

# Cyprus and the 2010 International Narcotics Control Strategy Report - Money Laundering and Financial Crimes

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The International Narcotics Control Strategy Report (INCSR) report released in March 2010 does not include any of the vulnerabilities and weaknesses stated in last year's report and presents the government of the Republic of Cyprus as having in place a comprehensive anti-money laundering/counterterrorist financing regime, which it continues to upgrade.

The INCSR annual report by the Department of State to Congress prepared in accordance with the Foreign Assistance Act describes the efforts of key countries to attack all aspects of the international drug trade in Calendar Year 2009.

According to the report, Cyprus is a major regional financial center with a robust financial services industry and a significant amount of non-resident businesses. There is no significant black market for smuggled goods in Cyprus and the little black market trade that exists is typically related to small scale transactions, typically involving fake clothing or cigarettes across the UN-patrolled buffer zone separating the ROC from the "TRNC". Furthermore:

**Beneficial ownership:** The ultimate beneficial ownership of international business companies must be disclosed to the authorities. Cyprus has a system in place allowing full access to information on the beneficial owners of every

registered company. Bearer shares are not permitted. Nominee (anonymous) directors and/or trustees are not allowed. Cypriot authorities are aware of the risks posed by the large number of non-resident businesses and monitor potential money laundering activities. Companies not registered in Cyprus may open bank accounts here, but the banks must perform appropriate due diligence and follow know-your-customer (KYC) regulations.

**Know-your-customer rules:** The Law for the Prevention and Suppression of Money Laundering Activities (LPSMLA) establishes KYC regulations that apply to traditional financial institutions as well as many designated non-financial businesses and professions (DNFBP), such as auditors, tax advisors, accountants, and in certain cases, attorneys, real estate agents, and dealers in precious stones and gems. The LPSMLA describes the method and timeline for applying customer due diligence and identification procedures, as well as enhanced due diligence. Central Bank money laundering directives place additional obligations on banks, including requirements on customer acceptance policy and the updating of customers' identification data and business profiles. Banks must have computerised risk management systems to

verify whether a customer is a politically exposed person (PEP) and have adequate management information systems for on-line monitoring of customers' accounts and transactions.

**Suspicious transaction reporting:** Bank employees must report all suspicious transactions to their compliance officer who determines whether to forward a report to the Cypriot financial intelligence unit (FIU) for investigation. Banks also must file monthly reports with the Central Bank indicating the total number of STRs submitted to the compliance officer and the number forwarded by the compliance officer to the FIU. Reporting individuals are fully protected by the law with respect to their cooperation with law enforcement authorities. Failure to report suspicious transactions is punishable under the law. Between January 1 and December 1, 2009, MOKAS, the Cypriot FIU, received 387 STRs.

**Large currency transaction reporting:** All banks must report to the Central Bank on a monthly basis individual cash deposits in any currency exceeding 10,000 euros.

**Cross-border currency transportation:** All travelers entering or leaving Cyprus with cash or gold valued at more than 10,000 euros must declare it to Customs. Cash declaration and smuggling reports are entered into a database maintained by Customs, and shared with the Cypriot FIU and other

government agencies.

**Enforcement and implementation issues and comments:** Since 2004, there have been 261 prosecutions for money laundering derived from police and MOKAS investigations, eight of which took place in 2009 by MOKAS investigators. Of the 261 prosecutions, 132 have resulted in convictions.

**Cooperation with foreign governments (including refusals):** There are no legal issues hampering Cyprus' ability to assist foreign governments in mutual legal assistance requests.

**International agreements:** Cypriot law allows MOKAS to share information with other FIUs without benefit of a memorandum of understanding (MOU). In July 2009, a new amending law (N 73(I)/2009) came into effect allowing CYSEC to cooperate fully with foreign regulators and to obtain information regarding the beneficial owners of any Cypriot-registered company.

**Records exchange mechanism with U.S.:** Cyprus and the United States are parties to a bilateral mutual legal assistance treaty that provides for exchange of information. The Cypriot FIU is able to share information with other FIUs without having an MOU in place.

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