

REPUBLIC OF CYPRUS

**THE REGULATION OF RELATIONS BETWEEN
COMMERCIAL AGENT AND PRINCIPAL
LAW OF 1992**

(English translation prepared and issued
by the Service for the Revision and
Consolidation of the Cyprus Legislation)

LAW NO.51 (I) OF 1992
A LAW TO PROVIDE FOR THE REGULATION OF RELATIONS
BETWEEN COMMERCIAL AGENT AND PRINCIPAL
(3rd July, 1992)

The House of Representatives enacts as follows:

1. This law may be cited as the Regulation of Relations between short title. Commercial Agent and Principal Law of 1992.

PART I
PRELIMINARY

2. In this Law, unless the context otherwise requires-
“commercial agent” means every individual or legal person who, in his Interpretation. Capacity as an independent intermediary, is assigned on a permanent basis either to negotiate on behalf of another person, hereinafter called the “principal”, the sale or purchase of goods, or to negotiate and conclude such transactions in the name and on behalf of the principal:

Provided that they are not commercial Agents within the meaning of this Law the following categories of persons:

- The persons who, in the capacity of an organ, are empowered to bind a company or union of persons.
- Partners who have legal power to bind the other partners,
- The administrators appointed by Court, Liquidators or trustees in bankruptcy.

PART II
RIGHTS AND DUTIES OF THE PARTIES

3. –(1) The commercial agent is bound in the performance of his duties, to act in accordance with the law and in good faith towards his principal and to look after his interests.

(2) In particular, a commercial agent must-
(a) Take all possible efforts to negotiate or conclude the transactions entrusted to him,
(b) communicate to his principal all necessary information available to him,

4. –(1) A principal must in his relations with the commercial agent act in accordance with the law and in good faith.

- (2) In particular a principal must-
- (a) Provide the commercial agent with the necessary informative documents relating to the goods concerned for the time being,
 - (b) provide the commercial agent with the necessary information for the performance of the agency contract and in particular notify the commercial agent within a reasonable period as soon as he anticipates that the volume of commercial transactions will be significantly lower than that which the commercial agent normally expects,
 - (c) inform the commercial agent within a reasonable period of his acceptance or refusal and of the non-execution of a commercial transaction which the commercial agent had mediated.

PART III REMUNERATION

Remuneration of commercial agent.

5. In the absence of a relative agreement between the parties regarding the level of remuneration, the commercial agent shall be entitled to remuneration according to the transaction customs applicable in the place where he carries on his activities for the representation of the goods to which the agency contract relates.

Commission

6. Every part of the remuneration which varies in accordance with the number and value of the transactions shall be deemed to be commission within the meaning of this section.

Remuneration in the form of commission or a fixed amount

7. The remuneration may be in the form of a commission or a fixed amount or both. In the case of remuneration in the form of commission the provisions of sections 8 to 13 shall apply.

Commission of commercial agent during the continuance of the agency contract

8. The commercial agent shall be entitled to commission for the commercial transactions concluded during the period covered by the agency contract-
- (a) Where the transaction has been secured with the mediation of the commercial agent, or
 - (b) where the transaction is concluded with a third party whom the commercial agent had previously secured as a customer for a transaction of the same kind, or
 - (c) where the commercial agent was appointed to cover a specific geographical area, and/or a specific group of persons and the transaction has been concluded within the same geographical area or, with a person belonging to that group,

even if for the transaction there had been a negotiation by another person other than the commercial agent or a different agreement had been concluded by the commercial agent.

Commission of commercial agent for transactions after the agency contract has been terminated.

9. A commercial agent shall be entitled to commission on commercial transactions concluded after the contract of agency has been terminated:

- (a) If the transaction is mainly attributable to the commercial agent's activity during the continuance of the agency contract and it was entered into within a reasonable period after the termination of such contract, or
- (b) If, in accordance with the conditions of section 8, the order of the Third party reached the commercial agent or the principal before the termination of the agency contract.

Commission due to previous commercial agent

10. A commission agent shall not be entitled to a commission according to section 8, if that commission is due, by virtue of section 9 to the previous commercial agent, unless it is just, due to the circumstances, for the commission to be divided between the commercial agents.

When right to commission exists

11. –(1) Right to commission exists, if and so long as one of the following circumstances is present:

- (1) The principal has executed the transaction,
- (2) the principal should have executed the transaction of the agreement which had been concluded with the third party,
- (3) the third party executed the transaction.

(2) The right to commission shall arise at the latest, when the third party has executed his part of the transaction or should have done so if the principal had executed his part of the transaction.

(3) The commission shall be payable not later than the last day of the month following the half-yearly period during which the relevant right arose.

(4) It is not permitted to agree deviation from the provisions of subsections (2) and (3) of this section to the detriment of the commercial agent.

When the right to commission is lost

12. –(1) The right to commission is lost only when-

- (a) It is established that the contract between the third party and the principal will not be executed; and
- (b) the non-execution is not due to facts for which the principal is responsible.

(2) Any commissions which the commercial agent has already received shall be refunded, if the right to it is lost.

- (3) It is not permitted to agree deviation from the provisions of subsection (1) of this section to the detriment of the commercial agent.

Supply of information from the principal etc., about commissions due.

13. –(1) The principal shall supply to the commercial agent a statement of commissions due not later than the last day of the month following the quarter in which the commission originated. The statement shall set out all the material facts on the basis of which the amount of commission was calculated.

- (2) The commercial agent shall be entitled to demand that he be provided with all the information and in particular an extract from the books which are available to the principal and which he needs in order to check the amount of the commissions due.

- (3) It is not permitted to agree deviation from the provisions of subsections (1) and (2) of this section to the detriment of the commercial agent.

PART IV

CONCLUSION AND TERMINATION OF THE AGENCY CONTRACT

Written contract of commercial agency.

14. Both parties are obliged to conclude and sign a written contract setting out the terms of the agency contract and any other terms subsequently agreed.

In the case of agency contracts concluded prior to the coming into operation of the present Law and for which no written contract has been signed the provisions of the present Law shall be in force and apply.

When a contract of a fixed period is converted into an agency contracts of an indefinite.

15. An agency contract for a fixed period, which continues to be performed by both parties after its period has expired, shall be deemed to be converted into an agency contract for an indefinite period.

Mode of termination of agency contract of an indefinite period.

16 –(1) Where an agency contract is concluded for an indefinite period, either party may terminate it by notice in writing. The period of notice is the same for both parties.

- (2) The period of notice of termination shall be one month for the first year of contract, two months for the second year, three months for the third, four months for the fourth, five months for the fifth and six months for the sixth year and subsequent year. The parties cannot agree to shorter periods of notice.

- (3) If the parties specify longer periods than those laid down in subsection (2) of this section, the period of notice to be observed by the principal cannot be shorter than to be observed

by the commercial agent.

- (4) Unless otherwise agreed by the parties, the end of the period of notice of termination must coincide with the end of a calendar month.

- (5) The provisions of this section shall apply when an agency contract of a fixed period is converted into an agency contract of indefinite period, in accordance with the provisions of section 15. In such a case, for the fixing of the period of notice of termination the previous fixed period must also be taken into account.

17. Any party may terminate the agency contract at any time because of the failure of one of the parties to carry out all or part of his obligations.

18. –(1) The commercial agent the termination of the agency contract, shall be entitled to an indemnity for a lump sum pursuant to subsection (2) or to damages pursuant to subsection (3) of this section.

(2) (a) The commercial agent shall be entitled to an indemnity for a lump sum if and to the extent that-

(i) He has brought to the principal new customers or has significantly increased the volume of business with existing customers and the principal continues to derive substantial benefits from the business with such customers and

(ii) the payment of this indemnity is just, having regard to all the circumstances and in particular the commission lost by the commercial agent and derived from business transacted with these clients. Such circumstances shall also include the applications or not of a provision of no competition within the meaning of section 20.

(b) The amount of this indemnity it is not possible to exceed an amount equivalent to an annual indemnity calculated on the basis of the commercial agent's average annual remuneration over the preceding last five years, and if the contract continued for less than five years, the indemnity shall be calculated on the average for the said period.

(c) The grant of such indemnity for a lump sum shall not prevent the commercial agent from seeking damages for loss suffered.

(3) The commercial agent shall be entitled to damages for loss suffered, as a result of the termination of his relations with the principal.

Such loss shall be deemed to occur when the termination of the agency contract Results in:

(i) Depriving the commercial agent of commissions which the proper performance of the agency contract procured whilst providing at the same time the principal with substantial benefits linked with the commercial agent's activities,

(ii) and/or not allowing the commercial agent to amortise the costs and expenses that he had incurred after instructions from the principal for the performance of the agency contract.

(4) Entitlement to a lump sum indemnity, as provided in subsection (2) or to damages as provided according to subsection (3) of this section, shall also arise where the agency contract is terminated as a result of the commercial agent's death.

(5) The commercial agent shall lose his entitlement to the lump sum indemnity, provided for in subsection (2) or to damages in accordance with subsection (3) of this section, if he does not notify the principal within a period of one year from the expiry of the agency contract that he wishes to exercise such right.

When indemnity for a lump sum or damages are not due.

(6) Agreements to deviate from the provisions of this section to the detriment of the commercial agent shall not be permitted.

19 -(1) The indemnity for a lump sum or damages according to section 18 are not due-

(i) Where the principal terminates the agency contract because of fault attributable to the commercial agent which would justify, in accordance with the legislation in force, immediate termination of the agency contract, or

(ii) where the commercial agent terminates the agency contract, unless such termination is due to the fault of the principal or is justified on grounds of age, infirmity of body or illness of the commercial agent, in consequence of which he cannot reasonably be required to continue his activities, or

(iii) where, after an agreement with the principal, the commercial agent assigns his rights and obligations he undertook under the agency contract to a third person.

Agreement of no competition

(2) It is not permitted to agree deviation from the provisions of this section to detriment of the commercial agent.

20 -(1) For the purposes of this Law, an agreement restricting the

business activities of the commercial agent following termination of the agency contact is hereinafter referred to as “agreement of no competition”

(2) The “agreement of no competition” shall be valid if and to the extent that:

- (i) It is concluded in writing and
- (ii) It relates to the geographical area of the group of persons and the geographical area for which the commercial agent was responsible and to the kind of goods covered by the agency under the agency contract.

(3) The “agreement of no competition” shall be valid for a period of not more than two years after the termination of the agency contract.