

Cyprus: An attractive, promising forum for dispute resolution



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Cyprus has emerged as a promising, prominent destination for business and litigation alike. Nowadays, when it comes to the strategic selection of jurisdiction, Cyprus is considered one of the key players in international dispute resolution and in international corporate structuring.

The key factors and aspects that enhance its attractiveness are: its favourable and attractive legal framework, based on the principles of common law and equity, which is under continuous modernisation; its access to and influence from the contemporary European legal system; and the easy access to the national courts of countries that are Member States of the European Union. Key legislative reforms/amendments have been recently enacted, and are continuously under review and modernisation, strengthen the position of Cyprus as an appealing choice for litigants seeking a favourable forum for the resolution of their disputes.

This article explores the key factors and aspects that render Cyprus an attractive choice for persons seeking a suitable and desirable jurisdiction, both for conducting business and for litigation proceedings.

Territorial competence/jurisdiction

Due to the recent legislative amendment of the previously outdated Articles 21 and 32 of the Courts of Justice Law of 1960 (Law 14/60), the Cypriot courts' jurisdictional powers and discretion were considerably widened. Cyprus courts' power to issue interim provisional/protective orders is now significantly extended: the previous strict requirements of the existence of substantive dispute in Cyprus or the respondent's domicile in Cyprus are now shelved by a much broader condition. Now, to obtain an interim provisional/protective order, it is sufficient to merely establish a link to Cyprus, such as the existence of assets within the jurisdiction or some other benefit for litigants seeking the court's protection and assistance.

The Cyprus district courts are now expressly designated as competent courts in all cases where none of the parties is resident in Cyprus, or where the jurisdiction of the Cypriot courts arises under EU, international or private international law and/or any legislation in force in the Republic of Cyprus, including pursuant to the provisions of the newly introduced Civil Procedure Rules of 2023 and/or the common law. Where none of the district courts has territorial jurisdiction in the traditional sense, the District Court of Nicosia has been designated as the court that can handle any relevant matter.

Standalone injunctions and interim injunctions

The common-law courts' traditional reluctance to grant standalone injunctions, derived from the old English Case *Siskina v Distos Compania Naviera SA*, has been disposed of in Cyprus. With the enactment of the Civil Procedure Rules of 2023, the Cypriot courts now have the codified power to issue so-called 'standalone' or 'freestanding' injunctions in cases where there is no substantive

claim before the Cyprus courts at the time of the filing of the application for the issuance of the interim orders. In particular, Rule 25.4 of the Civil Procedure Rules of 2023 provides that interim relief may be requested in relation to judicial proceedings that are or will be taking place outside the jurisdiction, or arbitration proceedings which are or will be held in Cyprus or abroad. The benefits of these injunctions, allowing claimants to seek urgent relief without necessarily initiating substantive proceedings within Cyprus, speak for themselves. This legal tool is particularly valuable in cross-border disputes, asset protection/recovery cases, and matters requiring immediate judicial intervention.

This reform added to the already famous advantage that Cyprus jurisdiction offers, which has solidified its reputation as a strategic litigation hub; the Cyprus' courts power to grant interim relief, even worldwide freezing orders, in contrast to other legal systems that do not enable the parties to obtain such interim injunctions.

EU membership and participation in international treaties

As a member of the EU, Cyprus provides access to EU regulations and directives which concern, inter alia, service of documents, choice of law, jurisdiction, and recognition and enforcement of judgments across EU Member States. The obligation of Cyprus to implement in its legal system all European regulations and directives offers not only uniformity but also speed when it comes to the adoption of measures on the basis of specific and defined procedures to which the Member States can resort. A noteworthy example of this efficiency is the fact that service of judicial and extrajudicial documents in Cyprus can be effected by private process servers, as Cyprus has not objected to such method of service in key international conventions or treaties. Hence, service can be effected within days, 'circumventing' the Central Authorities, which take considerable time to effect service.

The newly enacted Civil Procedure Rules of 2023 also reflect the advantages of speed and uniformity. In particular, according to the CPR Rules of 2023, in cases where the EU Regulation no 1393/2007 (on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters) or Regulation no 1215/2012 (on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters), no permission or leave of the court is required for service out of jurisdiction in EU Member States (see Rule 6.7 of the Civil Procedure Rules of 2023). Conversely, in order for service in non-EU countries to be lawfully effected, the prior leave/order of the court is required. This uniformity eliminates the need for additional legal proceedings in other EU countries, reducing costs and procedural delays.

Additionally, the participation of Cyprus in international treaties, both multi-lateral and bilateral, has the same positive impact and it further ensures predictability and legal certainty, making Cyprus an appealing jurisdiction for dispute resolution.

Another advantage of choosing Cyprus as a forum is the fact that, in the absence of any agreement at either European or international level, there is the possibility of recourse to/application of the detailed and specialised common law, including relevant case law. Cyprus boasts a common law legal system, heavily influenced by English law, thus making Cyprus attractive to international businesses and legal practitioners.

Arbitration and alternative dispute resolution

Cyprus' well-developed arbitration framework aligns with international best practices. The United Nations Commission on International Trade Law (UNCITRAL) Model Law and the New York Convention (to which Cyprus is a signatory) were adopted by the Cyprus legislature, thus ensuring the uniformity and enforceability of arbitral awards. With the recent amendment of the International Commercial Arbitration Act of 1987 (101/1987), it is no longer necessary to produce a duly authenticated original or certified copy of the arbitration agreement, nor certified translations thereof, to have an arbitral award recognised and enforced in Cyprus..

With this amendment, the procedure for the recognition and enforcement of arbitral awards before the Cypriot courts has been simplified, since the domestic legislation now provides for more favourable requirements than those provided in the New York Convention. This amendment enhances flexibility, making Cyprus an even more attractive jurisdiction for dispute resolution.

Tax benefits and corporate incentives

Cyprus is also known for the several tax benefits and corporate incentives it offers. These have already rendered it and will enable it to maintain its status as a favourable tax regime. It has acceded to several multilateral and bilateral double tax treaties and codified their provisions, which allows multinational entities a significant reduction of their tax burdens. Another significant tax benefit of Cyprus, which renders it attractive for cross-border transactions or international businesses and corporate structures, is that dividends earned in Cyprus are tax-, interest- and royalties-free.

Conclusion

Cyprus' robust legal system, which continuously evolves and develops, its advantageous tax policies and its EU membership have solidified its position as one of the key players in the international litigation game and in international corporate structuring. The recent legislative amendments of the Cyprus Courts Law of 1960 (Law 14/60) and International Commercial Arbitration Act of 1987 (101/1987) and the enactment of the modernised Civil Procedure Rules of 2023 have provided the Cypriot courts with unprecedented powers, further enhancing Cyprus as a key jurisdiction for litigation and arbitration proceedings, and rendering Cyprus the apparent forum choice. Cyprus' legal system, and the way it evolves, promises that it will be a premier choice for forum shoppers for many years.



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