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Cyprus Project Finance

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This country-specific Q&A provides an overview of project finance laws and regulations applicable in Cyprus.

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Cyprus: Project Finance

1. What are the typical ownership structures for project companies in your jurisdiction? Does this vary based on the industry sector?

Project companies in Cyprus are typically established as private companies limited by shares under the Companies Law, Cap. 113 ("Companies Law"). This structure is preferred for its flexibility, shareholders' limited liability, tax efficiency and suitability for special-purpose vehicle ("SPV") arrangements. Larger projects or consortium-based undertakings may use public limited liability companies, or a multi-tier SPV holding structure segregating, for example, land ownership, licensing, and operations.

Sectoral differences may exist as follows:

- Renewable energy projects commonly adopt single-asset SPVs.
- Oil & gas / LNG / hydrocarbons projects often involve joint ventures between local and international sponsors.
- PPP / concession projects typically use a dedicated concessionaire entity governed by ministerial approvals.

Foreign ownership is permitted, subject to the new FDI Screening Law which was recently enacted and enters into force on 2nd April 2026, applying to non-EU/EEA/Swiss investors acquiring interests in strategic sectors (including energy, water, transport, defence, communications, financial infrastructure, and real estate subject to conditions).

2. Are there any corporate governance laws or accounting practices that foreign investors in a project company should be aware of?

Corporate governance in Cyprus is primarily governed by the Companies Law, complemented by English-derived common-law principles. Companies must keep accounting records that clearly present their financial position (s.141) and prepare annual audited financial statements and a directors' report (s.142), which are filed with the Registrar of Companies in accordance with statutory requirements.

A private limited liability company is managed by its

board of directors, which acts collectively unless the articles allocate specific powers to individual directors or committees. Board decisions are normally taken at duly convened meetings or by written resolutions. Directors must act in good faith, for proper purposes, and in the best interests of the company, exercising reasonable skill and care and avoiding conflicts of interest. They are also subject to specific statutory duties, including disclosure of interests in company contracts (s.191). The company secretary plays an essential administrative and compliance role, ensuring that statutory registers, filings and minutes are properly maintained, even though the position does not carry managerial authority. A sole director may act as secretary only in a single-member private company (s.171).

Non-compliance with these obligations may expose directors to civil liability and, in cases of fraud or misconduct, to criminal sanctions. Companies operating in regulated sectors face additional governance obligations. Investment funds, for example, are subject to extensive Cyprus Securities and Exchange Commission ("CySEC") regulation: they must have boards composed of fit-and-proper individuals, maintain effective management and control in Cyprus, and comply with AIFMD/UCITS-based requirements on risk management, compliance, anti-money laundering ("AML"), valuation, depositary oversight and investor reporting. Similarly, energy-sector operators are subject to licensing and ongoing reporting obligations imposed by the Cyprus Energy Regulatory Authority ("CERA").

All Cyprus companies must also comply with the beneficial-ownership disclosure regime. They are required to identify and verify their ultimate beneficial owners ("UBOs") and file this information in the national UBO Register. Although public access is restricted, the information remains available to competent authorities and obliged entities. UBO details must be kept accurate and updated promptly, and failures to comply may lead to administrative penalties.

Foreign investors should additionally take account of Cyprus's anti-tax-avoidance and transfer-pricing framework, which requires sufficient substance and genuine management and control in Cyprus for entities claiming Cyprus tax residence. As of April 2026, investments by non-EU/EEA/Swiss persons in strategic sectors (including energy, transport, water, defence,

critical infrastructure and sensitive real estate) may also trigger mandatory notification under the new national FDI screening mechanism implementing Regulation (EU) 2019/452.

Overall, Cyprus offers a transparent and internationally aligned governance environment, but one that requires consistent compliance with statutory reporting, IFRS-based accounting standards, beneficial-ownership rules and any sector-specific regulatory requirements.

3. If applicable, what forms of credit support from sponsors or host governments are typically provided?

In Cyprus, sponsor credit support in project-finance structures typically includes equity contribution undertakings, shareholder loans (often subordinated), parent-company guarantees or completion guarantees. Host-state support is less common in the form of sovereign guarantee and is always subject to state aid regulations; for concession- or PPP-based projects, the relevant public authority may provide access rights to state land, regulatory or permitting undertakings, tariff or availability payment guarantees, or other forms of contractual state support.

4. What types of security interests are available (and suitable) for a project financing in your jurisdiction? Are direct agreements used?

Under Cyprus law, a variety of security interests may be taken: fixed charges over immovable property or equipment, floating charges over a company's undertaking, pledges of shares in the project company and its holding entities, assignments of receivables and contracts by way of security, mortgages over land, and charges over bank accounts and intellectual property. Direct agreements (for example between lenders and EPC contractors, O&M operators, or off-takers) are standard in major project-finance deals. These agreements often contain step-in rights, cure provisions and consent-to-assignment obligations, thereby allowing lenders to preserve project performance and substitute counterparties where necessary.

5. How are the above security interests perfected?

Perfection of security in Cyprus depends on the type of asset. Charges created by a Cyprus company must be registered with the Registrar of Companies within 21

calendar days (or, if executed abroad, within 42 days) under sections 90 and 99 of the Companies Law. Land mortgages must also be registered in the District Land Registry. Pledges of shares in Cyprus companies, while not strictly required to be registered under the charge-registration regime, require deposit of original share certificates and appropriate annotation in the shareholders' register issuing a memorandum of registration of pledge. Best practice includes the provision of undated transfer instruments and other ancillary documents to facilitate enforcement. Assignments of contracts and receivables typically require written notice to the counterparty to be effective against third parties.

6. Please identify how security is enforced (notably the enforcement options available for secured parties) both pre and post insolvency/bankruptcy of the project company?

Prior to insolvency, lenders may appoint a receiver under a floating charge, exercise a power of sale under mortgages or other fixed security, enforce share pledges to take control of the project company, or enforce assignments of receivables.

In insolvency or winding-up, secured creditors retain priority rights provided the security was properly created and perfected. Under Cyprus law, floating charges created within twelve months of the commencement of winding-up may be vulnerable unless the company was solvent at the time of creation. Unlike fixed charges which attach immediately to specific assets, a floating charge allows the company to continue dealing with its assets and may secure past indebtedness in a manner that prejudices other creditors. Cyprus law, following English common-law principles, therefore treats such charges as potentially void unless solvency at creation is proven.

Liquidators may also challenge transactions at undervalue or preferences. Enforcement may however be undertaken through contractual "self-help" remedies, such as share pledge enforcement, appointment of a receiver or redirection of receivables, where the security instrument permits enforcement contractually, without prior court involvement.

7. What are other important considerations in relation to the security regime in the jurisdiction that secured parties should be aware of?

In addition to the formal requirements for creating and registering security, lenders should consider several

structural and practical issues inherent in Cyprus law. Cyprus follows English common-law principles of equity, and some forms of security—particularly floating charges and equitable assignments—operate within that framework. This means that the effectiveness of security may turn on the precise drafting of the instrument, the lender's level of control over the asset, and the ability to demonstrate clear intention to create security. Where the asset is contractual in nature, lenders must confirm that the governing contract permits assignment, as many commercial, energy and concession agreements require prior written consent from the counterparty or the competent authority.

Due diligence is particularly important especially given that Cyprus does not operate a unified movable-property security registry beyond the charge-registration system under the Companies Law. As a result, searches at the Registrar of Companies and, where relevant, the Land Registry, are essential but not always exhaustive; lenders must therefore rely on contractual representations, warranties and covenants regarding the borrower's unencumbered title to assets.

Intercreditor arrangements may also play a crucial role in Cyprus project finance transactions. These agreements govern ranking, enforcement, standstill obligations and turnover provisions between senior lenders, mezzanine lenders and bondholders, and are generally enforceable under Cyprus law. Where project documents are subject to foreign law, lenders must ensure that the Cyprus security package harmonises with foreign-law governed financing and that Cyprus law security remains enforceable irrespective of foreign insolvency proceedings.

Another important consideration is that certain licences, permits and concession rights—especially in energy, utilities or state-owned land—may not be freely assignable or chargeable without regulatory approval. This can limit the scope of the security package unless appropriate direct agreements or step-in rights are negotiated with the relevant authority. Although contractual “self-help” enforcement is recognised, any enforcement that involves taking possession of immovable property or removing an operator from a concession may require ancillary local processes or regulatory notifications.

Finally, lenders should further be conscious of the new FDI screening regime which may affect enforcement strategies where a non-EU/EEA/Swiss acquirer would obtain control of a strategic Cyprus asset through enforcement of security. In such cases, notification or approval may be required before a security agent or

receiver can transfer ownership to a foreign investor.

8. What key project risks should lenders be aware of in project financings in your jurisdiction? This may include, but may not be limited to, the following risks: force majeure, political risk, currency convertibility risk, regulating or permitting risk, construction/completion risk, supply or feed stock risk or legal and regulatory risk).

The general legal and regulatory framework in Cyprus is stable, predictable and reliable. Lenders should however consider regulatory and permit risk if applicable (especially for energy and infrastructure projects, where multiple approvals may be required), grid-connection risk for renewable energy, construction cost escalation and supply-chain delays, and any potential legal and/or regulatory risk in the wider EU context. Force-majeure and currency and convertibility risk may also be relevant although the latter would be limited in the context of euro-denominated projects. FDI-screening risk should be taken into consideration for non-EEA investors. Political-risk exposure is moderate given Cyprus's EU membership, but regional geopolitical tensions should not be discounted.

9. Are any governmental / regulatory consents required and are any financing or project documents requirement to be filed with any authority in order to be admissible in evidence in a court of law, valid or enforceable?

Depending on the nature of the project, governmental and regulatory approvals may be required. These may for example include planning and zoning permits, environmental-impact-assessment approvals, energy licences issued by the CERA for RES or hydrocarbon projects, concession approvals for state land or infrastructure, and—where applicable—the notification or approval of foreign direct investment under the FDI screening regime. With regard to filings, while security documentation must be registered with the Registrar of Companies and/or District Land Registry for validity against third parties, financing and project agreements themselves typically do not require filing for validity. However, regulated entities (such as funds or investment firms) must file regulatory notifications with CySEC and other authorities in accordance with applicable laws.

10. Are there any specific foreign exchange, royalties, export restrictions, subsidies, foreign investment, that are relevant for project financings (particularly in the natural resources sectors)?

Cyprus maintains a liberal foreign-exchange regime: there are no exchange controls, and project companies may freely repatriate dividends, interest and principal abroad, subject only to standard AML/KYC rules.

Royalties paid to non-residents are generally free of withholding tax unless the underlying right is used in Cyprus, in which case domestic WHT may apply (typically treaty-reduced). There are no restrictions on maintaining foreign-currency accounts or on inward or outward investment flows.

In the natural-resources sector, hydrocarbons activities are governed by the Hydrocarbons Law and associated licensing regulations. Fiscal terms—including royalties and profit-sharing—are set contractually in the exploration or production-sharing agreement. Export of hydrocarbons is regulated through licence conditions and applicable EU export-control frameworks, particularly for dual-use goods, rather than through standalone national export controls. Energy-transition and infrastructure projects may access national or EU-funded subsidy schemes, but all support must comply with national and EU State-aid rules.

The new Foreign Direct Investment Screening Law of 2025 represents a significant shift in Cyprus's traditionally open investment regime. Effective 2 April 2026, it introduces a mandatory notification and standstill requirement for foreign investors from non-EU/EEA/Swiss jurisdictions acquiring, directly or indirectly, 25% or more of the voting rights, capital or effective control of a "strategically important undertaking," or increasing an existing holding above 25% or 50%. The concept of strategic undertakings is defined broadly and covers energy, hydrocarbons, electricity and gas networks, water and waste systems, transport and logistics, critical digital infrastructure, financial market infrastructure, health, defence-related activities, and strategically located real estate.

The review focuses on security, public order and resilience of critical infrastructure, with the Ministry of Finance acting as the central authority. The screening process may result in clearance (with or without conditions) or prohibition in exceptional cases, and a transaction completed without clearance is legally ineffective and may attract administrative sanctions. For project financings, this means investors, lenders and

sponsors must assess early whether the project company or asset falls within the scope of the regime, incorporate FDI approval as a condition precedent, and build appropriate long-stop dates and covenants into the financing structure. The FDI regime also has implications for enforcement of security, as a transfer of control to a non-EU lender, receiver or purchaser through enforcement may itself require prior notification or approval.

11. Please set out any specific environmental, social and governance issues that are relevant. For example, are project companies subject to certain ESG laws, reporting requirements or regulations?

Cyprus adheres to EU ESG frameworks, including the Corporate Sustainability Reporting Directive (CSRD) and the EU Taxonomy Regulation. Project companies must comply with environmental-impact assessment laws, industrial-emissions regimes, water and waste legislation. Lenders increasingly require ESG-linked covenants, dedicated ESG reporting, compliance with safety and labour-standards, and alignment with long-term sustainability objectives. ESG diligence should therefore cover the full life-cycle of the project: development, construction, operation and decommissioning.

12. Has any public-private partnership models or laws been enacted in the jurisdiction, and if so, are they specific to certain industry sectors?

Although Cyprus does not have a dedicated standalone PPP law, PPPs and concessions are typically implemented via the Public Procurement Law and project-specific concession agreements approved by the Treasury and relevant ministries. These arrangements mirror the risk-allocation frameworks seen in European jurisdictions. Procurement, performance monitoring and default-remedy frameworks are embedded in the underlying concession contract rather than in a general PPP legislation.

13. Will foreign judgments, arbitration awards and contractual agreements to arbitrate be upheld?

The enforcement of EU civil and commercial judgments in Cyprus is governed by the Brussels I Recast Regulation (Regulation (EU) 1215/2012), which establishes

harmonised rules on jurisdiction and the automatic recognition and enforcement of judgments across EU Member States. Subject to narrow exceptions, an EU judgment is enforceable in Cyprus without any exequatur procedure, and the Cyprus courts do not review the merits of the underlying dispute. The Regulation also strengthens the effectiveness of choice-of-court agreements and streamlines the handling of parallel or related proceedings within the EU.

As an EU Member State, Cyprus therefore offers a predictable and efficient framework for cross-border enforcement, with lenders and sponsors benefiting from the ability to enforce EU judgments through a largely administrative process supported by standardised certificates. This significantly reduces enforcement risk in cross-border financings and ensures that judgments obtained in any other EU jurisdiction can be relied upon in Cyprus with minimal procedural formalities.

For judgments originating outside the European Union, recognition and enforcement in Cyprus is governed by a combination of international treaties, statutory regimes and common law principles, depending on the country of origin. Where a bilateral or multilateral treaty exists between Cyprus and the state in which the judgment was issued, recognition and enforcement will be effected in accordance with the provisions of that treaty. Cyprus has entered into a number of bilateral treaties on the reciprocal recognition and enforcement of judgments, including with several Eastern European and third-country jurisdictions. Cyprus is also a contracting state to the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters, as ratified by Law No. 11/76. Accordingly, judgments issued by courts of other Contracting States may be recognised and enforced in Cyprus pursuant to the Convention, subject to the conditions and grounds for refusal exhaustively set out therein.

In addition, in the absence of any applicable treaty or statutory framework, Cypriot courts retain the power to recognise and enforce foreign judgments under common law principles. As a matter of general principle, a foreign judgment will be enforceable at common law if it is final and conclusive, issued by a court of competent jurisdiction and not contrary to Cypriot public policy. In all these cases, the Cyprus courts do not re-examine the merits of the underlying dispute but confine their review to issues of jurisdiction, finality, and procedural fairness.

Cyprus is also a party to the New York Convention, and arbitral awards—whether institutional or ad hoc—are readily enforceable subject only to the limited Convention-based grounds for refusal, such as invalidity

of the arbitration agreement, breach of due process, excess of mandate or public-policy concerns. The Cyprus courts adopt a strongly pro-enforcement approach to international arbitration, and the relevant domestic framework under the International Commercial Arbitration Law (Law 101/1987) aligns closely with modern UNCITRAL principles. As a result, both foreign court judgments and arbitral awards can be enforced in Cyprus with a high degree of predictability and procedural efficiency.

14. Is submission to a foreign jurisdiction and waiver of immunity effective and enforceable?

Yes. Parties may validly select foreign governing law or foreign jurisdiction by contract; Cyprus courts will generally recognise and give effect to such choices provided the agreement is clear and public-policy is not contravened.

15. Please identify what you consider to be (a) the key current issues for project financing in your jurisdiction; and (b) any emerging trends or topics which should be considered or focused on by project financing stakeholders in this jurisdiction.

The Cyprus project-finance market continues to evolve, with activity predominantly concentrated in tourism-related assets, including hotel developments, resort refurbishments, mixed-use projects, marinas and leisure facilities, as well as commercial real estate, such as shopping malls, retail parks, office complexes and logistics hubs. Other active areas include student accommodation, private healthcare facilities, education campuses and large-scale residential-commercial mixed developments, particularly in coastal and urban centers.

Financing structures are becoming more sophisticated, with hybrid models combining traditional bank lending, private credit and sponsor equity increasingly common, particularly for mid-market hotel and commercial developments. In the tourism and hospitality sectors, lender due diligence increasingly concentrates on the legal robustness of hotel management and franchise arrangements, including term, termination rights, step-in provisions and the assignability of management agreements upon enforcement. For retail, shopping-mall and mixed-use developments, bankability is closely linked to the legal structure of lease arrangements and tenant diversification. From a security and enforcement standpoint, emphasis is placed on the enforceability of

assignments of rental income, direct agreements with key tenants and the ability to maintain operational control following an event of default.

From a legal perspective, lenders must carefully assess regulatory and land-use risk, particularly where projects involve tourism zoning, coastal development, listed buildings or state land. Permitting processes in Cyprus are often sequential and can be protracted, making robust conditions precedent, longstop dates and termination protections critical. Where projects involve hotel management agreements, retail anchor tenants or concession-type arrangements, lenders focus closely on assignment rights, step-in provisions and consent requirements, ensuring these are adequately addressed through direct agreements.

Security and enforcement considerations remain important. While Cyprus offers a well-developed security regime over immovable property and shares, enforcement over operational assets may require ancillary approvals, particularly where regulated activities or strategic real estate are involved.

Overall, the Cyprus project-finance landscape is characterised by continued growth in tourism and commercial real estate, increasing lender sophistication, and a gradual shift toward mixed-use, experience-driven and destination-oriented developments, all of which materially influence financing structures, risk allocation and legal documentation in the jurisdiction.

16. Please identify in your jurisdiction what key legislation, subsidy regimes or regulations have been implemented (or will / plan to be) for projects in connection with the energy transition and/or specific projects due to energy security?

In Cyprus, the key legislation and support regimes relevant to energy-transition and energy-security projects include:

Promotion and Encouragement of Renewable Sources of Energy Use and Energy Saving Law 112(I)/2013, which underpins the national RES and energy-efficiency support schemes administered through the RES and Energy Conservation Fund.

Hydrocarbons (Prospection, Exploration and Exploitation) Law 4(I)/2007 and related regulations, forming the legal framework for offshore exploration and production and remaining central to energy-security-driven upstream gas projects.

The Integrated National Energy and Climate Plan (NECP) 2021–2030, updated in 2024, which sets national policy for renewables, efficiency, storage, alternative fuels and security of supply.

The Cyprus Recovery and Resilience Plan 2021–2026 under the EU Recovery and Resilience Facility and REPowerEU, which finances RES deployment, energy-efficiency upgrades, energy-storage schemes, grid-modernisation projects (including the EuroAsia Interconnector), and electromobility/alternative-fuel initiatives.

Additional measures, including biofuel-blending obligations and emerging frameworks for storage, flexibility and sustainable fuels, which support both decarbonisation and security-of-supply objectives.

These instruments collectively constitute Cyprus's core framework for energy-transition and energy-security projects.

17. Please identify if there are any material tax considerations which need to be taken into account for a project financing in your jurisdiction, and if so, how such tax issues can be mitigated.

Key tax considerations in Cyprus project financing include the 12.5% corporate income tax, the absence of general withholding tax on interest paid to non-resident lenders (subject to defensive rules and documentation requirements for certain payments to associated entities in low-tax / blacklisted / non-cooperative jurisdictions), and the ability to structure shareholder funding through notional interest deduction (NID)-qualifying equity to enhance tax efficiency. Cyprus applies transfer-pricing rules aligned with OECD standards, requiring arm's-length pricing for related-party loans, shareholder loans and sponsor support instruments with updated thresholds for TP documentation (including for financing transactions). For interest income, the recent tax reform clarifies that interest accruing to companies is taxed under the Income Tax Law (CIT) and is generally exempt from Special Defense Contribution (SDC), while interest accruing to individuals remains within the SDC framework.

Stamp duty has been abolished as from 1 January 2026, reducing execution/bring-into-Cyprus friction for finance documents.

18. What types of funding structures (e.g. debt, equity or alternative financing) are typical for project financing in your jurisdiction. For example, are project bond issuances, Islamic finance and – in the context of mining deals – streams or royalties, seen as attractive (and common) options for stakeholders? Are you seeing private credit in project financing in your jurisdiction or other alternative financiers? If so, what types of projects are they looking to finance and what are the key structuring issues of such financings?

Project financings in Cyprus are traditionally structured through a mix of senior secured debt, subordinated shareholder loans and equity contributions channelled through an SPV. Senior debt is usually provided by local or international commercial banks, often on a club-deal basis, with maturities aligned to project cash flows. Subordinated shareholder loans are common to bridge funding gaps and optimise tax efficiency, and may be stapled to sponsor support undertakings or completion guarantees.

Project bonds are possible under Cyprus law but remain relatively uncommon due to market size and the absence of a deep domestic institutional investor base. They may nevertheless be used in large energy or infrastructure schemes, particularly where foreign institutional investors participate. Islamic finance is not widely used, but there is no legal prohibition on Sharia-compliant instruments being structured under Cyprus law through asset-based or contract-based arrangements. Streaming and royalty arrangements are unusual, mainly because Cyprus does not have a significant mining sector; however, equivalent cash-flow-based instruments could be deployed for energy-transition or renewable-energy portfolios if contractually structured.

Private credit and alternative debt funds have become increasingly active in Cyprus, particularly in mid-market renewable-energy, data-centre and infrastructure projects. Their involvement typically centres on unitranche structures, mezzanine financing, bridge-to-refinance facilities, and construction-to-term solutions. Key structuring considerations include intercreditor arrangements, debt-service reserve accounts, cash sweeps, tight covenants and robust security packages, particularly in light of local permitting and grid-connection risks. Private credit lenders also place heightened emphasis on ESG compliance and security-enforcement mechanics due to Cyprus's developing FDI-screening framework.

19. Please explain if there are any regional development banks or export credit agencies, and if so, what is their role in project financing in your jurisdiction and beyond.

Cyprus does not have a statutory national development bank comparable to those found in other jurisdictions. The Cyprus Development Bank (cdb Bank), originally established in 1963 as a development institution, now operates primarily as a commercial bank and does not function as a state-mandated development lender under a dedicated legislative framework.

In practice, international and regional multilateral development banks play a significant role in Cyprus project finance. The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) have supported major renewable-energy, energy-efficiency, water-infrastructure and digital-infrastructure projects through senior loans, guarantees and blended-finance structures.

Export credit agencies (including Euler Hermes, UKEF, SACE, Eksfin and CESCE) may also be involved in Cyprus project financings, particularly where contractors or equipment suppliers originate from their home jurisdictions. Their involvement typically enhances bankability through guaranteed facilities or insurance-backed tranches, in line with established international project financing practice.

Where multilateral development bank or export credit agency is utilised, transactions must comply with applicable EU State-aid rules, the Cyprus procurement framework and, where state assets are involved, the approval requirements of the Treasury and the competent ministry where public entities, concessions or state-owned assets are concerned.

20. Please explain if there are any important insurance law principles or considerations in connection with any project financing in your jurisdiction.

Insurance arrangements in project financings must be placed through insurers and intermediaries authorised or registered under the Insurance and Reinsurance Business and Other Related Issues Law of 2016 (as amended) and supervised by the Insurance Companies Control Service (ICCS). While Cyprus law prescribes certain compulsory classes of insurance under separate statutes, the specific project-related coverages typically required in project finance transactions are not mandated by statute but are

driven by customary international project-finance practice and lender requirements. Typical policies include construction all-risks (CAR), third-party liability, property damage, business interruption, employer's liability (mandatory), environmental liability (mandatory in some sectors), and specialised cover such as DSU/ALOP (delay in start-up).

From a legal perspective, finance documents typically require lenders to be named as first-loss payees, additional insureds and mortgagees, and to benefit from non-vitiating and waiver-of-subrogation clauses. Cyprus law recognises assignment of insurance proceeds by way of security, and such assignments must be notified to the insurer to be effective against third parties. Insurance must be placed either with insurers authorised in Cyprus or with EU insurers passporting their services into Cyprus; non-EU insurers may only participate through reinsurance or where the insured qualifies as a permitted large-risk exemption. Lenders should also ensure that the project's insurance programme remains compliant with ICCS solvency and regulatory requirements throughout the term of the financing.

21. Please explain if there are any issues with

entering into any hedging arrangements in this jurisdiction.

There are no material legal impediments to entering into derivatives or hedging arrangements under Cyprus law. Hedging is commonly used in project financings to mitigate interest-rate and, where relevant, currency-exchange risks. Derivatives may be entered into under ISDA Master Agreements, which are recognised and enforceable in Cyprus. Cyprus has implemented the relevant EU regulatory frameworks, including EMIR, MiFID II and SFTR, meaning that project companies and hedging providers must comply with clearing, reporting, risk-mitigation and collateral requirements where applicable.

Security can be granted over hedge positions, and close-out netting provisions are enforceable under Cyprus's Financial Collateral Arrangements Law, No. 43(I) of 2004, as amended, which reflects the Directive 2002/47/EC on Financial Collateral Arrangements. The main practical issues concern ensuring alignment between the hedging arrangements and the common terms agreement and confirming that any early-termination amounts rank consistently with the financing structure under the intercreditor arrangements.

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