

**ANNEX VII: TREATMENT OF PROPERTY AFFECTED BY
EVENTS SINCE 1963**

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Part I: GENERAL ARTICLES

Article 1 *General provisions*

1. The provisions in this Annex and its attachments deal with *properties* which were affected as a consequence of intercommunal strife, military action or the unresolved division of the island between December 1963 and entry into force of the Foundation Agreement and introduces an extraordinary regime to deal with these *properties*. The provisions in this Annex and its attachments will continue to apply to such *properties* until all matters covered by these provisions have been closed by the Property Board or the Supreme Court.
2. Terms used in this Annex and its attachments are defined in Attachment 1.
3. Provisions of this Annex and its attachments shall be referred to hereinafter as 'these provisions'.

Article 2 *The Cyprus Property Board*

These provisions, unless otherwise stated, shall be implemented by the Cyprus Property Board and its divisions: the Claims Bureau, the Cyprus Housing Bureau and the Compensation Bureau. Its composition, powers and procedures, as well as the obligations of the federal government and the constituent states in relation to it, are further regulated in Attachment 2.

Article 3 *Property in areas subject to territorial adjustment*

Property located in areas subject to territorial adjustment is regulated by Attachment 4. Where there are no specific provisions in Attachment 4, the other provisions of this Annex shall apply.

Article 4 *Religious sites*

1. The Churches and Evkaf shall be entitled, without exception and within three years of entry into force of the Foundation Agreement, to *reinstatement* of any *affected property* owned by them which was used as a *religious site* in 1963 or 1974.
2. This Article shall not limit the right of Churches and Evkaf to claim compensation in lieu of *reinstatement* for any *affected property* under these provisions.

Part II: REGULATION OF EXERCISE OF PROPERTY RIGHTS

Article 5 *Suspension of dealings, proceedings or alterations with respect to affected property*

1. Any transaction, dealing, or any proceeding in any court or legal or administrative body in Cyprus, or any physical alterations (apart from minor or emergency maintenance), with respect to any *affected property* shall be suspended or prohibited upon entry into force of the Foundation Agreement, until the Property Board:
 - a. Authorises such dealing, proceeding or physical alteration to continue or occur;
 - b. Refers the dealing or proceeding to another competent court or authority; or
 - c. Makes a final determination in relation to the *property*.
2. Bearing in mind that the Foundation Agreement provides a domestic remedy for the solution of all matters related to *affected property*, the United Cyprus Republic shall, pursuant to Article 37 of the 1950 European Convention for the Protection of Human Rights and Fundamental Freedoms, and invoking the fact that the Foundation Agreement is providing a domestic remedy for the solution of all questions related to *affected property*, inform the European Court of Human Rights through the letter in Attachment 5 that the United Cyprus Republic shall therefore be the sole responsible State Party and request the Court to strike out any proceedings currently before it concerning *affected property*, in order to allow the domestic mechanism agreed to solve these cases to proceed.

Article 6 *Claims and applications*

1. A *dispossessed owner* shall be entitled to claim compensation for his/her title to *property* or the *reinstatement* of his/her *property*.
2. *Current users* of affected *properties* who are themselves *dispossessed owners* or persons who own *significant improvements* to affected *properties* may apply to receive title to such *properties*.
3. *Current users* of *properties* to be reinstated may apply to benefit from the special measures detailed in Attachment 3.
4. All such claims and applications shall be made to the Property Board within the time limit specified and shall be processed and determined in accordance with these provisions.
5. All payments required as a condition for the transfer of title or *reinstatement* shall be made to the Property Board within three years of the relevant decision of the Property Board, unless the decision specifies

an earlier date. Transfer of title or *reinstatement* shall not take effect until all stipulated payments are made in full. Failure to make payments within the specified period may result in loss of or modifications to rights with respect to the *property*.

Article 7 *Liability for damage*

Persons responsible for serious damage to or destruction of *properties* after 11 November 2002 shall be liable to the *dispossessed owner* and/or the Property Board for the cost of the damage up to the *market value* of the *property*. In addition, the Property Board may fine such persons and take other punitive measures, including modifying decisions previously made in their favour.

Section A: Compensation

Article 8 *Entitlement to full and effective compensation*

1. Any *dispossessed owner* shall be entitled to claim full and effective compensation as determined by the Property Board in accordance with international standards (hereinafter referred to as "compensation") in exchange for transfer of title to the *affected property* to the Property Board.
2. Entitlements to compensation shall be assessed and paid by the Property Board at *current value*, unless otherwise specified in these provisions.
3. Compensation shall be paid in the form of both compensation bonds and property appreciation certificates drawn on a compensation fund. The establishment of the Compensation Fund, issuing and use of bonds and property appreciation certificates shall be regulated by the provisions in Attachment 2.
4. *Dispossessed owners* of *properties* which, according to the following provisions, are not reinstated, shall be entitled to compensation.

Article 9 *Property owned by institutions*

Title to affected *properties*, other than *religious sites*, which are owned by *institutions* shall be transferred to the Property Board in exchange for compensation.

Article 10 *Property used for public benefit purposes*

Title to an *affected property* which is being used for a purpose in the public benefit upon entry into force of the Foundation Agreement which objectively justifies compulsory acquisition shall be transferred to the federal government or the relevant constituent state in exchange for payment of the *current value* by the relevant authority to the Property Board.

Article 11 *Property required for military purposes*

Title to any *affected property* which is specified in the Additional Protocols to the Treaty of Alliance, or any attachment thereto, as being required for military purposes shall be transferred to the constituent state in which it is located, in exchange for payment of the *current value* by the relevant constituent state to the Property Board.

Article 12 *Property currently used by dispossessed owners*

1. A *dispossessed owner* who is the *current user* of an *affected property* of similar *current value* to a *property* of which s/he was dispossessed and has been using the *affected property* on a continuous basis for at least ten years, may apply to the Property Board to receive title to that *property* in exchange for title to the *property* of which s/he was dispossessed.
2. The application shall be granted if the *current value* of the *affected property* is no greater than 50% more than the *current value* of the *property* of which s/he was dispossessed.
3. If the *current value* of the *affected property* is more than 50% greater than the *current value* of the *property* of which the *current user* was dispossessed, the Property Board shall assist the *dispossessed owner* and the *current user* to reach an amicable agreement. If this fails, the Property Board may grant or refuse the exchange, taking into account the arguments of both sides, or partition the *property* as appropriate.
4. If the *current value* of the *affected property* is less than that of the *property* of which the *current user* was dispossessed, s/he may claim compensation for the difference in value.
5. If the *current value* of the *affected property* is more than the *current value* of the *property* of which the *current user* was dispossessed, s/he shall pay the difference to the Property Board prior to the transfer of title.

Article 13 ***Property currently used by subsequent purchasers from dispossessed owners***

1. Any purchaser (or his/her successors in title) of an *affected property*, which was assigned to a *dispossessed owner* (hereinafter "the vendor") and was of a similar *current value* to a *property* of which the vendor was dispossessed, shall have the same rights and obligations as the vendor would have had according to Article 12 with respect to the *affected property*, provided that s/he and the vendor and any predecessors in title have collectively been *current users* of the *affected property* on a continuous basis for at least ten years. Title to the *property* of which the vendor was originally dispossessed shall be transferred to the Property Board. If the *current value* of the *affected property* is less than that of the *property* of which the vendor was originally dispossessed, the vendor may claim the difference in compensation.
2. The above provision does not apply if the Property Board cannot obtain title to the *property* of which the vendor was dispossessed because the vendor has already legally disposed of it.

Article 14 ***Significantly improved property***

The owner of a *significant improvement* to an *affected property* may apply to receive title to that *property*, in exchange for payment of the *current value* of the *affected property* without the improvement. The Property Board shall order transfer of title after payment of compensation to the *dispossessed owner* at the *current value* for his/her interest in the *property*.

Section B: Reinstatement into possession

Article 15 ***Eligibility for reinstatement***

Affected *properties* which do not fall into the above categories shall be eligible to be reinstated.

Article 16 ***Agreed levels of reinstatement***

1. Any *dispossessed owner* (other than an *institution*) is entitled to *reinstatement* of his/her *affected property* within the limits of his/her *reinstatement entitlement*. To this effect, s/he may elect any of his/her *affected property* which is eligible for *reinstatement*.
2. If the *reinstatement entitlement* is not sufficient to permit the dispossessed owner to be reinstated in a dwelling which s/he owned when it was built or in which s/he lived for at least ten years, the

dispossessed owner will be entitled to reinstatement of the dwelling and up to one *donum* of the adjacent land area of which s/he was dispossessed. If the *affected property* of a *dispossessed owner* has been distributed or sub-divided since dispossession, this special rule only applies to the aggregated *reinstatement entitlements* of all the successors in title as though a single claim was being made by the original *dispossessed owner*. Should such *dispossessed owner* voluntarily defer to a *current user*, s/he shall be entitled to the options under paragraph 4 for the same size and value of *property* to which s/he could have been reinstated under this paragraph.

3. If the dispossessed owner elects to be reinstated to a dwelling which s/he has not built and in which s/he did not live for a period of at least ten years and which has been used by the same *current user* for the last ten years, the Property Board shall use its discretion, taking into account all relevant factors, in deciding whether to grant reinstatement. Should the Property Board not grant reinstatement of such a dwelling, the *dispossessed owner* shall choose another of his/her affected properties eligible for reinstatement. In the absence of such eligible property, the following paragraph shall apply.
4. If the *reinstatement entitlement* is larger than the area or the value of a *dispossessed owner's affected property* which is eligible for reinstatement, or if the *dispossessed owner* who would be eligible for reinstatement under paragraphs 1, 2 or 3 of this Article voluntarily defers to the current user, such owner may:
 - a. sell his/her *reinstatement entitlement* to another dispossessed owner from the same municipality or village;
 - b. exchange his/her *reinstatement entitlement* for a property in the same village or municipality of his/her choosing from among the holdings of the Property Board, or if no equivalent land is available, in a neighbouring village or municipality; or
 - c. receive compensation and buy *property* of equivalent size and value in the same village or municipality;provided s/he was displaced after his/her 10th birthday.
5. Agricultural land shall not be reinstated if this warrants a sub-division into plots of less than five *donums*, or less than two *donums* for irrigable land. The Property Board shall regulate and decide the minimum size for reinstatement of other plots of land.³⁰
6. If the *reinstatement entitlement* does not allow the reinstatement of a dwelling or the minimum size of agricultural plots, the dispossessed owner may sell his/her *reinstatement entitlement* to another dispossessed owner from the same municipality or village or may elect to receive compensation for it.

³⁰ **Observation:** Buildings which have a single owner, other than corporations, the shareholders of which hold shares that related to separate and self-contained tenements used for their own purposes, shall not be subdivided for the purposes of reinstatement.

7. Purchased *reinstatement entitlements* can be aggregated with other *reinstatement entitlements* from the same municipality or village and used to obtain property in that municipality or village.
8. These limitations shall not apply to reinstatement of *religious sites*, or to properties eligible for reinstatement which belong to *dispossessed owners* who, within six years of entry into force of the Foundation Agreement, make use of their unlimited right of return and establishment of residence in villages which were predominantly inhabited by Maronites in 1974 or the Karpas villages of Rizokarpaso/Dipkarpaz, Agialousa/Yeni Erenköy, Agia Trias/Sipahi, and Melanarga/Adacay or the Tillyria villages of Agios Georgoudi, Agios Theodoros, Alevga, Kokkina/ Erenköy, Mansoura and Selladi tou Appi. To this effect, the Property Board shall not dispose in any permanent way of relevant properties during the first six years after entry into force of the Foundation Agreement.

Article 17 *Moratorium for reinstatement*

No order of the Property Board shall require *reinstatement of affected property* to a *dispossessed owner* before a date which is:

- a. Three years after the Foundation Agreement enters into force, for *property* which is *vacant* at that date; or
- b. Five years after the Foundation Agreement enters into force, in all other cases.

Article 18 *Improvements on reinstated property*

1. The owner of any improvement with a *market value* of more than 10% of the *current value* of a *property* to be reinstated, or 3,000 Cyprus pounds, whichever is the lower, may apply for compensation for his/her interest in the *property*.
2. The *dispossessed owner* shall be entitled to retain any improvement on the *affected property* after *reinstatement*, provided s/he pays the *market value* of the improvement to the Property Board.
3. The *dispossessed owner* shall not be required to make such a payment if s/he satisfies the Property Board that the improvement is inappropriate for or irrelevant for his/her intended future *use of the property for his/her own purposes*, provided the intended future use is more or less similar to its use prior to dispossession. If the Property Board subsequently finds that the *dispossessed owner* or any successor in title makes use of the improvement, the Property Board may pursue him/her to recover the amount of compensation paid to the owner of the improvement under paragraph 1 of this Article.

Section C: Long-term lease

Article 19 Lease requirement

1. A *dispossessed owner* who is reinstated more than 100 *donums* according to the above provisions shall offer the amount of land in excess of 100 *donums* for lease, for a minimum period of twenty years, to any person holding the internal constituent state citizenship status of the constituent state where the land is located. Such leases shall only be for *use for own purposes* and shall be arranged through the Property Board at *market value*.
2. The *current user* shall have a right of first refusal to be exercised within 30 days.

Article 20 Tax exemptions for leases

1. Leases in accordance with Article 19 shall be exempted from any taxes, governmental fees, charges and duties payable on signing of instruments, or on completion and registration of leases of such *properties*, and the relevant land shall not be subject to property taxes for the duration of the lease.
2. The same exemptions shall apply to any other lease of reinstated *property* to a person holding the internal constituent state citizenship status of the state where the *property* is located, which is concluded within one year of *reinstatement*.

Part III: LOSS OF USE

Article 21 Compensation for loss of use

Any claims for compensation for loss of use of an *affected property* for any period commencing with dispossession shall be considered by the constituent state from which the claimant hails, taking into account:

- a. Benefits previously enjoyed by the *dispossessed owner* on the grounds of his/her displacement; and
- b. Any entitlements received by or payable to the *dispossessed owner*, whether before or after the Foundation Agreement, for the period of lost use.

Part IV: JUDICIAL REVIEW

Article 22 The Property Court

1. A Property Court shall be established with power to conduct final judicial review of decisions of the Claims Panel.
2. The Property Court shall be composed of an uneven number of judges. This number shall be specified by the President of the Supreme Court after consultation with members of the Supreme Court, and shall include an equal number of judges from each of the constituent states and no less than three non-Cypriot judges who are not citizens of Greece, Turkey or the United Kingdom. The President and judges of the Property Court shall be chosen in the same manner and for the same term of office as judges of the Supreme Court, unless the Supreme Court decides otherwise.
3. Decisions of the Claims Panel shall not be subject to appeal or challenge in any constituent state court or otherwise, except by way of judicial review by the Property Court in accordance with the law and these provisions.
4. Decisions of the Property Court shall not be subject to further review or appeal to the Supreme Court.
5. An application for judicial review of a Claims Panel decision may be made to the Property Court by any party with a legal interest in the decision or the *property* in question, within 60 days of publication of the decision by the Claims Panel in accordance with its rules.
6. The Property Court shall have power to levy fees upon parties for procedural steps in initiating and contesting matters before it.
7. The Property Court shall continue in operation until such time as the Supreme Court may decide to assume its functions.

Part V: AMENDMENT

Article 23 Amendment

1. These provisions may be amended by the heads of government of the constituent states acting by consensus and with the approval of the legislatures of both constituent states.
2. The text of any proposed amendment shall be agreed between the heads of government of the constituent states and submitted in identical

form to each constituent state legislature. It shall come into force 30 days after its approval by both legislatures.

ATTACHMENT 1: DEFINITIONS

Article 1 Definitions

In Annex VII and its attachments, the following terms are defined as:

1. *Affected property* – immovable *property* in Cyprus which the owner, being a natural or legal person, left or of which s/he lost use and control as a consequence of intercommunal strife, military action or the unresolved division of the island between December 1963 and entry into force of the Foundation Agreement, and which has not since been reinstated to the owner (or his/her heir, personal representative or successor in title), and over which s/he has not regained use and control. *Affected property* shall not include any *property* which was voluntarily sold, transferred or otherwise permanently disposed of by the owner, to a natural or legal person who was able to gain effective control over the *property*, or for which compensation due to compulsory acquisition has been accepted. The onus of proof of any such voluntary transfer or lawful expropriation shall lie with the transferee or his/her successor in title. In the absence of evidence to the contrary for the individual case in question, dispossession shall be presumed to have been unlawful and/or involuntary. People who are successors in title of *dispossessed owners* and have not been able to gain effective control over the relevant affected property shall be treated in the same manner as the *dispossessed owners* themselves would be.
2. *Alternative accommodation* – residential housing for people affected by the return and *reinstatement* of owners, who satisfy eligibility requirements. Such accommodation shall at least be of a level which is comfortable by reasonable modern standards (including being connected to public utilities where available, such as water and electricity); provides a reasonable ratio of living space for the number of household members which it must accommodate; is no less than 70 square metres for a household of up to two persons, 100 square metres for three persons, 120 square metres for four to five persons and 140 square metres for larger households; and, where practicable, is comparable to the residence which the recipient is vacating or which s/he possessed prior to his/her displacement (up to a maximum standard to be defined in regulations of the Property Board).
3. *Current user* – a person who has been granted a form of right to use or occupy *property* by an authority under a legal or administrative process established to deal with *property* belonging to *dispossessed owners*, or any member of his/her family who has a derivative right to use or occupy such *property*, or his/her heir or successor in title. The definition does not include any person who occupies or uses a *property* without any legal, administrative or formal basis, nor any person using or occupying

property under a lease contract from a private person, nor any military force, body or authority.

4. *Current value*³¹ – value of a *property* at time of dispossession, plus an adjustment to reflect appreciation based among other things on increase in average sale prices of *properties* in Cyprus in comparable locations³² in the intervening period up to the date of entry into force of the Foundation Agreement. The *current value* of property shall be assessed as at the date of entry into force of the Foundation Agreement. This value shall bear interest, at the same rate as interest on medium-term government bonds, from the date of entry into force of the Foundation Agreement until compensation bonds and property appreciation certificates are issued.
5. *Dispossessed owner* - a natural or legal person who, at the time of dispossession, held a legal interest in the *affected property* as owner or part owner, his/her legal heir, personal representative or successor in title, including by gift.
6. *Institutions* – entities other than natural persons, including privately or publicly-owned or controlled bodies, such as public or private trusts, religious institutions; military forces and companies (other than sole corporations).³³
7. *Market rent* – the amount of rent which could be charged for a *property* on the open market, based on an assessment of *market rents* paid for comparable *properties* in comparable locations at the time of assessment.³⁴
8. *Market value* - the amount for which a *property* could be sold on the open market, based on an assessment of purchase prices or amounts paid for comparable properties in comparable locations at the time of assessment.³⁵

³¹ **Observation:** Expert advice shall be sought from quantity surveyors, economists and/or specialists in property valuation on the final formulation of provisions relating to assessment of value.

³² **Observation:** The value at the time of dispossession and the calculation of the increase should be based on the hypothesis that events between 1963 and 1974 had not taken place, i.e. they should not take into account alteration in values due to those events; it should if possible therefore be based on comparable locations where property prices were not positively or negatively affected by those events.

³³ **Observation:** This definition is not intended to include private family corporations or companies, meaning any corporate or unincorporated association of persons, shareholders or members of which are spouses and their respective relatives, up to and including the third degree or generally persons related between themselves up to and including the third degree (as such degree of relation is defined by the 1960 Cyprus law), as well as their successors, testate or intestate, if they by virtue of succession become shareholders or otherwise members of such entities which continue as going concerns or are of continued good standing or corporations, the shareholders of which hold shares that relate to separate and self-contained tenements *used for their own purposes*.

³⁴ **Observation:** provisions defining market rent and value shall be reviewed by relevant experts in valuation.

³⁵ **Observation:** provisions defining market rent and value shall be reviewed by relevant experts in valuation.

9. *Original state* - the state or condition of *affected property* at the time of dispossession of the *dispossessed owner*, not including improvements subsequently made by any party, assessed at *current value*.
10. *Property* - immovable *property*, being land and fixtures attached to land (or an ownership interest or undivided share in such a *property*).
11. *Property eligible for reinstatement* – Any *affected property* for which title has not been given to:
 - a. a *current user* in exchange for his/her *affected property* in the other constituent state (in accordance with Article 12 of the main provisions);
 - b. a subsequent purchaser from such (in accordance with Article 13 of the main provisions); or
 - c. the *owner of a significant improvement* in exchange for payment of the current value of the property without the improvement (in accordance with Article 14);

and which is not owned by institutions nor used for military or public benefit purposes (Articles 9, 10 and 11 of the main provisions respectively).
12. *Reinstatement* – restitution through the award of legal and physical possession to the *dispossessed owner*, so as to enable him/her to exercise effective control over such *property*, including *use for his/her own purposes*.
13. *Reinstatement entitlement* – The reinstatement entitlement is one third of the land area and one third of the *current value* of the land (whichever first applies) of the aggregated *affected property* of a dispossessed owner, who is not an *institution*.
14. *Religious site* – a mosque, church, chapel, cemetery, monastery, shrine, tomb or other place of worship. In exceptional cases, where living quarters, contiguous gardens or other land and buildings owned by the Church or Evkaf form an inseparable unit with the religious site, such property up to a maximum of 2 *donum*³⁶ shall be considered part of the religious site.
15. *Significant improvement* – an improvement (including any new construction on *vacant land*) to an *affected property*, which was made between the time of dispossession and 31 December 2002,³⁷ or based on a building certificate (proof of engineering approval for construction) issued prior to 31 December 2002, or any later improvement which has been deemed admissible for this purpose pursuant to regulations of the

³⁶ In the case of Apostolos Andreas monastery and the Hala Sultan Tekke, the maximum adjacent area to be considered part of each religious site shall be 165 donums (namely the area included within the donkey fence surrounding the complex of buildings of the monastery) and 45 donums (namely the area including the mosque, mausoleum, the garden area between the road and the lake, as well as the adjacent Islamic cemetery) respectively.

³⁷ **Observation:** The Property Board shall have discretion in deciding cases of improvements which were in an advance stage as at that date and completed thereafter.

Property Board and of which the *market value* is greater than the value of the *affected property* in its *original state*. If the property was damaged after the time of dispossession but during the events of 1963 to 1974, the *market value* of the improvement shall be compared to the value of the *property* in its state at the time the improvement was made. For the purposes of determining the ownership of the improvement, it shall not be considered as having attached to the land; the owner of the improvement is the natural or legal person who paid for the improvement or his/her heir, personal representative or successor in title. The burden of proof concerning the value, ownership and date of construction of any improvement lies on the owner of the improvement.

16. *Sufficient financial means* – income (taxable or otherwise) of more than X (X being the amount required to meet mortgage payments) or wealth of more than Y (Y being the amount required to purchase the currently-used *property* or *alternative accommodation*). Entitlements and interests in *affected property* shall be taken into account for the purposes of calculating wealth. The Property Board shall determine the amounts of X and Y and revise the amounts annually, based on market figures and expert input.
17. *Use for own purposes* – use and enjoyment of *affected property* by a person, his/her family member, employee or representative (other than a tenant) through regular personal use (not necessarily as a permanent residence). *Use for own purposes* shall not include selling, renting, transferring by gift or otherwise disposing of an interest in *affected property*.
18. *Vacant* - not used or occupied by a *current user* or any member of his/her family or successor in title who has a derivative right to use or occupy such *property*.

**ATTACHMENT 2: THE CYPRUS PROPERTY BOARD AND
COMPENSATION ARRANGEMENTS**

**Section A: Establishment, operation, powers, staff and costs of the
Cyprus Property Board**

Article 1 Establishment and conduct of the Cyprus Property Board

1. There shall be an independent, impartial, administrative body known as the Cyprus Property Board (hereafter the 'Property Board').
2. The Property Board shall act in accordance with the principles and terms of the Foundation Agreement and in particular with these provisions.

Article 2 Operation of the Property Board

1. The structure of the Property Board shall reflect the distinct functions it provides. It shall consist of the Governing Council and three separate divisions:
 - a. the Claims Bureau, dealing with the claims process;
 - b. the Cyprus Housing Bureau, dealing with arrangements for current users and persons affected by the property regime; and
 - c. the Compensation Bureau, dealing with compensation issues and property portfolio management.
2. The Governing Council shall be composed of a total of seven members, being two members hailing from each constituent state and three non-Cypriot members who are not citizens of Cyprus, Greece, Turkey or the United Kingdom. Members shall be professionally qualified and of high moral and professional standing. At least two members shall also be legally qualified. Members shall be prohibited from holding any other federal or constituent state office during their membership of the Governing Council. Membership of the Council shall be part-time.
3. The Claims Bureau shall be headed by a panel of seven members, being two members hailing from each constituent state and three non-Cypriot members who are not citizens of Cyprus, Greece, Turkey or the United Kingdom. Members shall be legally qualified and of high moral and professional standing. Members shall be prohibited from holding any other federal or constituent state office during their membership of the Claims Bureau.

4. The Claims Panel shall work independently. The Governing Council shall only have budgetary powers over the Claims Bureau and shall have no authority over the decision-making process of the Panel.
5. The remuneration of the Cypriot and non-Cypriot members of the Governing Council, the Claims Panel and the executive directorship of the Cyprus Housing Bureau and the Compensation Bureau shall be at the level of nine-tenths of the salary of the Cypriot and non-Cypriot judges of the Supreme Court respectively, although for the Governing Council it shall be on a pro-rata basis based on time actually served.
6. Within 30 days of entry into force of the Foundation Agreement, the Presidential Council shall appoint by consensus one Cypriot member hailing from each constituent state and the three non-Cypriot members of the Governing Council. The remaining two members shall be appointed by the heads of government of the constituent states. For subsequent appointments, the members shall be appointed by the heads of government of the constituent states acting by consensus. Within sixty days of entry into force of the Foundation Agreement, the Governing Council shall appoint by consensus the members of the Claims Panel.
7. If there is failure to agree on the appointment of any member of the Governing Council in the time specified under these provisions, the Secretary-General of the United Nations or his representative is invited to appoint a replacement member to hold office for a minimum of eighteen calendar months.
8. The members of the Governing Council and the Claims Bureau shall each elect from among their number a presiding member, who shall perform this role for a period of three years or until the end of his/her term, whichever is the sooner.
9. To ensure continuity of the Governing Council, the terms of office of the initial members shall be as follows: two members shall be appointed for an initial term of five years; two for an initial term of four years and three for an initial term of three years. All subsequent appointments will be for three-year terms. At the end of each term, each member shall be replaced or reappointed for a further three-year term. A similar approach shall be adopted for the members of the Claims Panel.
10. Members of the Governing Council and Claims Panel may resign with 90 days prior notice. The Supreme Court may remove any member upon the application of the federal government of either constituent state in case of misconduct or grave breach of the member's duties. In case of any vacancy, a new member shall be appointed within 90 days of notice of the vacancy or of its occurrence, whichever is the sooner.
11. Five years after entry into force of the Foundation Agreement, the Compensation Bureau will become an independent legal entity named the Cyprus Compensation Trust. Three members of the Governing Council, including one member hailing from each of the constituent states and one non-Cypriot member (none being the presiding member),

shall serve as members of the non-executive Directors Board of the Cyprus Compensation Trust. Two additional members shall be appointed by the Governing Council, based on their professional qualifications.

12. Two members of the Directors Board of the Cyprus Compensation Trust shall be appointed for an initial term of five years; two for an initial term of four years; and one for an initial term of three years. All subsequent appointments will be for three-year terms. At the end of each term, each member shall be replaced or reappointed for a further term. New members shall be selected by the Directors Board, and confirmed by the annual meeting of property certificate- and bondholders.
13. The members of the Directors Board of the Cyprus Compensation Trust shall elect from among their members a presiding member, who shall perform this role for a period of three years or until the end of his/her term, whichever is the sooner. The Directors Board may propose candidates for the executive directorship of the Trust, who shall be confirmed by the annual certificate holders meeting.
14. The remuneration of the members of the Directors Board shall be in line with international standards regarding non-executive directors of corporations and institutions of comparable magnitude as the Cyprus Compensation Trust and shall be confirmed by the annual certificate- and bondholders meeting. The remuneration of the executives of the Cyprus Compensation Trust shall be in line with the same international standards and linked to their performance.
15. The members of the Governing Council and the Claims Panel and the executive directors of the Cyprus Housing Bureau, and, for the first five years of its operation, the Compensation Bureau shall be granted immunity from any and all legal and administrative proceedings brought against them regarding the exercise of their official duties in good faith.

Article 3 Powers

The Property Board shall have the power to:

- a. Receive and rule on claims for *affected property*;
- b. Decide any question or dispute before it regarding claims, entitlements of *dispossessed owners*, *current users* or owners of improvements, allegations of sale under duress, *property* valuation, right of first refusal or title to or other rights in respect of *affected property*;
- c. Decide in individual cases on, and set and revise scales and values for the purposes of calculating compensation for *affected property* and improvements; rent, sale and purchase amounts; entitlements to *alternative accommodation* and other amounts under these provisions;

- d. Demand and receive prompt, full and unhindered access to any and all records, archives, databases or other information regarding *property* in Cyprus, and to any and all *property* in Cyprus for the purpose of inspection, valuation and assessment related to its tasks and operation, and to receive copies or extracts of information, without fee, tax or other charge;
- e. Order or procure the registration of interests in *affected property* or correction of entries in the relevant Land Titles Register or other records, based on entitlements under these provisions or other applicable law;
- f. Refer any question arising in respect of an *affected property* to another competent court or authority, as appropriate and for finalisation or any interim or other ruling;
- g. Order the suspension of any proceeding in any court or other authority, or any physical alterations (other than minor or emergency maintenance) with respect to *affected property*;
- h. Order or procure the completion of any steps as required to transfer interests in *affected property* or, where necessary, partition *affected property*, under these provisions or other applicable law;
- i. Issue legally binding orders to competent federal or constituent state bodies as required to implement its decisions;
- j. Acquire and deal with *affected property* in a responsible manner under these provisions, including the administration and disposal of *affected property* transferred to it or coming under its control;
- k. Facilitate the provision and allocation of *alternative accommodation*;
- l. Assist persons, upon their request, in the lease of *affected property*;
- m. Collect damages from and issue fines against any persons found responsible for damaging or destroying *affected property*;
- n. Administer and/or supervise a preferential loans scheme under these provisions and coordinate with the Central Bank and the federal government on any possibly needed regulations or provisions regarding implementation of the scheme, including mortgage default and enforcement mechanisms;
- o. Adopt such rules, regulations, procedures, forms and other instruments as required for the performance of its functions;
- p. Consult and seek recommendations from qualified experts to assist in the performance of its functions, including experts in valuation, economics, law, property markets, quantity and land surveying, registration, mapping and others; and
- q. Perform other tasks, including those which may be assigned to it by the federal government or either constituent state, or which are incidental or related to the performance of its functions.

Article 4 *Obligations of the federal government and the constituent states in respect of the Property Board*

1. The federal government and the constituent states shall take all steps as required to implement these provisions in good faith and in a timely manner.
2. In order to fulfil their obligations under these provisions, the federal government and the constituent states shall, among other things:
 - a. Cooperate fully with the Property Board, and respect, recognise and comply with its decisions in accordance with their legally binding nature, including by officially publishing its decisions at the request of the Property Board;
 - b. Implement the decisions of the Property Board fully and promptly;
 - c. Cooperate with other relevant *institutions* dealing with *affected property* under these provisions;
 - d. Provide the Property Board with prompt, full and unhindered access to any and all records, archives, databases or other information regarding *property* in Cyprus, and to any and all *property* in Cyprus for the purpose of inspection, valuation and assessment related to its tasks and operation, and to provide copies or extracts of information, without fee, tax or other charge;
 - e. Adopt special measures, including at the request of the Property Board, to ensure the physical protection of *property* from damage or destruction; and
 - f. Act otherwise as necessary to respect *property* rights.
3. The federal government and the constituent states shall adopt and enforce any legislation, regulations, procedures, orders, instructions, practice notes and other legislative instruments as necessary or appropriate to acknowledge the binding force of Property Board decisions, and ensure their enforcement and implementation, including as necessary through local administrative bodies, police or other agents. Such legislative instruments shall be drafted in consultation with the Property Board.
4. In case the federal government or a constituent state fails within one year after entry into force of the Foundation Agreement to adopt laws for enforcement and implementation of decisions of the Property Board, the Property Board shall issue rules providing for enforcement and implementation of its decisions, which shall come into force as binding legal instruments of the federal government or the relevant constituent state, and which shall remain in force until the federal government or the relevant constituent state enacts effective laws in fulfilment of its obligations under these provisions.
5. The federal government and the constituent states shall adopt legislation in accordance with any guidelines provided by the Property Board on the treatment of loans which are still outstanding and which were incurred

prior to July 1974 for the purchase of *affected property* and on unresolved dealings in *affected property*.

6. In case of mortgage default on a preferential loan granted in accordance with these provisions, the mortgage lender shall have a lien on the mortgaged property and shall be exempt from any restriction on the acquisition of property in constituent state legislation that could otherwise prevent this. The mortgage lender shall then dispose of the property within the following three years.

Article 5 *Obligations of federal and constituent state courts and competent authorities*

1. The courts, administrative bodies and other authorities of the federal government and the constituent states shall cooperate with the Property Board and acknowledge the legally binding force of its decisions, and shall take any steps as necessary to implement and enforce its decisions.
2. If the Property Board refers a question to a court or other competent authority, such court or authority shall hear and determine the claim on its merits and shall not reject or refuse to decide the claim solely on the grounds that the claim is out of time or that any applicable limitation period has expired.
3. The constituent states shall put land for *alternative accommodation* at the disposal of the Property Board, including, where necessary, through expropriation (against full and effective compensation). In allocating such land, the constituent states shall take into account the need for relocating persons, in particular those from areas subject to territorial adjustment, to be able adequately to earn their livelihood.³⁸

Article 6 *Staff*

1. Within sixty days of entry into force of the Foundation Agreement, the Governing Council shall employ a director who, under the supervision of the members of the Governing Council, shall be responsible for the coordination, administration and overall management of the work of the Property Board. In consultation with the Governing Council, the director shall employ three deputy directors to be responsible for the administration and management of the Claims Bureau, the Cyprus Housing Bureau and the Compensation Bureau respectively. The director and the deputy directors may employ staff in line with the overall responsibility of the office, including international expertise as needed. In particular,

³⁸ **Observation:** The Property Board shall not have to pay for such land.

- a. The Claims Bureau shall include staff qualified in law, valuation, land titles, records management, economics, accountancy, information technology, mediation and other forms of dispute resolution, and in other technical and relevant fields;
 - b. The Cyprus Housing Bureau shall include staff qualified in housing development, architecture, construction, surveying, economics and finance, information technology, and in other technical and relevant fields; and
 - c. The Compensation Bureau shall include staff qualified in property portfolio management and valuation, property acquisition and disposition, law, economics and finance, accountancy, information technology, and in other technical and relevant fields.
2. When staffing the Claims Bureau and the Cyprus Housing Bureau, the director and relevant deputy directors shall strive to employ persons hailing from the Greek Cypriot constituent state and the Turkish Cypriot constituent state in similar numbers. When staffing and managing the Compensation Bureau and subsequently the Cyprus Compensation Trust, the director and relevant deputy director shall be guided by the commercial objective of the Bureau and Trust to maximize shareholder value.

Article 7 *Costs and accounting*

1. During the first five years after entry into force of the Foundation Agreement, the costs of establishing and running the Property Board and its divisions shall be met by the federal government, in accordance with the following provisions. The federal government may request contributions from the guarantor states and international donors for this purpose. After that period, the operational costs of the Compensation Bureau will be met by the income resulting from sales and rental of the properties in its portfolio. The operational costs of the Claims Bureau and the Housing Bureau shall continue to be met by the federal government, until these divisions are wound up.
2. During the first five years after entry into force of the Foundation Agreement, the Property Board shall prepare separate annual budgets for the running costs of its overall directorate and its divisions in accordance with the relevant public service scales of remuneration and, in the case of non-Cypriot employees, United Nations guidelines. The federal government shall pay the budgeted amount for the running costs to the Property Board before the beginning of each financial year. Any surplus funds at the end of each financial year shall be repaid to the federal government, and any shortfall shall be met by the federal government. Five years after entry into force of the Foundation Agreement, the budget for the running costs of the Compensation Bureau will no longer fall under the responsibility of the Property Board.

3. The Property Board shall submit its running costs and other accounts to independent audit each financial year, and the audit report shall be publicly available.
 - a. During the first five years after entry into force of the Foundation Agreement, the Property Board Directorate and all its divisions shall have public reporting standards in line with Cyprus' and international standards for government agencies and in line with the objectives of the Directorate and the divisions.
 - b. Beginning five years after entry into force of the Foundation Agreement, the Cyprus Compensation Trust shall have financial reporting obligations in line with international standards for property companies. The financial reporting obligations for the remainder of the Property Board shall remain unchanged.
 - c. The Cyprus Compensation Trust shall publish an annual report containing a financial report in line with international standards for property companies and shall present it to the annual certificate- and bondholders meeting.
 - d. The Cyprus Compensation Trust shall be subject to financial auditing according to international standards for property companies, performed by a professional accounting firm of international repute chosen by its Directors Board and confirmed by the annual certificate- and bondholders meeting.
 - e. The Cyprus Compensation Trust shall be subject to an annual assessment of the market value of the properties in its portfolio in line with international standards for property companies. The assessment shall be performed by a property valuation firm of international repute chosen by its Directors Board and confirmed by the annual certificate- and bondholders meeting.
4. Should any additional task or function be assigned to the Property Board, the federal government or the constituent state which assigns such task or function shall provide or procure the provision of resources to enable the Property Board to perform the task or function.

Article 8 *Period of operation of the Property Board and Cyprus Compensation Bureau and Trust*

1. Without prejudice to the provisions concerning the Cyprus Compensation Bureau, ten years after entry into force of the Foundation Agreement, the Property Board shall be wound up. If the Property Board by that date has not completed determination of all claims or any other task before it, the Supreme Court may extend the period of operation of the Property Board for one year at a time. In case of such an extension, the Supreme Court may order retention by the Property Board of specified assets to enable it to continue its work in accordance with these provisions. The Compensation Trust shall have no predetermined duration and shall be wound up only after having disposed of all properties in its portfolio, unless the Supreme Court determines otherwise. When the rest of the

Property Board has been wound up, its financial and property assets shall be transferred to the Compensation Trust. Until all the compensation bonds have been redeemed, the Supreme Court shall review the situation every five years to determine if the Cyprus Compensation Trust should remain in operation. After that, it may behave as any private company and shall no longer be subject to Court review.

2. The Governing Council may decide, by majority of five to two and subject to the approval of the heads of government of the constituent states acting by consensus, to wind itself up on a date earlier than ten years after commencement of its operations, provided that its work has been completed or appropriate provision has been made for transfer to a competent body of any outstanding functions or matters.
3. The Supreme Court may, upon application by the Governing Council or by the heads of government of the constituent states acting by consensus, extend the period of operation of a specific division or divisions of the Property Board for one year at a time, in order to enable completion of a specified function, and may order retention by that section or sections of specified assets to enable the continuation of work. Notwithstanding any such limited extension of operation of a particular section or sections, the Property Board shall be considered to be wound up for the purposes of these provisions, unless the Supreme Court orders otherwise.
4. For the purposes of hearing and determining disputes over claims, entitlements of *dispossessed owners*, *current users* or owners of improvements, *property valuation*, right of first refusal, or title to or other rights in respect of *property*, the relevant section of the Property Board shall continue in operation for as long as the Supreme Court deems fit.
5. Prior to its winding-up, the Property Board shall make arrangements for the completion of any tasks or functions assigned to it under these provisions, including any claims or disputes which are pending or which may arise in future. For this purpose, it may refer or request the Supreme Court to assign specified claims or cases to other competent bodies or courts or to a section of the Property Board, which will continue in operation by order of the Supreme Court. The obligation to ensure or make arrangements for completion of any tasks or functions under these provisions shall also apply to any section of the Property Board which continues in operation for any extended period.

Section B: Handling of *property* transferred to or via the Property Board

Article 9 Handling of property transferred to or via the Property Board

1. The Property Board shall receive transfer of title to *affected property* which is:
 - a. Not claimed by a *dispossessed owner* within the time period set by these provisions for submission of claims;
 - b. Owned by a *dispossessed owner* who receives compensation from the Property Board or title to another *property* in exchange for his/her title; or
 - c. Owned by a *dispossessed owner* who disposed of his/her interest in an *affected property* of which s/he was the *current user*, in exchange for transfer of title to such *affected property* to the subsequent purchaser (or his her successors in title) in accordance with Article 13 of Annex VII.
2. In disposing of *property* transferred to it under these provisions, the Property Board shall, in this sequence:
 - a. Offer the *property* for sale to the *current user* at *current value*;
 - b. Offer the *property* for sale to persons hailing from the constituent state in which the *property* is located, at *market value*, including in exchange for compensation bonds and property appreciation certificates at their market value;
 - c. Use it as *alternative accommodation*; or
 - d. Otherwise dispose of it in a prudent manner, at *market value*, to generate funds for compensation purposes.
3. In all cases and at all times, the Property Board shall manage *property* transferred to it or otherwise under its control in a prudent manner and in accordance with these provisions. The Claims Bureau shall retain title to all properties in the Property Board's portfolio until the Bureau is wound up, while the Compensation Bureau shall manage the portfolio. Before selling any property from the portfolio, the Compensation Bureau shall seek approval from the Claims Bureau.
4. All funds generated from the sale or use of *affected property* held by the Property Board shall be deposited into the Compensation Fund.

Section C: Decision-making and claims for *affected property*

Article 10 Decision-making

1. The Claims Bureau shall aim to reach all decisions by consensus. If the members are unable to reach consensus on a decision, the decision shall be taken by majority vote.
2. The Claims Bureau shall consider any relevant material or evidence put before it in respect of any claim for *affected property* or any other matter which is within its jurisdiction or decision-making power.

Article 11 Claims procedure

1. A *dispossessed owner* shall be entitled to file a claim with the Property Board for recognition of his/her interest in or title to *affected property*. In filing a claim for recognition of an interest or title, a claimant shall also specify how s/he seeks to exercise his/her *property* rights, namely by way of compensation or *reinstatement*.
2. A current user of an affected property who is also a dispossessed owner, or a person who owns a significant improvement to an affected property may apply to receive title to such properties.
3. Claims or applications for transfer of title must be filed within a period of one year, commencing on a date to be determined by the Property Board which shall be no later than one year after entry into force of the Foundation Agreement. The decision fixing the relevant date shall be published in the Official Gazettes of the federal government and the constituent states, in the most widely circulated newspaper of each constituent state and in any other such appropriate manner as determined by the Property Board.
4. A claim or application shall be filed together with certified copies of any available evidence of the claimant's or applicant's interest in or title to the *affected property*.
5. Holders of a part interest in or title to an *affected property* shall, wherever possible, file joint claims.
6. A *dispossessed owner* who does not file a claim within the stipulated period and can show good cause why s/he did not or was not able to do so, is entitled to compensation.
7. Further detailed requirements for the filing and determination of claims and applications in respect of *affected property* shall be set out in rules,

regulations, procedures, forms, evidence and any other instruments adopted by the Property Board in accordance with these provisions.

Article 12 *Determination of claims and applications*

1. Upon receipt of any claim for *affected property*, the Claims Bureau shall, following any necessary investigation and verification, determine whether the claimant has a lawful interest in the *property*.
2. Upon receipt of any application with respect to *affected property*, the Claims Bureau shall, following any necessary investigation and verification, determine whether the applicant has a sufficient interest in the *property* under these provisions.
3. If the Claims Bureau determines that the claimant or applicant is not the sole *dispossessed owner* or person with an interest in the *affected property*, it shall make reasonable efforts to contact the other interested parties, including the *current user*, before deciding the claim or application.
4. The Claims Bureau shall then determine whether the claimant or applicant is entitled to exercise his/her rights in the manner requested in the claim or otherwise under these provisions.
5. In its decision, the Claims Bureau shall, if possible, state the name and interest of any other holder of a lawful interest in the *property*. Where it has been unable to locate or contact such persons before deciding the claim or application, it shall publish its decision in an appropriate manner.
6. In its decision, the Claims Bureau shall also indicate the steps necessary for the execution or implementation of the decision and, where appropriate, shall order that they be taken within specified time frames.
7. If the Claims Bureau decides that a claimant or applicant has no legal interest in the claimed *affected property*, it shall reject the claim or application. At the same time, it may decide on the interests of the other parties to the proceedings and issue orders with respect to the *property* as appropriate.
8. The Claims Bureau shall deal, in the following order of priority, with:
 - a. claims regarding *affected property* of *dispossessed owners* currently living in areas subject to territorial adjustment and the claims of the *current users* of those properties;
 - b. claims or applications of:
 - i) *dispossessed owners* for compensation
 - ii) *current users* for transfer of title to the properties they are currently using in exchange for transfer of title to the Property Board of *properties* of which they were dispossessed, and

- iii) persons who own *significant improvements* to *affected properties* in exchange for payment of the current value of the *properties* without the improvement;
 - c. claims of *dispossessed owners* of *affected properties* in areas subject to territorial adjustment; and
 - d. any other claims and applications.
- In doing so, it shall further prioritise decisions which shall have a positive economic impact.

Article 13 *Decisions on reinstatement*

1. Upon determination that a *property* is eligible to be reinstated, the Claims Bureau shall inform the claimant of its decision. It shall hold the case as pending until all claims for *reinstatement* have been reviewed, in order to determine the priority for *reinstatement* in accordance with Article 16 of Annex VII.
2. The Claims Bureau shall endeavour to determine the eligibility of all claims for *reinstatement* before issuing final decisions on *reinstatement*. If the determination of eligibility in some cases is delayed, because of exceptional circumstances, the Claims Bureau may issue final decisions on *reinstatement* as soon as it has determined the eligibility of at least 90% of the claims for *reinstatement*. *Reinstatement* shall only be granted in the delayed cases if the agreed levels for *reinstatement* have not yet been reached, irrespective of the priority that the claimant might otherwise have had.
3. The Claims Bureau shall issue final decisions on *reinstatement* of *properties* that are not subject to the agreed levels of *reinstatement* in Article 16 of Annex VII as soon as it has determined their eligibility for *reinstatement*.
4. Upon issuing a final decision on *reinstatement*, the Claims Bureau shall inform the *current user* of the *affected property* of the decision, of his/her obligation to vacate the *affected property* and of his/her rights to *alternative accommodation*; it may also inform the authorities of the relevant constituent state responsible for enforcement and implementation of the decision.
5. *Reinstatement* shall only occur after the *current user* has been provided with *alternative accommodation* or the final deadline for vacating the *property* as determined by the Claims Bureau in accordance with Attachment 3 has expired, whichever is the sooner.

Section D: Assistance with lease

Article 14 Assistance with lease

1. In accordance with Article 19, the Property Board shall assist *dispossessed owners* who are reinstated to more than 100 *donums* with the arrangement of a long-term lease.
2. Any Cypriot citizen may request the Property Board for assistance in connection with finding a long-term leasehold interest in his/her constituent state and with arranging the lease.
3. The Property Board shall keep a record of such transactions.

Article 15 Standard form lease

The Property Board shall provide on request a standard form of lease agreement.

Article 16 Sale, exchange and lease: other assistance

1. The Property Board shall refer any interested party on request to a list of real estate agents of a high professional standard, who are acting in one or both constituent states and who can assist persons seeking advice regarding sale, exchange or lease transactions in one or both constituent states.
2. Subject to these provisions, the Property Board's involvement in a sale, exchange or lease transaction shall be limited to conveying information between the counterparts to the potential transaction. The Property Board shall not be responsible for negotiation or completion of contractual arrangements, nor any resulting dispute or loss.

Section E: Compensation fund, bonds and property appreciation certificates

Article 17 Compensation Fund

A Compensation Fund shall be established in the Central Bank of Cyprus and administered by the Compensation Bureau of the Property Board. The Fund shall receive all proceeds from the use or disposal of *property* that has been transferred to the Property Board. In addition, the federal government shall provide a first contribution of 100 million Cyprus pounds towards the initial capital of the Fund no later than 18 months, and if financially possible, 9

months, after entry into force of the Foundation Agreement, and shall seek a contribution from international donors. This contribution shall be returned to the federal government after the compensation bonds have been redeemed.

Article 18 Compensation bonds and property appreciation certificates³⁹

1. Successful claimants for compensation shall first receive claim receipts, indicating the *current value* of their holding in the Property Board's portfolio. Claim receipts may be exchanged for compensation bonds and property appreciation certificates, five years after entry into force of the Foundation Agreement. The ratio of the nominal value of bonds to total current value of all properties in the portfolio of the Compensation Trust shall be fixed at 33.3% as of the date of entry into force of the Foundation Agreement.
2. Compensation bonds shall be interest-bearing from the date of issue at a rate per annum equal to or greater than that applying to federal government bonds of equal maturation periods at the time of issuance of the bonds. Certificates shall be entitled to dividend if payable. For claims still pending five years after entry into force of the Foundation Agreement, interest on one third of the *current value* and dividend (if payable) on the remaining two thirds of the *current value* of the *affected property* will start accruing from year six.
3. Compensation bonds and property appreciation certificates may be used at their market value on the day of the transaction by holders for the following purposes:
 - a. To purchase *affected property* from the holdings of the Property Board at *market value*⁴⁰; or
 - b. To procure the payment by the Property Board of a deposit for purchase of *alternative accommodation* on the open market; or
 - c. For sale to any person or institution, who thereby acquires all entitlements of the initial holder, provided that this person or institution or any representative thereof does not own a combined total of more than 10% of the outstanding bonds and property appreciation certificates. Persons and institutions shall have a duty to report their holdings to the Central Bank once these have exceeded a combined total of more than 5% of outstanding bonds and property appreciation certificates.
4. The nominal value of compensation bonds at maturity shall be guaranteed by the federal government.

³⁹ **Observation:** Expert banking advice is needed on the question of the issuing, value and use of compensation bonds.

⁴⁰ **Observation:** Unless these provisions give a *dispossessed owner* the right to purchase property from the holdings of the Property Board in the constituent state where his/her *affected property* is located (e.g. Article 16), restrictions on purchases of property by non-residents may apply.

5. Compensation bonds shall mature 25 years after issuance and shall be redeemable for cash from the Compensation Trust. The bonds shall become callable at the discretion of the Compensation Trust at nominal value five years after they are issued.
6. After the final maturity date on issued bonds, the certificate holders shall receive all proceeds of any subsequent sale or lease of *affected property* from the holdings of the Compensation Trust.

ATTACHMENT 3: MEASURES IN FAVOUR OF CURRENT USERS

Section A: Extension of deadlines for vacating *affected property*

Article 1 *Property occupied by current users with sufficient financial means*

1. A *current user* of a *property* designated for *reinstatement*, with *sufficient financial means*, may apply to the Property Board for an extension to enable him/her to continue to *use the property for his/her own purposes* for up to three years after the Claims Bureau's decision.
2. An application for an extension shall be granted by the Property Board unless and up to the time when it is found that the *current user* is not *using the property for his/her own purposes*, or that the *current user* has immediate access to *alternative accommodation*.
3. The Property Board may extend the time limit under this Article in cases of urgent humanitarian need, as determined by the Property Board.
4. The *current user* shall pay *market rent* to the Property Board for the period of continued use of the *affected property* from the date of the Property Board's decision on eligibility for *reinstatement*.
5. At the end of the period fixed by the Property Board, the *current user* shall vacate the *affected property*.

Article 2 *Property occupied by current users without sufficient financial means*

1. A *current user* of a *property* designated for *reinstatement*, without *sufficient financial means*, who is a Cypriot citizen and is *using the property for his/her own purposes*, shall not be required to vacate the *property* until *alternative accommodation* is made available for them or until they are able, including through the provision of preferential loans or other assistance, to buy or lease on the market a *property* which meets the standard of *alternative accommodation*.
2. Such *current users* may apply to the Property Board for:
 - a. Assistance to purchase or lease *alternative accommodation*, in the form of preferential loans under these provisions; or
 - b. In cases of urgent humanitarian need and where not eligible for preferential loans, the allocation of low-cost or cost-free *alternative accommodation* from the holdings of the Property Board. The

Property Board shall grant such applications to persons meeting its criteria, provided that *alternative accommodation* is available in its holdings.

3. *Current users of properties* designated for *reinstatement*, without *sufficient financial means*, who are not citizens of Cyprus but enjoy permanent residence and are *using the property for their own purposes*, may apply for social housing or other housing assistance, or for financial assistance from the constituent state in which they enjoy permanent residence. Such *current users* shall not be required to vacate the *property* until such housing or financial assistance is available, up to a maximum of two years after the Property Board's decision on eligibility for *reinstatement*.
4. The Property Board shall charge rent to any *current user* without *sufficient financial means*, up to the maximum amount possible based on his/her income and wealth.

Article 3 *Payment of rent to dispossessed owner up to reinstatement*

The Property Board shall pay *market rent* to the *dispossessed owner*, effective from the date of the decision of the Property Board that the *property* is eligible for *reinstatement* up to the date on which *reinstatement* occurs.

Section B: Preferential loans

Article 4 *Preferential loans*

1. The Property Board shall oversee and administer a preferential loans scheme, including mortgage guarantee and mortgage subsidy systems, with the assistance of international and local banks, the federal government, the constituent states and other donors. The federal government shall provide funds from its budget to support the scheme. A separate branch, the Cyprus Mortgage Bureau, shall be established within the Cyprus Housing Bureau to administer the scheme. This bureau shall have separate accounts and reporting from the Housing Bureau.
2. Under this scheme, preferential loans shall be made available on favourable terms for *dispossessed owners*, *current users of affected property* and owners of *significant improvements to affected property* who are Cypriot citizens and who are without *sufficient financial means*, in order to facilitate the purchase or construction of *property* (including the purchase of significantly improved *property*) or make payments required under these provisions.

3. Loans under this scheme will be made available to people who meet the criteria on condition that they agree to a 20 year moratorium on sale of any *property* which they purchased or reconstructed or for which they received title after making a payment to the Property Board with preferential loan funds. This moratorium period may be shortened or waived with the authorisation of the Property Board.
4. The Mortgage Bureau shall determine criteria for mortgage guarantee applications. Criteria shall include a maximum property purchase price or construction cost of 40,000 Cyprus pounds. Applications will be processed by the bank providing the loan. In case of default, the Mortgage Bureau shall pay the loss on the loan to the bank providing the loan, up to 30% of the loan amount, after which it shall receive title to 30% of the value of the mortgaged property. The Mortgage Bureau shall build up a guarantee fund to cover the default risk. The fund shall be based on an initial endowment provided by international donors or, if such funding is not available, by the federal government. The capital of the guarantee fund shall be invested in government bonds and shall earn interest at a compound annual rate. The federal government shall guarantee the fund and seek ultimate backing by international public financial institutions.
5. The Mortgage Bureau shall also determine criteria for mortgage interest subsidy applications. The criteria shall include a maximum home purchase price or construction cost of 30,000 Cyprus pounds (which should grow at an annual rate of 6%), a household wealth ceiling of 6,000 Cyprus pounds, and a household income ceiling of 15,000 Cyprus pounds. The amount of the annual subsidy on the outstanding loan amount for which a household will be eligible will depend on household income and will vary between 1% and 3% of the outstanding loan amount.
6. The mortgage interest subsidy shall only apply for loans provided within five years after entry into force of the Foundation Agreement and shall have a maximum duration of eight years. Applications will be processed by the bank providing the loan. The federal government shall seek grants or low-interest loans from international donors for these subsidies.

Section C: Right of first refusal

Article 5 Right of first refusal for current user and others in sales of affected property

1. For a transitional period of 20 years after entry into force of the Foundation Agreement, any sale of an *affected property* to a person who has not enjoyed permanent residence for at least three years in the constituent state in which such *property* is located, is subject to a right of

first refusal by a *current user*, who is a Cypriot citizen, at the proposed contract price. Such right shall apply:

- a. For as long as the *current user* continues to use such *property*; and
 - b. For five years thereafter, if the *current user* has vacated it to allow *reinstatement* of the *dispossessed owner*.
2. If the *current user* does not exercise the right of first refusal under the previous paragraph, any other person hailing from the constituent state in which the relevant *property* is located shall have a secondary right of first refusal, at the contract price.
 3. Rights of first refusal under this Article may be exercised within 45 days after the *dispossessed owner* signs a sales contract with a potential purchaser, and at the same price as stated in any such contract.
 4. Any dispute regarding rights of first refusal shall be referred to the Property Board. The constituent states shall enact harmonised legislation as required to regulate and ensure enforcement of contracts concluded under these provisions for rights of first refusal, and otherwise between *current users* and persons hailing from different constituent states.

Article 6 *Arrangements for recovering proceeds, goods or crops produced on affected property*

The Property Board shall make adequate and fair provision for *current users* of and owners of *significant improvements* to *affected property* that is currently being used for income generating purposes to allow them to recover the proceeds, goods or crops generated after reinstatement of the property, where the relevant production began one year before the date fixed for reinstatement and the nature of these proceeds, goods or crops does not allow them to be handed over immediately prior to reinstatement.

ATTACHMENT 4: PROPERTY LOCATED IN AREAS SUBJECT TO TERRITORIAL ADJUSTMENT

Article 1 *Application of these provisions to property in areas subject to territorial adjustment*

The Articles in this Attachment shall prevail over the other provisions of Annex VII and its other attachments in relation to *affected property* and other *property* in areas subject to territorial adjustment. Where there are no specific provisions in this Attachment, the other provisions of Annex VII and its other attachments shall apply.

Article 2 *Reinstatement of dispossessed owners*

1. Subject to the modalities and conditions established in this Attachment, any *dispossessed owner* of a *property* in areas subject to territorial adjustment shall be entitled to *reinstatement*.⁴¹
2. The Property Board shall issue final decisions on *reinstatement* of *properties* located in areas subject to territorial adjustment, as soon as it has determined that *property* is eligible for *reinstatement* and shall order that such *reinstatement* take place as soon as the *current user* has been relocated, but no later than three years after entry into force of the Foundation Agreement.
3. The general moratorium and agreed maximum levels on *reinstatement* under Annex VII shall not apply to areas subject to territorial adjustment nor shall provisions permitting transfer of *properties* to a *current user* or a subsequent purchaser.
4. The Property Board shall deal with claims regarding *affected property* of *dispossessed owners* currently living in areas subject to territorial adjustment, the claims of the *current users* of those properties and the claims of *dispossessed owners* of *affected properties* in areas subject to territorial adjustment, in that order of priority.

Article 3 *Improved properties*

1. The *dispossessed owner* of any improved *property* shall pay the *market value* of any improvement worth more than 10% of the *value* of the *property* in its *original state*, or any improvement worth 3,000 Cyprus

⁴¹ **Observation:** It is understood that a *dispossessed owner* of an *affected property* in an area subject to territorial adjustment whose property can be reinstated shall not have the option of claiming compensation.

pounds, whichever is the lower, to Property Board. The owner of the improvement is entitled to seek compensation from the Property Board for its *market value* or actual cost (if worth more than 3,000 Cyprus pounds).

2. If the *dispossessed owner* satisfies the Property Board that an improvement worth less than the *value* of the *property* in its *original state* is inappropriate for his/her intended use of the *property* which is similar to the use prior to dispossession, the *dispossessed owner* shall not be required to pay for the improvement. The Property Board may recover from the *dispossessed owner* any compensation paid to the improver if it subsequently finds that the *dispossessed owner* makes use of the improvement.
3. Where the *market value* of the improvement is greater than the *value* of the *property* in its *original state* and the *dispossessed owner* is not prepared to pay for it, the owner of the improvement may apply to receive title to the *property* in exchange for payment of the *value* of the *property* in its *original state*. The *dispossessed owner* shall retain a right of first refusal for a period of 20 years after entry into force of the Foundation Agreement, for any contract for sale, exchange or long-term lease of the *property*, at the proposed contract price.
4. Where the *market value* of the improvement is greater than the *value* of the *property* in its *original state* and both the *dispossessed owner* and the owner of the significant improvement seek title to the property in exchange for the value of the significant improvement or the value of the affected property without the improvement, respectively, the Property Board shall facilitate an amicable solution between the dispossessed owner and the owner of the *significant improvement* regarding title and/or future use of the improvement. If no amicable solution can be reached, the Property Board shall decide whether immediately to grant reinstatement to the dispossessed owner or to first grant a lease of one to twenty years to the owner of the significant improvement, as appropriate in the particular circumstances of the case.⁴²

Article 4 *Owners of property in areas subject to territorial adjustment who wish to leave*

An owner of *property* in an area subject to territorial adjustment who vacates such *property* after entry into force of the Foundation Agreement may claim compensation from the Property Board for such *property* at *current value* in exchange for his/her title to such *property*, provided s/he can produce evidence of ownership before 1974 or of bona fide transfer from the 1974 owner.

⁴² **Observation:** The use of the *significant improvement* for income generation shall be an important consideration in such a decision.

Article 5 ***Current users of property in areas subject to territorial adjustment***

1. A *current user* of *property* in an area subject to territorial adjustment who is a Cypriot citizen may choose to:
 - a. Remain in that area and purchase *property* there;
 - b. Receive *alternative accommodation* in that area, if entitled under these provisions (see Attachment 3);
 - c. Claim *reinstatement* of his/her own *affected property*, or
 - d. Be relocated in the other constituent state and purchase *property* or receive *alternative accommodation* there, if entitled under these provisions (see Annex VI).
2. A *current user* who is not a Cypriot citizen may seek housing or financial assistance from the constituent state in which s/he enjoys permanent residence or apply for assistance according to Annex VI.

**ATTACHMENT 5: LETTER TO THE PRESIDENT OF THE EUROPEAN
COURT OF HUMAN RIGHTS**

[to be sent upon entry into force of Foundation Agreement]

Excellency,

We wish to inform you that, having been approved at separate simultaneous referenda, the Foundation Agreement between the Greek Cypriots and the Turkish Cypriots has entered into force, and a new state of affairs has come into being in Cyprus. Accordingly, the United Cyprus Republic is an independent and sovereign state with a single international legal personality and a federal government and consists of two constituent states, namely the Greek Cypriot State and the Turkish Cypriot State. The European Convention for the Protection of Human Rights and Fundamental Freedoms and its Additional Protocols, are in force for the United Cyprus Republic.

The Foundation Agreement resolves in a comprehensive manner all issues that have divided Greek Cypriots and Turkish Cypriots in the past, including all property questions. We would like to bring to your attention the fact that the Foundation Agreement provides a domestic remedy for the solution of all questions related to *affected property* in Cyprus, and to inform you that the United Cyprus Republic shall be the sole responsible State Party concerning such matters. Moreover, pursuant to Article 37 of the European Convention for the Protection of Human Rights and Fundamental Freedoms and Rule 43 of the Rules of Court, we request the Court to strike out any proceedings currently before it concerning *affected property* in Cyprus, in order to allow the domestic mechanism established to solve these cases to proceed.

We would be grateful if you could bring this request to the attention of the members of the Court.

Please accept, Excellency, the assurances of our highest consideration.

Co-President Co-President