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Executive summary

Note by the Secretariat

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* [CAC/COSP/IRG/2023/1](#).



II. Executive summary

Cyprus

1. Introduction: overview of the legal and institutional framework of Cyprus in the context of implementation of the United Nations Convention against Corruption

Cyprus signed the United Nations Convention against Corruption on 9 December 2003 and ratified it on 23 February 2009. The Convention entered into force for Cyprus on 25 March 2009.

The implementation by Cyprus of chapters III and IV of the Convention was reviewed in the third year of the first review cycle, and the executive summary of that review was issued on 26 July 2016 ([CAC/COSP/IRG/I/3/1/Add.27](#)).

Cyprus is a republic with a presidential regime. The country has a mixed legal system that primarily comprises aspects of common law, as well as certain elements of civil law. Since Cyprus acceded to the European Union, European Union *acquis* has been hierarchically the highest norm of the legal system. The Constitution further provides that treaties take precedence over municipal laws, on condition that they are applied by the other party thereto (art. 169).

The domestic legislative framework against corruption includes provisions of the Constitution, the Criminal Code, the Criminal Procedure Code and the Law on the Prevention of Corruption, as well as specific laws referred to below.

2. Chapter II: preventive measures

2.1. Observations on the implementation of the articles under review

Preventive anti-corruption policies and practices; preventive anti-corruption body or bodies (arts. 5 and 6)

The country's anti-corruption policies are derived from provisions of the Constitution, the Law on the Prevention of Corruption, the Criminal Code, the Criminal Procedure Code and relevant civil and administrative laws and regulations,¹ and they are incorporated in various policy documents, such as the country's development agenda and government service circulars and guidelines.

The National Anti-Corruption Strategy was adopted in November 2017 and the five-year National Horizontal Action Plan Against Corruption was adopted in May 2019. They contain coordinated anti-corruption actions based on six key pillars (prevention, education, awareness, modernization of legislation, suppression and monitoring). The Cyprus Integrity Forum, a non-governmental organization, provided input on the Action Plan, and drafts were presented to private sector and civil society representatives. The Office for Transparency and the Prevention of Corruption coordinates the implementation of the Strategy and the Action Plan. However, no mechanism is in place to regularly report on the results of their implementation.

The Treasury of the Republic enacts transparency programmes to prevent corruption in public procurement and State financial transactions. The police adopt recruitment criteria that promote meritocracy and have established a special internal unit for investigating corruption allegations made against them. The Commissioner for Administration and Human Rights (Ombudsman) safeguards the rule of law and human rights by acting against abuse of power by public organs and services.

No mechanism is in place for the periodic evaluation of relevant legal instruments and administrative measures with a view to determining their adequacy to prevent and fight corruption.

¹ For a more detailed explanation, please see the executive summary from the first implementation review cycle ([CAC/COSP/IRG/I/3/1/Add.27](#)).

The police investigate corruption cases. The Attorney General can institute criminal proceedings against any person in Cyprus, including for corruption offences. The Auditor General audits the accounts of central Government, local authorities, State enterprises and other public organizations. The Commissioner of Internal Audit audits all government organizations to ensure effective internal control. The Commissioner for Administration and Human Rights (Ombudsman) investigates complaints against any service or official exercising an administrative function in order to promote good governance.² The above-mentioned bodies are established by statutes and have sufficient budgetary and human resources. Except for the police, all authorities are independent bodies. Regular training is provided for their employees.

Cyprus participates in several regional and international initiatives related to anti-corruption efforts, including the Group of States against Corruption, the European Union Agency for Law Enforcement Cooperation, the European Partners against Corruption/European contact-point network against corruption, the International Criminal Police Organization (INTERPOL) and the International Anti-Corruption Academy.

The Ministry of Justice and Public Order may assist other States parties to the Convention in developing and implementing specific measures for the prevention of corruption.

Public sector; codes of conduct for public officials; measures relating to the judiciary and prosecution services (arts. 7, 8 and 11)

The Public Service Law and the Law on the Evaluation of Candidates for Appointment in the Public Service govern the recruitment, retention, promotion and retirement of public officials in the central public administration, but not those in the “broader” public sector. Employees in that sector, which includes the judicial service, the armed and security services, local authorities and State-owned enterprises, are subject to other laws governing the functioning of such bodies. The Public Service Commission is mandated to appoint, promote, transfer, second, retire and exercise disciplinary control over public officials in the central public administration. The respective competent authority for staff selection or appointment in local authorities is the city or community council of the local authority.

The qualifications required for vacant posts in the central public administration are published as an annex to the Official Gazette. Applicants are recruited on the basis of examination results, qualifications and past performance in the public service, if applicable. Decisions regarding promotion within the public service are made taking into account the merits, qualifications and seniority of candidates as well as the recommendation of the head of the recruiting unit. Public officials are entitled to salaries as provided in the Annual State Budget Law, as well as other financial benefits.

The decisions of the Public Service Commission, including in relation to recruitment, are administrative acts and can be challenged before an administrative court of first instance.

There are no specific procedures for the selection, training and rotation of individuals for positions that are considered especially vulnerable to corruption.

The Cyprus Academy of Public Administration offers ethics- and integrity-related training programmes to public officials in the central public administration. The Public Administration and Personnel Department of the Ministry of Finance delivers

² After the country visit, Cyprus reported that in 2022 the Parliament had enacted Law L.19(I)/2022, which establishes an independent authority against corruption as the competent authority for investigating corruption cases, coordinating public and private actions against corruption, and ensuring the implementation and evaluation of the National Anti-Corruption Strategy.

seminars on the Guide of Conduct and Ethics for Public Servants. Anti-corruption training is included in induction courses for newly employed civil servants.

Articles 64 and 95 of the Constitution outline criteria concerning candidature for and election to the House of Representatives and the Communal Chamber. Anyone convicted of an offence involving dishonesty or moral turpitude is automatically disqualified.

The Political Parties Law governs the State funding of, and the giving of private donations to, political parties by, inter alia, determining who can donate, setting limits on contribution amounts and specifying auditing requirements (arts. 5 and 6). Donations cannot be made by another State or any company owned by another State. Political parties are required to upload to their website and communicate to the registrar annually the list of private donors who have made donations with a value of or exceeding 500 euros in the previous year. Political parties should keep proper accounting books and prepare annual financial statements, to be audited by the Auditor General. A report on audit findings is published in the Official Gazette. It is mandatory for members of the Parliament to declare any incompatibility between their office in the Parliament and their holding of a public office, as well as any personal interests that may be related to a bill under discussion (rule 44 of the Rules of Procedure of the House of Representatives).

The Public Service Law establishes key ethics rules for public officials. The Guide of Conduct and Ethics for Public Servants calls for public officials to serve in an objective, fair and impartial manner. The Internal Audit Service, the Department of Customs and Excise and the police have their own codes of conduct. At the time of the country visit, a draft code of conduct for members of the Parliament was being developed.³

The Public Service Law obliges public officials to promptly report suspected acts of corruption in the performance of duties (art. 69 (a)).⁴

Public officials in the central administration cannot take up simultaneous employment in any other occupation or business, and they cannot hold shares or other interests in any private company, partnership or other enterprise, unless special permission has been obtained from the Minister of Finance (art. 65 of the Public Service Law). It is also prohibited for public officials in the central administration to accept gifts or other personal benefits (art. 69 of the Law). All public servants are obliged to disclose conflicts of interest to their supervisor, who is responsible for acting appropriately depending on the circumstances of each case (art. 60 (2) of the Law). Any violation of the obligation may be subject to disciplinary action.

As discussed in greater detail in the section on article 52 of the Convention, below, only senior public officials are required to submit asset declarations.

Judicial independence is enshrined in the Constitution. The Supreme Council of Judicature enjoys exclusive competence to regulate the judicial profession and determine the appointment, promotion, transfer and dismissal of, and disciplinary matters related to, judicial officers. The Supreme Court Rule and the Practice Direction of the Supreme Court regulate integrity, conflicts of interest and codes of conduct.

The Code of Ethics for Prosecutors, published by the Law Office, offers guidance to prosecutors on conflicts of interest and other integrity-related matters. It was reported

³ After the country visit, Cyprus reported that the Code of Conduct for Members of the Parliament had been adopted in February 2021. The Code governs the broader conduct of members of the Parliament both in and outside the Parliament and regulates issues of transparency, such as conflicts of interest, declaration of gifts and paid trips abroad.

⁴ After the country visit, Cyprus reported that the Law on the Protection of Persons Reporting Violations of Union and National Law had entered into effect on 4 February 2022, transposing the European Union directive on whistle-blower protection and providing for supplementary protection for persons reporting acts of corruption both in the public and the private sectors and a reduction in sanctions for individuals that cooperate with the police.

during the country visit that a bill for safeguarding the independence and autonomy of the prosecution service was being prepared.

Public procurement and management of public finances (art. 9)

Public procurement is regulated by domestic legislation that transposes relevant European Union directives. That domestic legislation includes the Law on the Regulation of Concession Award Procedures and Related Matters (Law 11(I)/2017), the Law on the Regulation of Procedures for the Award of Public Contracts and Related Matters (Law 73(I)/16), the Law on the Regulation of Procedures for the Award of Public Contracts by Authorities Acting in the Water, Energy, Transport and Postal Services Sectors and Related Matters (Law 140(I)/2016) and the Law on Appeal Procedures in the Field of Public Procurement (Law 104(I)/2010).

Cyprus applies the procurement procedures set out in European Union directives, namely, open procedure, restricted procedure, competitive procedure with negotiation, competitive dialogue, innovation partnership and negotiated procedure without prior publication (part 2, chap. 1, of Law 73(I)/2016). Open bidding is the default procedure.

Cyprus applies the same grounds for excluding bidders from participation as those set out in European Union directives (including corruption, fraud and distortion of competition) (art. 57 of Law 73(I)/2016).

The Treasury of the Republic is the competent authority for public procurement. It monitors the implementation of procedures and supports contracting authorities and bidders by providing them with instructions and recommendations.

It is mandatory for all contracting authorities to publish all invitations to tender, and for all bidders to submit tenders and requests to participate on the electronic procurement portal (ePS), a platform managed by the Treasury of the Republic that allows the online organization of tender-related activities. Furthermore, it is obligatory for contracting authorities to publish all contract award notices on the portal. Simplified procedures that are performed offline and valued at over 2,000 euros must also be recorded on the portal.

Procurement notices are required to contain information on the conditions for participation, including selection and award criteria (art. 48 of Law 73(I)/2016).

The Code of Conduct for the Award of Public Contracts, the Best Practices Guide on Public Procurement and the Manual on Bid Rigging have been developed by relevant authorities to provide information to stakeholders regarding expected correct behaviours and possible consequences of violations.

The Law on Appeal Procedures in the Field of Public Procurement (Law 104(I)/2010) provides for a system of domestic review. The Tenders Review Authority handles appeals against the acts or decisions of contracting entities (art. 5 of the Law). Decisions of the Tender Review Authority are subject to appeal before an administrative court (art. 46 of the Law).

The management of public finances is regulated by articles 81 and 167 of the Constitution. The Minister of Finance submits the budget bill to the House of Representatives for vote three months before the beginning of the fiscal year. The heads of ministries and independent offices are called to present the proposed budget and provide clarifications or additional information to the Parliamentary Committee on Financial and Budgetary Affairs. A three-day budget discussion open to the public is held in the Parliament towards the end of the fiscal year. The proposed and adopted budgets are published in the digital Official Gazette. Within three months of the end of the financial year, the Accountant General prepares the financial report, which includes information regarding budget execution and other relevant matters. Furthermore, pursuant to article 21 of the Law on Accounting and the Financial Management and Control of the Republic (Law 38(I)/2014), the Accountant General prepares financial statements for each financial year, in accordance with the

provisions of the Fiscal Responsibility and Fiscal Framework Law (Law 20(I)/2014) and following the International Financial Reporting Standards. Both the report and the financial statements are publicly available on the website of the Treasury of the Republic.

The legal framework that governs proper accounting by the Government is set out in the Constitution, the Fiscal Responsibility and Fiscal Framework Law, and the Law on Accounting and the Financial Management and Control of the Republic. According to article 6 of the latter, violations of relevant obligations may result in fines and imprisonment. The Financial and Accounting Instructions of the Government are an additional tool for preserving the integrity of accounting records. The largely automated recording of accounting books in the Financial Information and Management Accounting System (FIMAS) ensures that accounting records are kept in a secure electronic format.

In accordance with the Constitution (arts. 116, 126 and 127), the Accountant General is the head of the independent Treasury of the Republic and manages and oversees all accounting operations and executes the financial transactions of the Government. The Auditor General controls all public disbursements and receipts and audits all public accounts related to assets administered and liabilities incurred.

Over the last 10 years, the Treasury of the Republic has initiated a reform programme that is aimed at providing a holistic upgrade to public financial management. One pillar of the reform is the creation of financial management directorates in each ministry, under the leadership of professional accountants, whose function extends beyond the execution of simply bookkeeping and covers strategic planning, the maintenance of complete financial information on revenue and expenditure, assets and liabilities, and the evaluation of procedures and systems.

Public reporting; participation of society (arts. 10 and 13)

At the time of the country visit, Cyprus had no specific legislation on public access to information.⁵

The Government Open Data Portal is a one-stop shop hosting thousands of data sets from public sector bodies. The Cyprus eGovernment gateway, known as ARIADNE (www.gov.cy/en), provides information on government procedures and processes. Citizen service centres are one-stop shops where citizens can access many public services. All decisions that are made by the Council of Ministers and published in the Official Gazette are made available on the website of the Secretariat of the Council of Ministers. Government bodies regularly publish information on, inter alia, their organizational structure, contact details and annual budgets on their official websites. The Auditor General publishes an annual report containing findings and recommendations on the administration of the country's finances, and the Commissioner for Administration and Human Rights reports on its activities, but there is no structured periodic reporting mechanism on the risks of corruption in the public administration.

Public consultations, surveys and debates are conducted to promote the contribution of the public to decision-making processes. Members of the public can report acts of corruption to anti-corruption bodies, the police, the Attorney General and the Commissioner for Administration and Human Rights (Ombudsman) through their websites or hotlines, including anonymously.

⁵ The Right of Access to Public Sector Information Law of 2017 (Law 184 (I)/2017) entered into force on 22 December 2020. As the primary law governing access to information, it establishes the right of citizens to request and receive information held by public authorities. Public authorities are obliged to proactively publish on their website administrative information such as organizational structure, names of the heads of departments and contact details for further enquiries. The Law establishes a commissioner of information for coordinating access to information and processing complaints.

Although there is no specific anti-corruption education curriculum, the Cyprus Integrity Forum runs an initiative entitled “Integrity, transparency and education”, which educates children, young people and their teachers about integrity and non-tolerance of corruption. The initiative is conducted on an ad hoc basis.

Private sector (art. 12)

Pursuant to the Companies Law (arts. 141 and 142) and the Assessment and Collection of Taxes Law (art. 30), all companies are obliged to keep proper books of accounts and submit audited financial statements to the Registrar of Companies.

The provision of administrative services, including the management of corporate entities, is a regulated activity under the Administrative Services Law, and is supervised by the competent bodies under the Prevention and Suppression of Money-Laundering and Terrorist Financing Law.

Cooperation between law enforcement authorities and private entities is promoted primarily through the signing of memorandums of understanding. The Government promotes an incentive scheme in the private sector for the implementation of a recognized standard against bribery and corruption (ISO 37001). The “cooling-off” period for public officials who move to the private sector is two years (art. 5 of the Control of the Taking up of Employment in the Private Sector by Former State Officials and Certain Former Employees of the Public and Broader Public Sector Law of 2007). All private limited liability companies are required to submit their financial statements for audit (art. 152A(1) (a) of the Companies Law). Failure to ensure that books of accounts and records are kept in accordance with the Companies Law, to correctly explain all transactions and allow for the determination of a company’s financial position with reasonable accuracy at any time and to include supporting documents may constitute a criminal offence subject to a term of imprisonment not exceeding one year or to a fine not exceeding 1,708 euros, or both (art. 141 of the Companies Law). Companies are required to submit their memorandum of association with incorporation conditions to the Registrar of Companies. Information on companies, such as the date of registration of the company and its shareholders, directors, secretary and registered address, is publicly available at the Registrar of Companies. The Companies Section under the Ministry of Energy, Commerce and Industry operates a companies’ register and a dedicated portal for the registration, control and monitoring of all business entities (www.companies.gov.cy/en).⁶

Cyprus is in the process of developing a centralized register that provides beneficial ownership information for all express trusts administered in the country.⁷

Measures to prevent money-laundering (art. 14)

Cyprus has an anti-money-laundering supervisory and regulatory regime in place. The Prevention and Suppression of Money-Laundering and Terrorist Financing Law (Anti-Money-Laundering Law) establishes a list of reporting entities, including financial institutions, money or value transfer services and designated non-financial businesses and professions (sect. 2A). The supervisory authorities include the Central

⁶ After the country visit, Cyprus reported that the Department of the Registrar of Companies and Intellectual Property had developed a register of beneficial owners (available at www.companies.gov.cy/en/knowledgebase/news/commencement-of-beneficial-owners-register-of-corporate-and-other-legal-entities and www.companies.gov.cy/en/services/451), as per the provisions of the fifth European Union anti-money-laundering directive (Directive (EU) 2018/843). The register became operational on 12 March 2021.

⁷ After the country visit, Cyprus reported that it had transposed the fifth European Union anti-money-laundering directive (Directive (EU) 2018/843) into national law (Law 13(I)/2021), on the basis of which the Registrar of Companies became the competent national authority for establishing and maintaining a register of beneficial owners for companies and other legal entities. Under the same Law, the Securities and Exchange Commission became responsible for developing and maintaining a register of express trusts for trusts administered in Cyprus. The register became operational on 25 October 2021 (available at www.cysec.gov.cy/en-GB/cytbor/announcements/).

Bank of Cyprus, the Securities and Exchange Commission and the Superintendent of Insurance (sect. 59 (1) of the Anti-Money-Laundering Law). The Anti-Money-Laundering Law sets out specific measures related to customer due diligence and the identification of beneficial owners (sects. 61 and 61A). Obligations to keep records for a period of five years are established under section 68 of the Law). The Law also requires obliged entities to report suspicious transactions (sect. 55).

Reporting entities are required to utilize a risk-based approach and ensure the application of adequate and appropriate policies and procedures to mitigate and manage relevant risks (sects. 58 and 58A of the Anti-Money-Laundering Law). In 2018, Cyprus finalized its national risk assessment, on the basis of which a national strategy to counter money-laundering and terrorist financing and an associated action plan were adopted in 2019. Pursuant to the Anti-Money-Laundering Law, the national financial intelligence unit (the Unit for Combating Money-Laundering, or MOKAS) was established in 1997 to collect, evaluate and analyse suspicious transaction reports and to transmit information to competent authorities for further investigation (sects. 54 and 55).

The Advisory Authority for Combating Money-Laundering and Terrorist Financing was set up to coordinate public and private entities in relation to the identification, assessment and mitigation of relevant risks (sects. 56 and 57 of the Anti-Money-Laundering Law). The Special Technical Committee and other sector-specific committees have been established within the Advisory Authority. The financial intelligence unit can exchange information with domestic agencies and foreign counterparts, as well as other foreign authorities (sects. 55 (b) and (c) and 59 (8) of the Law).

Regulation (EU) 2018/1672 of the European Parliament and of the Council on controls on cash entering or leaving the Union is directly applicable in Cyprus. In addition, the Cash Controls Law of 2009 (Law 53(I)) requires any natural person who enters or leaves Cyprus carrying cash or gold with a value of or exceeding 10,000 euros to declare that sum in writing to the customs authorities. Non-compliant persons who either fail to make a declaration or make a false declaration are subject to a penalty of up to 50,000 euros, with the cash involved being seized and liable to forfeiture.⁸

Regulation (EU) 2015/847 of the European Parliament and of the Council on information accompanying transfers of funds is also directly applicable in Cyprus. The Regulation requires reporting entities to obtain adequate information on payers and payees, to decline transactions with incomplete information and to maintain proper records (arts. 4, 7, 8 and 16).

Cyprus is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and has undergone five rounds of evaluation. The country has transposed the fourth and fifth European Union anti-money-laundering directives. In addition, it can cooperate widely with other States through the platform of financial intelligence units (FIU.net), the Egmont Group of Financial Intelligence Units and the European Union Asset Recovery Offices to combat money-laundering.

2.2. Successes and good practices

- The introduction of the electronic procurement portal (ePS) for conducting public procurement competitions online. The portal was the recipient of the “Good Practice Label” at the fourth European eGovernment Awards, presented in 2009.
- The development of a best practice guide on public procurement, which provides guidance, examples and tools for various stages of the tender procedure (such

⁸ After the country visit, Cyprus reported that it had adopted the Law on the Control of Cash Entering or Leaving the Union and the Exercise of Intra-Union Cash Controls (Law 63(I)) in 2022, which set out additional penalties for non-compliance.

as market research, creation of the tender documents, selection and award criteria, tendering rules, publication of notices and correct decision-making). The guide is publicly available on the website of the Treasury of the Republic **Error! Hyperlink reference not valid.**

- The provision on the eGovernment gateway, known as ARIADNE, of information on government procedures and processes. The gateway also serves as a tool to connect citizens, the private sector and government institutions.

2.3. Challenges in implementation

It is recommended that Cyprus:

- Endeavour to develop a mechanism for the periodic evaluation of anti-corruption legal instruments and administrative measures (art. 5, para. 3).
- Consider broadening the scope of application of the merit-based recruitment and selection policies set out in the Public Service Law beyond civil servants in the central public administration to all public officials (art. 7, para. 1 (a)).
- Endeavour to identify public positions considered especially vulnerable to corruption and introduce adequate procedures for the selection, training and rotation, where appropriate, of persons to such positions (art. 7, para. 1 (b)).
- Endeavour to introduce systems that promote regular ethics- and integrity-related education and training programmes for public officials (art. 7, para. 1 (d)).
- Consider adopting and maintaining systems to prevent conflicts of interest that apply to all public officials, instead of only to officials in the central public administration (art. 7, para. 4).
- Endeavour to ensure adoption of a code of conduct for members of the Parliament, including provisions on the disclosure of conflicts of interest, assets, investigation procedures and liabilities (art. 8, paras. 2 and 5).
- Consider adopting measures to enable periodic public reporting on the risks of corruption in its public administration (art. 10 (c)).
- Take measures to prevent corruption in the private sector, including by:
 - Adopting standards of business ethics or conduct for private sector entities (art. 12, para. 2 (b)).
 - Promoting transparency among private sector entities, including by accelerating the implementation of Directive (EU) 2015/849 of the European Parliament and of the Council on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing by, inter alia, establishing a register of beneficial owners of all legal persons (art. 12, para. 2 (c)).
 - Establishing measures to prevent the misuse of procedures regulating private entities, such as procedures regarding subsidies and licences granted by public authorities for commercial activities (art. 12, para. 2 (d)).
 - Preventing conflicts of interest by restricting, for a reasonable period of time, the professional activities of former public officials in the private sector, where such activities relate directly to their previous functions (art. 12, para. 2 (e)).
- Ensure the disallowance of the tax deductibility of expenses that constitute bribes (art. 12, para. 4).
- Consider the development of primary, high school and university curricula on the prevention of and fight against corruption, as part of public education programmes (art. 13, para. 1 (c)).

- Take additional measures to ensure that relevant anti-corruption bodies are known to the public and that reporting procedures, including anonymous reporting, are established and accessible to the public (art. 13, para. 2).

3. Chapter V: asset recovery

3.1. Observations on the implementation of the articles under review

General provision; special cooperation; bilateral and multilateral agreements and arrangements (arts. 51, 56 and 59)

The asset recovery regime is primarily governed by the Anti-Money-Laundering Law, which recognizes the Convention as a legal basis for international cooperation (sect. 37) and covers assets in relation to money-laundering and all predicate offences. The Law has two chapters dedicated to prescribing rules regarding the recognition and enforcement of foreign orders, with part IV addressing cooperation with States that are not members of the European Union and part IV A regulating cooperation with States members of the European Union. The Ministry of Justice and Public Order is the central authority for processing requests for mutual legal assistance, while the financial intelligence unit deals with the execution of relevant request for the recovery of assets in relation to all predicate offences (sect. 38 of the Law). The principle of reciprocity is not specified in the Anti-Money-Laundering Law but can be applied in practice. A centralized bank register has been established to facilitate asset tracing and identification; it can be accessed by the financial intelligence unit and law enforcement authorities.

The financial intelligence unit serves as the asset recovery office pursuant to European Council Decision 2007/845/JHA. The financial intelligence unit can share information spontaneously or upon request with foreign financial intelligence units, as well as with other European Union asset recovery offices (sect. 55 (c) of the Anti-Money-Laundering Law), including through police-to-police channels and various networks, such as the Egmont Group and INTERPOL.

Cyprus has concluded a bilateral treaty and several multilateral agreements that can be used for international cooperation in asset recovery.

Prevention and detection of transfers of proceeds of crime; financial intelligence unit (arts. 52 and 58)

Sections 60 to 62 of the Anti-Money-Laundering Law set out specific customer due diligence requirements in relation to entering into a business relationship, occasional transactions above certain thresholds applicable to different sectors, and cases where money-laundering or terrorist financing are suspected. Section 2 of the Law provides a definition of the term “beneficial owner”. The Law also contains provisions on the verification of customer identities and the identification of beneficial owners, including with regard to legal persons, trusts, companies, foundations and other legal arrangements (sects. 61, 61A and 61B). At the time of the country visit, it was reported that a register of beneficial owners for trusts and legal arrangements was being developed. Reporting entities are obliged to conduct enhanced customer due diligence in respect of transactions or business relationships with politically exposed persons, including for at least 12 months after the time that such persons are no longer entrusted with prominent public functions (sect. 64 (1) (c) of the Law). Politically exposed persons are defined in section 2 of the Law; that definition includes both domestic and foreign politically exposed persons, as well as their close relatives and associates.

The supervisory authorities have issued various directives and advisories to assist reporting entities in carrying out risk assessments and enhanced customer due diligence. It was reported that the Central Bank of Cyprus must notify financial institutions of persons to whose accounts enhanced scrutiny should be applied on the basis of information acquired through domestic and foreign authorities. The United

Nations and European Union sanction lists are also disseminated to reporting entities on a regular basis.

Obligated entities are required to keep records, documents, correspondence and other information for a period of five years after the termination of a business relationship or the execution of an occasional transaction (sect. 68 of the Anti-Money-Laundering Law). Such records may be kept for another five years when further retention is justified.

The Business of Credit Institutions Law prohibits the establishment of “shell banks” (art. 4), with this term defined under the Anti-Money-Laundering Law. In addition, the Anti-Money-Laundering Law prohibits financial institutions from entering into or continuing correspondent banking relationships with shell banks and requires such institutions not to engage in or continue correspondent relations with other financial institutions that permit their accounts to be used by shell banks (sect. 66 (1)).

The President, Ministers and Members of the Parliament of the Republic of Cyprus (Declaration and Audit of Assets) Law (Law 49(I)/2004) and the Certain Publicly Exposed Persons and Certain Officials of the Republic of Cyprus (Declaration and Audit of Assets) Law establish a financial disclosure regime for designated officials and set out sanctions in the case of non-declaration or false declaration. Declarations are checked by the Special Parliamentary Committee or the Special Council and can be made publicly available. In principle, interest in or authority over a foreign financial account of an obliged official is also included in the disclosure requirements. However, there are inconsistencies between the two laws regulating the financial disclosure regime, including in relation to sanctions and verification.

The financial intelligence unit, as an autonomous body, is responsible for receiving, analysing and disseminating suspicious transaction reports (sect. 55 of the Anti-Money-Laundering Law). It can instruct obliged entities not to execute or to suspend execution of a transaction, or to have the movement of a bank account monitored if there is reasonable suspicion of money-laundering or terrorist financing (sect. 55 (1) (e) of the Law). Pursuant to that same provision, the instruction regarding suspension or non-execution of a transaction can be valid for up to seven business days and can be renewed for a period not exceeding 30 business days in total.

Measures for direct recovery of property; mechanisms for recovery of property through international cooperation in confiscation; international cooperation for purposes of confiscation (arts. 53, 54 and 55)

Order 1 of the Civil Procedure Rules provides a definition of the term “plaintiff” that includes all persons, including legal persons, requesting any relief through any form of proceeding. In this regard, Cyprus does not preclude foreign States from initiating civil action as plaintiffs in its courts to establish title to or ownership of property acquired through the commission of corruption offences. Nor does it prohibit its courts from ordering the payment of compensation or damages to another State. Section 8 of the Anti-Money-Laundering Law provides that the Attorney General may not submit a court application for the issuance of a confiscation order if he or she is satisfied that the victim has commenced civil action against the accused in relation to damage or loss suffered through the commission of the offence. Pursuant to that same provision, a confiscation order or its potential enforcement does not, however, prevent victims from seeking compensation for their claims through civil action against the accused.

Procedures for the enforcement of foreign confiscation orders are set out in the Anti-Money-Laundering Law (sects. 38 and 43C). The procedure for processing requests on the basis of the international conventions referred to in section 37 of the Law and the procedure for processing requests from States members of the European Union are slightly different. In the former case, a request for enforcement is submitted to the Ministry of Justice and Public Order, which transmits it to the financial intelligence unit and to the court for registration and enforcement, while in the latter case, the request is transferred directly to the financial intelligence unit, which

submits it to the court for further action (parts IV and IV A of the Law). After registration of the foreign confiscation order, the court issues an instruction to send a notification to all persons affected by the order. Foreign orders, including non-conviction-based orders, registered in Cyprus are enforceable as domestic court orders (sects. 37, 39 and 43J.A. of the Law).

The Anti-Money-Laundering Law provides for the confiscation of proceeds and instrumentalities irrespective of their origin if the court determines that the accused has acquired property through the commission of an offence (sect. 8). The court can issue a confiscation order against a suspect or an accused person who is ill, has died, has absconded or is outside the jurisdiction (sects. 28 and 33 of the Law).

Similar to the enforcement of confiscation orders, foreign freezing or seizure orders can be registered and enforced in accordance with the Anti-Money-Laundering Law (parts IV and IV A). When it receives a request for freezing or seizure from a foreign State, the court may issue a restraint or charging order if it is satisfied that proceedings have been instituted but not concluded in that State within the period during which a foreign order may be made (sect. 43 (3) of the Law).

The financial intelligence unit has the authority to carry out enquiries to identify illegal proceeds and other related assets and to execute foreign requests for legal assistance relating to the restraint of illegal assets (sect. 55 (1) (g) and (h) of the Anti-Money-Laundering Law). Pursuant to sections 14 and 15 of the Law, the court may take measures to freeze or seize assets when there is reasonable suspicion of the commission of a money-laundering or predicate offence in Cyprus, in a State member of the European Union or in another foreign country, including on the basis of a foreign arrest or criminal charge.

Cyprus does not have specific rules on requests involving property of a *de minimis* value. Under sections 38 and 40 (2) of the Anti-Money-Laundering Law, requests may be refused or provisional measures lifted if Cyprus does not receive sufficient and timely evidence from requesting States. Before the court cancels the registration of a restraint order, the requesting State is notified in advance and permitted to submit further comments (sect. 40 (3) of the Law). The Law also protects the rights of bona fide third parties (sects. 38 (6) and 43F (e)).

Return and disposal of assets (art. 57)

The Anti-Money-Laundering Law provides that property confiscated on the basis of a foreign order should be distributed among the competent authorities of the foreign country and Cyprus (sect. 39 (3)). However, the Law neither explicitly prescribes the return of the confiscated property to the requesting State in the case of embezzlement of public funds or of laundering of embezzled public funds, nor provides for the return of such property to its legitimate owners or the compensation of the victims. The rights of bona fide third parties are not specified in this context. Furthermore, if the asset is confiscated upon a request from a State member of the European Union, the asset should be accrued to Cyprus or shared equally between Cyprus and the requesting State, depending on the value (sect. 43HA (4) of the Anti-Money-Laundering Law). There are no specific rules on the deduction of reasonable expenses, but Cyprus indicated that such expenses may be deducted in practice. Although Cyprus has reported that its practice of deciding on the distribution of assets on a case-by-case basis may include full return, the examples provided involve, in essence, asset sharing. In some asset recovery cases, agreements or mutually acceptable arrangements for the disposal of confiscated property have been concluded.

3.2. Successes and good practices

- The Anti-Money-Laundering Law allows for the registration in Cyprus of non-conviction-based confiscation orders issued by foreign States (art. 54, para. 1 (c)).

3.3. Challenges in implementation

It is recommended that Cyprus:

- Take further measures to strengthen the identification and verification of the identity of beneficial owners of funds deposited into high-value accounts (art. 52, para. 1).
- Consider strengthening the current financial disclosure regime for certain categories of public official, including by reconciling potential discrepancies between different laws, specifying the requirement for appropriate public officials having an interest in or signature or other authority over a financial account in a foreign country to report that relationship, and taking measures to permit the sharing of such information with foreign competent authorities (art. 52, paras. 5 and 6).
- Take additional measures to ensure that its courts, when making decisions regarding confiscation, recognize the legitimate ownership of another State party of property acquired through the commission of an offence established in accordance with the Convention (art. 53 (c)).
- Adopt legislative and other measures to ensure that confiscated assets be disposed of pursuant to the requirements of the Convention, including by returning property to its prior legitimate owner or compensating victims of offences, including in cases in which bilateral or multilateral treaties provide otherwise, taking into account the rights of bona fide third parties (art. 57, paras. 1–3).⁹
- Consider continuing to conclude bilateral agreements or arrangements to enhance international cooperation in asset recovery (art. 59).

⁹ After the country visit, Cyprus reported that it had amended the Anti-Money-Laundering Law in 2021 to provide for the possibility of returning assets to their legal owners or to the victims of relevant criminal offences, subject to the agreement of the requesting States and Cyprus.