissal requirements included in Article 4a(2), second subparagraph, of the CRD, as inserted by the CRD6.

40 See paragraph 2.1.4 of Opinion CON/2025/19, paragraph 2.7 of Opinion CON/2025/23, paragraph 2.7 of Opinion CON/2025/27, paragraph 2.7 of Opinion CON/2025/32, paragraph 2.7 of Opinion CON/2025/33, paragraph 2.7 of Opinion CON/2025/36 and paragraph 2.7 of Opinion CON/2025/38.

41 See paragraph 3.6 of Opinion CON/2025/32, paragraph 3.6 of Opinion CON/2025/33 and paragraph 3.1 of Opinion CON/2025/38.

42 See Articles 17.1, points (b) and (c), and 17.2, points (b) and (c), of the Single Code.

43 See Articles 17.1 and 17.2 of the Single Code.

members or alternates of the Governing Council and Supervisory Board of the ECB. In this respect, the ECB reiterates its understanding, as set out in paragraph 3.2.1, that the first draft law operates without prejudice to the Single Code[44].

This opinion will be published on EUR-Lex.

Done at Frankfurt am Main, 8 October 2026.

[signed]

The President of the ECB

Christine LAGARDE

44 See paragraph 3.4 of Opinion CON/2025/23, paragraph 3.6 of Opinion CON/2025/32, paragraph 3.6 of Opinion CON/2025/33, paragraph 3.1.7 of Opinion CON/2025/36 and paragraph 3.2 of Opinion CON/2025/38.