

**Council of Europe’s assessment report on Cyprus’ measures and systems  
for the combating of money laundering and terrorist financing**

The final text of the above assessment report was adopted at the 18<sup>th</sup> Plenary Meeting of the Council of Europe’s “Moneyval” Committee held in Strasbourg between 31 January and 3 February 2006. The assessment report was based on Cyprus’s laws and regulations as well as other information and details provided by the various competent authorities and bodies of the public and private sectors during the evaluation team’s visit to Cyprus between 3 and 9 April 2005.

This is the third time that Cyprus was subject to an evaluation by the “Moneyval” Committee of the Council of Europe. In the previous two evaluations, carried out in April 1998 and September 2001, Cyprus was highly commended for the comprehensive and sound manner in which it adopted measures for combating money laundering in accordance with the prevailing international standards and was congratulated for the very comprehensive legal framework put in place.

The latest assessment report is a bulky and detailed text of 213 pages with extensive references to the institutional framework, administrative measures and systems (Laws and Regulations) of Cyprus for the prevention and suppression of money laundering and terrorist financing activities in the financial services sector (banking, insurance and securities) as well as in “designated non-financial business and professions” such as accountants, lawyers, real estate agents and trust and company service providers. In an Appendix attached to the report, Cyprus is assessed and rated for its level of compliance against the 49 Recommendations of the Financial Action Task Force on Money Laundering (“FATF”). The ratings are based on five levels: “Compliant”, “Largely Compliant”, “Partially Compliant”, “Non Compliant” and “Non Applicable”.

The final ratings assigned to Cyprus were the following:

Level of compliance with FATF Recommendations	No of recommendations
Compliant	17
Largely Compliant	22
Partially Compliant	10
	49

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The above ratings have been based on the new strict evaluation methodology developed in 2004 jointly by the International Monetary Fund and the FATF and they compare **favourably** with the corresponding ratings of other member countries of the FATF and the European Union. In this regard, a comparative table is attached showing the ratings assigned to eight other countries which were subject to evaluation under the new methodology (Australia, Belgium, Hungary, Ireland, Norway, Slovenia Sweden and Switzerland). As shown in the attached table, if one takes together the first two levels of compliance (“Compliant” and “Largely Compliant”) which can be considered as the only two positive ratings among the five levels of compliance, Cyprus scores 39, against Belgium’s 41, Hungary’s 39, Slovenia’s 38, Switzerland’s 32, Norway’s 31, Ireland’s 28, Sweden’s 27 and Australia’s 26. It is also very important to note that Cyprus has **not** registered any “Non-compliant” ratings, whereas Australia has 10 such ratings, Ireland 5, Sweden 5, Norway 4, Switzerland 3, Slovenia 2, Belgium1 and Hungary 1.

The assessment report also contains a significant number of **positive comments** and **statements** (see below) with regard to the efficiency and effectiveness of the measures taken by Cyprus for combating money laundering and terrorism financing. These provide a comprehensive response to the various unfounded adverse criticisms aired from time to time against Cyprus.

- “The Cyprus authorities have demonstrated resolve to reduce the vulnerability of financial institutions and designated non-financial business and professions to money laundering. The Cyprus Financial Intelligence Unit (“MOKAS”) and the Central Bank of Cyprus have been particularly active in this respect.”
- “It was apparent to the evaluators that the supervisory authorities and financial institutions they interviewed took their anti-money laundering activities seriously.”
- “The approach and attitude of MOKAS in building relationships with reporting institutions, together with the issue of guidance and carrying out of on-site visits by the Central Bank of Cyprus to banks have been particularly important to the anti-money laundering framework.”
- “Requirements such as identification of customers and beneficial owners, ongoing due diligence and monitoring of complex and unusual transactions as well as Politically Exposed Persons are implemented satisfactorily and efficiently by financial institutions”.
- “There are no bureaux de change and no casinos in Cyprus.”

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- “The highest priority of the Cyprus authorities continues to be strong monitoring and supervision of the financial sector and provision of training to persons involved in the prevention and detection of money laundering.”
- “The legal structure is comprehensive and, in some cases, exceeds the international standards”.
- “Powers to trace, freeze and confiscate direct and indirect illegal proceeds and the necessary associated investigative powers are provided for in a generally robust and operational confiscation regime which has produced a considerable number of freezing and confiscation orders.”
- “The Cyprus authorities actively seek to continually improve their anti-money laundering and terrorist financing framework and it was noted by the examiners that Guidance Notes to financial institutions issued by supervisory authorities were being regularly updated.”
- “The provisions in the Anti-Money Laundering Law and Guidance Notes on third parties and introduced business are fully in line with FATF’s methodology.”
- “There is no financial secrecy law in Cyprus which inhibits the implementation of the FATF Recommendations.”
- “The supervisory authorities have strong legislation to prevent criminals from controlling financial institutions and the legislation is enforced.”
- “The work of the Central Bank of Cyprus in supervision (and in the production of Guidance Notes) is especially appreciated by the evaluators.”
- “The Cyprus authorities have done commendable work in bringing together the competent authorities in the anti-money laundering and terrorist financing framework”.

