

# Cyprus

## Fifth Round Mutual Evaluation Report

### Executive Summary

1. This report summarises the AML/CFT measures in place in Cyprus as at the date of the on-site visit from 13 to 24 May 2019. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Cyprus's AML/CFT system and provides recommendations on how the system could be strengthened.

#### *Key Findings*

There are some elements in the Cypriot AML/CFT regime which are functioning adequately:

1. Cyprus understands the money laundering/terrorist financing risks that it faces to a large extent, albeit understanding of terrorist financing risk is less comprehensive. A number of measures have been deployed to mitigate some of the main risks effectively.
2. There is a good level of domestic co-operation and co-ordination between the competent authorities both on policy issues and at an operational level.
3. The banking sector has become more effective in mitigating risks. This is largely due to the increasingly sound supervisory practices of the Central Bank of Cyprus.
4. The financial intelligence unit has the ability to support the operational needs of competent authorities through its analysis and dissemination functions.
5. Cyprus has developed mechanisms which are capable of delivering constructive and timely assistance to other countries both on a formal and informal basis.

However, there are various major shortcomings which hinder the effectiveness of the Cypriot AML/CFT regime:

1. The competent authorities are not yet sufficiently pursuing money laundering from criminal proceeds generated outside of Cyprus, which pose the highest threat to the Cypriot financial system.
2. The competent authorities have not been very proactive at freezing and confiscating foreign criminal proceeds at their own initiative, although they have been instrumental in assisting other countries.

3. Cyprus has not conducted a formal assessment of risks posed by legal persons, despite having a developed company formation and administration business. This has reduced the authorities' ability to implement more targeted mitigating measures to ensure the transparency of legal persons.
4. There are weaknesses in the implementation of preventive measures by the trust and corporate services sector as a whole. This has major implications for the availability of beneficial ownership information of legal persons/arrangements registered in Cyprus and the reporting of suspicions transaction reports.
5. While significant strides have been made by Cyprus to implement a comprehensive supervisory framework for trust and corporate services providers, further progress is required, with certain areas requiring major improvement.
6. The risk in the real estate sector has increased exponentially since it has become the preferred choice of investment vehicle to acquire citizenship under the Cyprus Investment Programme. These risks have not been properly been mitigated – the implementation of preventive measures by, and the supervisory framework of, the sector display significant weaknesses.
7. The risks related to the Cyprus Investment Programme have not been assessed comprehensively.
8. Administrative service providers did not demonstrate a uniform level of understanding of the risks of TFS evasion. Given Cyprus's status as an international financial centre and the role played by administrative service providers as gatekeepers, the fact that some service providers may not always be in a position to identify individuals or entities who may seek to conceal their identity behind complex structures to evade sanctions constitutes a significant vulnerability.

The application of a risk-based approach to the non-profit sector was still at a nascent stage at the time of the on-site visit.

## Risks and General Situation

As an international financial centre (IFC), Cyprus is primarily exposed to external money laundering (ML) threats as non-residents may seek to transfer criminal proceeds to or through Cyprus, particularly through the Cypriot banking system or may seek to use trust and company service providers, known in Cyprus as administrative service providers (ASPs), to facilitate their aims. The Cyprus Investment Programme (CIP) is inherently vulnerable to abuse for ML purposes, as is real estate, both in general and as the apparent preferred investment to acquire citizenship. Although the terrorism threat is considered to be low in Cyprus, the authorities rate terrorist financing (TF) risk as medium due to the fact that the country is an IFC and its proximity to conflict areas.

## Overall Level of Compliance and Effectiveness

### 6. *Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)*

There is good understanding of ML risks at the national and sectorial level; in some aspects, particularly where the Central Bank of Cyprus (CBC) is involved, understanding is very good. FT risk is understood to a good standard. Understanding of both ML and FT is greater than that represented in the NRA. Overall, understanding is partly reduced by a range of factors, including the historic nature of the statistics used, and areas where assessment coverage is not fully developed or up to date (including, for example, the Cyprus Investment Programme (CIP), the real estate sector, legal persons and arrangements and NPOs). There is scope for more in-depth assessment, including deeper interrogation of information in relation to FT more generally.

A national strategy for AML/CFT and an associated action plan have been recently introduced. The strategy and action plan flow from the NRA findings and are in line with understanding of risk. There have been a series of national initiatives which specifically address the risks faced by Cyprus - for example, the issue of binding directives in relation to shell companies, increased standards for introduced business, and requirements for banks to meet customers who have been introduced and beneficial owners (BOs) of legal persons which are customers.

The Advisory Authority is a long-standing body which is the main coordination mechanism for AML/CFT. The role of the FIU at the heart of the AML/CFT system has been a significant positive influence for the development of the system. There is a good level of co-operation and co-ordination between the competent authorities both on policy issues through the Advisory Authority and at an operational level between the various competent authorities.

## **7. *Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)***

The Police have frequently accessed and made effective use of financial and other information to further their investigations into domestic, and some foreign, ML, associated predicate offences, and FT. Until 2018, the Police did not make extensive use of intelligence generated by the financial intelligence unit (FIU) as expertise was not significantly developed. Conscious of this shortcoming, measures were implemented by the Police, and, as a result, the use of FIU intelligence saw a healthy increase in 2018. However, very few of the investigations initiated on the basis of FIU intelligence relate to stand-alone and third-party ML related to foreign predicate criminality. This is not in line with the risk profile of the country as an IFC.

Many suspicious transactions reports<sup>1</sup> (STRs) submitted by banks contain relevant and accurate information and are in line with the risks that Cyprus faces. A good portion have resulted in either an investigation domestically or served as a catalyst for the FIU to disseminate spontaneous information to foreign FIUs. Since most of the cases reported by banks involve legal persons/arrangements which are generally administered by ASPs, it is surprising that the reporting level of ASPs is not higher. It is of concern that, while banks have been able to identify suspicious activity on the basis of their ongoing monitoring procedures, ASPs have failed to do so in relation to clients common to both types of reporting entity. This would also suggest that, where legal persons/arrangements administered by an ASP do not have a bank account in Cyprus, the likelihood of a suspicious client or activity being identified in Cyprus is lower. The low level of reporting by the real estate sector also raises concern given the risks it faces.

The FIU has the ability to conduct multi-layered analysis of sophisticated ML cases involving the use of complex corporate structures spread over different jurisdictions, multiple bank accounts and extended ML networks. As a matter of good practice, the FIU spontaneously disseminates complete analysis

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<sup>1</sup> STRs in this report refer to both suspicious transaction reports and suspicious activity reports. The Cypriot FIU receives both types of reports. The distinction between the two is not made in the law but in FIU Guidance.

packages to foreign FIUs that have proved to be critical in securing a conviction/confiscation abroad. The significant increase in STRs has put a strain on the limited human resources of the FIU and may have, to a certain degree, had an impact on the analysis and dissemination function.

The authorities appear to have adequate resources in place for ML investigations, but some units of the police are more resourced and more experienced than others for investigating ML, particularly when it is more complex. There is some uncertainty regarding when ML/financial investigations are triggered and on what basis they are taken over by the specialised Economic Crime Investigation Office of the Crime Combating Department. There are not any particular issues in legislation or procedurally, known to the assessors, which unduly hinder/delay investigations or prosecutions.

Cyprus has a reasonable record as regards pursuing ML in relation to domestic criminality, (albeit the overall numbers might arguably be said to be on the modest side if compared to the number of convictions for high-risk predicate offences). The number of prosecutions and convictions foreign proceeds generated ML is low, but the number of investigations is on the increase. Cyprus is aware that the low number of law enforcement activity regarding foreign proceeds does not correspond to its risk profile as an IFC and has taken positive steps to ameliorate this issue, for example by increasing targeted resources. Amendments have also been made to legislation to address an issue with the judiciary requiring the identification and proving of the predicate offence, but the same has yet to be tested before the courts. Whilst sentences for ML have often been subsumed into the higher sentence for a predicate offence (served concurrently), the jurisdiction has encouraging examples of where the sentence for ML has been higher.

In the review period, Cyprus has frozen EUR 115 Million and confiscated some EUR 13 Million in total, including the enforcement of foreign confiscation orders. This overall figure is encouraging but there is still a lack of activity in domestically initiated freezing and confiscation of foreign proceeds. However, in some instances the Cypriot Authorities on their own initiative have informed foreign counterparts of the existence of proceeds/equivalent property and have provisionally frozen such property pending the receipt and execution of an MLA Request. Cyprus is developing and improving its approach to financial investigations, yet these are still not being done a systematic basis. Nonetheless, the scope of the financial investigations when they are carried out is wide and the LEAs have access to a wide range of sources to aid and enhance such investigations. There is strong co-operation between the relevant authorities and the FIU in particular plays an important role in applying for freezing order and when necessary utilising postponement of transaction powers.

The customs authorities are very conscious of risks associated with the jurisdiction's frontiers. The authorities apply effective measures by monitoring movements including potential smurfing, by referring matters to the FIU where there are ML/TF suspicions, and by compounding offences to confiscate the amounts when the context of the case allows for it. However, there are concerns over the level of penalties imposed in some cases and the authorities acknowledge the maximum penalty for failure to declare/disclose cash above the statutory limit is a deficiency. The authorities apply strong procedures to target and search passengers, their luggage, mail and cargo (notwithstanding there is no declaration/disclosure requirement for mail/cargo) and have achieved some good results although there appears to have been a greater focus on money leaving the jurisdiction.

## **8. Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5-8, 30, 31 & 39)**

There have been some terrorism convictions with financial elements to them, and in addition there have been TF investigations, some of which are ongoing. There have, as yet, been no TF prosecutions/convictions. The jurisdiction does not have a considerable TF threat originating from domestic terror but, as an IFC, it is conscious of the risks associated with its international business. The jurisdiction is certainly not complacent and has a strong counter-terrorism infrastructure, in particular

the Fusion Centre (an inter-governmental body) which meets and assesses threats associated with terrorism including TF. The jurisdiction has taken steps to increase training awareness of TF risks within both the public and the private sector and to target resources at seeking to harvest more TF investigations from incoming MLA.

Cyprus implements TF-related targeted financial sanctions (TFS) without delay through a combination of supranational (at EU level) and national mechanisms. Cyprus has not identified any targets for designation or proposed any designations to the 1267/1989 Committee or the 1988 Committee. It has never put forward a designation on its own motion, nor received a request from another country to give effect to freezing measures pursuant to UNSCR 1373. For both regimes, Cyprus relies entirely on the EU supranational framework. However, an informal mechanism exists within the Cyprus government to develop materials capable of supporting proposals for the designation of specific targets of financial sanctions for terrorism-related activities through the EU autonomous sanctions regime.

The supervisors have effective channels to communicate new designations to obliged entities. They also communicate the seriousness of compliance with TFS through regulations, notifications, and examinations. Compliance with relevant requirements is verified during on-site inspections, with the exception of examinations by supervisory authorities of real estate agents and the casino. In general, checks on compliance with TFS form part of full scope AML/CFT audits. While the CBC has devised a detailed on-site checklist, other supervisory authorities' manuals are less developed.

No funds or other assets have been frozen in Cyprus to date under TF-related TFS. However, in general, all obliged entities are aware of TF-related TFS screening obligations and the requirements to freeze funds/assets and have systems in place that allow them to implement TFS. There are elements which are indicative of a functioning system e.g. identification of partial matches, matches with non-TF related sanctions regimes. Obligated entities screen customers against sanction lists. However, the frequency and depth of screening varies widely: from real time screening of customers, incl. customer-related persons such as BOs, all the shareholders in entire ownership chain and transaction counterparties, to screening checks of customers and BOs conducted on a periodic basis.

Banks articulated a sophisticated understanding of the sanctions evasion risk, expressing concerns about complex structures of legal persons and about activity on behalf of designated persons by associates of their customers. Consistent with this risk understanding, banks appear to apply adequate measures to mitigate sanctions evasion risk. Given the materiality of the banking sector, these findings would suggest that Cyprus is taking measures in line with the risks it faces. Other obliged entities, especially ASPs, did not demonstrate the same level of understanding of the risks of TFS evasion as banks. The fact that some obliged entities may not always be in a position to identify individuals or entities who may seek to conceal their identity behind complex structures to evade sanctions constitutes a significant vulnerability in Cyprus given its status as an IFC and the role played by ASPs as gatekeepers.

At the time of the on-site, Cyprus started conducting a review of the NPO sector and, as such, has been in the process of identifying the subset of organisations which by virtue of their activities or characteristics are likely to be at risk of TF abuse. None of the measures taken so far by Cyprus have been based on an in-depth understanding of the risk of TF faced by NPOs in Cyprus and no aspect of the oversight mechanism relates to ensuring that they are not abused for the purposes of TF. A positive aspect of the system is the online Register of NPOs, and a comprehensive legal framework enacted in 2017. Authorities are in the process of building a comprehensive database on NPOs that shall be used for the future assessment of the NPO sector and implementation of a more in-depth risk-based approach.

Implementation and communication of TFS related to proliferation financing (PF) follow similar

processes as with TF-related TFS. No funds or other assets have been frozen in Cyprus to date under PF-related TFS. There are domestic processes in place to issue export licences for dual-use goods and military equipment and exercise controls on the exportation of sensitive goods.

As with TF-related TFS, obliged entities are generally aware of the need to have protocols in place to freeze any assets without delay as part of the implementation of PF-related TFS. However, most obliged entities that were asked, including sophisticated banks, had difficulty in articulating differences between TF and PF, in terms of geographic risks, transaction typologies, or other types of distinctions. In the absence of a manifest geographical link, obliged entities might be less effective at identifying and taking action with respect to PF transactions and proliferator clients. Limited initiatives to raise awareness of obliged entities in relation to PF issues have been taken by supervisory authorities. The supervisory measures for monitoring compliance with PF-related TFS are similar to TF-related ones. The on-site methodologies developed by the supervisory authorities do not specifically distinguish between PF-related TFS and other TFS regimes. Apart from the CBC, the competent authorities do not appear to be prepared to monitor PF-related TFS requirements as such.

## **9. Preventive measures (Chapter 5; IO.4; R.9–23)**

Obliged entities' understanding of risk is somewhat uneven. Banks have a generally sophisticated understanding of both the ML and TF risks they face. Larger banks in particular can articulate their own sectoral and institutional risks and appropriately identify the different ML/TF risks of different types of products, lines of business, and types and identities of customers (including customers brought to banks by professional introducers). Non-bank financial institutions (FIs) all have an understanding of ML risk comparable to that of the banks. They demonstrated a general understanding of TF risk but are less consistently able to articulate how their business can be misused for TF purposes. The majority indicate that more guidance is needed. Among designated non-financial businesses and professions (DNFBPs), the larger ASPs, which have significant international risk exposure, have a sophisticated understanding of risk. Smaller ASPs, real estate agents, and the casino are less sophisticated in their assessments and less articulate in their ability to describe their ML/TF challenges.

Obliged entities' understanding of their AML/CFT legal obligations is also uneven. Among financial institutions, particularly banks, understanding of AML/CFT legal obligations is very high, and in addition banks are aware of international best practices and prudential considerations that go beyond legal obligations. Among non-bank FIs and DNFBPs, awareness of AML/CFT obligations appears to be a function of size and international exposure. Most of the larger institutions and those with foreign clients, such as ASPs, have a detailed, sophisticated understanding of their legal obligations. The casino operator understands its own legal obligations and has limited direct interaction with most other obliged entities. Real estate agents know that they have legal obligations but are not always clear about what those obligations are.

Obliged entities refuse to engage in business with clients and customers that do not provide requested information for customer due diligence (CDD) purposes, but there is a widespread perception that banks are particularly intense in their collection and evaluation of CDD information. Bank customers, including other FIs and DNFBPs, believe that banks are applying CDD measures without real regard to risk distinctions. Most non-bank financial institutions consider bank CDD, perceived to be more rigid, as a supplement to their own risk-based compliance measures. Only a few sophisticated non-bank institutions with significant international business, including a few large ASPs regulated by CySEC and ICPAC and a money and value transfer service with a multinational location network, appear to have compliance practices that are designed to establish a completely free-standing structure to protect against ML/TF risk, without consideration of bank practices. Reliance on bank diligence with respect to some transactions such as large real estate transactions is explicit. This places undue risk-mitigation

expectations on the banking sector and weakens the overall compliance effectiveness of the Cyprus financial system.

FIs generally apply specific and enhanced measures appropriately to correspondent accounts, new technologies, wire transfers, higher risk countries and targeted financial sanctions. With regard to PEPs, FIs generally screen aggressively for PEP status or associations but are still in the process of developing a reliable understanding of PEPs' source of wealth. Most DNFBPs appear to be at a comparable level of compliance, but real estate agents have not demonstrated that they apply enhanced measures appropriately.

Banks file STRs far more frequently than other types of financial institutions (including the MSBs met on-site) and DNFBPs. Even among banks, both the frequency with which internal investigations of suspicious activity are instituted and the frequency with which internal investigations lead to STR filings vary greatly.

The casino is currently operating at or beyond the limits of its ML/TF compliance and risk management system. An action plan prepared by an outside consultant, which is nearing completion, will identify mitigating steps that are needed to address current deficiencies, but it is unclear whether the plan is intended to identify steps that will need to be taken to accommodate anticipated growth.

### **10. Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)**

The supervisory authorities of FIs, the CBC, the Cyprus Securities Exchange Commission (CySEC) and the Insurance Companies and Control Service (ICCS) apply comprehensive controls in relation to preventing criminals from owning or controlling licensees.

There is a good understanding of ML risks; in some cases, there is very good understanding, for example, where specific risk exercises have been undertaken by the CBC. Overall, there is good understanding of FT risks although this is less developed than for ML. The supervisory authorities use risk-based approaches to focus AML/CFT programmes. The approaches used by the CBC for banks and CySEC for securities market participants are the most robust and sophisticated although there is scope for these to be refined (ie for minor changes to be made). The CBC's approach to non-banks is not as comprehensive as for banks. These sectors are still at the development stage.

Inspections by the CBC and CySEC are very good quality and they always require breaches to be remediated. Sanctions have been imposed by the CBC and CySEC. There are strong elements of effectiveness and dissuasiveness, but the CBC process is not streamlined and, overall, the frameworks are not wholly effective for either authority. Sanctions have not been imposed by the ICCS. For the CBC and CySEC shortfalls in staff resources are limiting the efficiency of the licensing process (but not its quality beyond this) and for all three authorities, shortfalls in staff resources are limiting the volume of supervision, linked work on risk assessment, and sanctioning that can be undertaken.

The authorities have demonstrated that they have made a positive difference to the level of compliance by FIs. The authorities have promoted a clear understanding by FIs of their AML/CFT obligations, with a greater emphasis on AML.

All DNFBP supervisors apply market entry measures albeit with varying degrees of intensity. CySEC and the Institute of Certified Public Accountants (ICPAC) apply comprehensive controls in relation to licensing; the Cyprus Bar Association's (CBA) verification checks are more limited. There is no routine exchange of information between the three ASP supervisors on applications which have been rejected applications and licences that have been withdrawn. This may result in situations where persons who are deemed to be unsuitable by one supervisor are not precluded from seeking a licence elsewhere. The Estate Agents Registration Council applies market entry measures, although certain registration or licence renewal requirements for real estate agents could not be substantiated. The Casino

Commission has applied appropriate market entry measures for the casino operating in Cyprus.

The ASP supervisors have a good understanding of the ML risks of the sector, while the understanding of TF risks is less developed. A similar risk assessment approach exists between the three ASP supervisors. However, there are differences in risk assessment methodologies and all of them require further enhancement or refinement (e.g. expansion of the set of AML/CFT risk data to be collected). The ML/TF risks of the real estate sector are underestimated by the Estate Agents Registration Council. The Casino Commission has a comprehensive understanding of ML risks to which casinos are exposed and has a general understanding of TF risks. All DNFBP supervisors (with the exception of the Estate Agents Registration Council) apply a risk-based approach to supervision with different degrees of intensity. The resources allocated to AML/CFT supervision within all supervisory bodies (except for ICPAC's onsite inspections) are not yet sufficient to ensure the implementation of a fully effective risk-based supervision. The number of on-site inspections conducted so far by all DNFBP supervisors (except for the ICPAC) is at the lower end of the spectrum. Very few sanctions for AML/CFT infringements have been imposed by DNFBP supervisors.

### **11. *Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)***

The authorities understand that Cyprus, as a company formation and administration centre, is exposed to ML/TF risks associated with legal persons created in the country. However, given that the country has not formally identified and assessed those risks, the precise nature and extent of the risks are not yet understood. This reduces the authorities' ability to implement mitigating measures which specifically target identified risks.

As a way of ensuring transparency of non-resident owned/controlled legal persons and legal arrangements, which pose the highest ML/TF risk, Cyprus uses a combined approach: (1) implementing a regulatory and supervisory framework for ASPs for both prudential and AML/CFT requirements; (2) imposing a requirement for non-resident owned/controlled legal persons or legal arrangements to engage the services of an ASP licensed and resident in Cyprus; and (3) placing an obligation on the ASP to obtain and hold adequate, accurate and current BO information on such legal persons/arrangements.

Significant efforts were made by the supervisors to establish a comprehensive ASP regulatory and supervisory framework, which have resulted in an increased level of compliance by the ASP sector and improved the quality of BO information maintained by them. However, further progress is required, with certain areas requiring major improvement. In addition, there is no comprehensive mechanism in place to verify that the requirement to engage the services of a Cyprus-licensed ASP is applied for all non-resident owned/controlled legal persons/arrangements.

In order to obtain BO information, competent authorities mainly rely on information maintained by ASPs and banks by applying their information gathering powers. These powers are adequate and ensure timely access to information. Reliance by competent authorities on BO information maintained by ASPs, which are seen as the primary repository of BO information, may be problematic for two reasons: (1) the application of BO-related requirements by ASPs was not uniformly convincing; and (2) there are some concerns about the effectiveness of supervision of ASPs. This constitutes a gap in transparency of BO information of legal persons/arrangements. This gap is to some extent mitigated where the legal person/arrangement holds a bank account with a bank in Cyprus. Banks were found to apply BO-related requirements soundly. In 2018, Cyprus introduced provisions in the AML/CFT Law which provide the legal basis for setting up of a BO registry. At the time of the on-site visit, arrangements had been initiated to set the registry up.

### **12. *International cooperation (Chapter 8; IO.2; R.36-40)***



Overall, Cyprus has been effective in executing requests in a timely and constructive manner in response to all types of formal requests from countries with which it cooperates most actively. The FIU has been instrumental in freezing and confiscating assets on behalf of foreign jurisdictions. Extradition requests have been processed effectively to extradite a number of high-profile, non-Cypriot fugitives wanted for prosecution in other countries. The Police have overcome challenges in responding to an increasing number of incoming requests by establishing the Office for the Execution/Handling of MLA Requests, which, however, is still in the process of removing a backlog of requests.

Cyprus has proactively sought legal assistance and extradition in relation to domestic ML and proceeds-generating offences committed in Cyprus with a foreign link. This has resulted in freezing and confiscation of assets abroad and assisted the Cypriot authorities in securing domestic convictions. Since there have not been many investigations domestically concerning proceeds of crime generated outside of Cyprus and laundered in/through Cyprus (e.g. layering activities through banking transactions) international cooperation in these types of cases was sought to a much lesser extent. This is not in line with the type of threats that Cyprus faces as an IFC.

The FIU is generally effective in providing and seeking informal cooperation. Due to a heavy workload and limited human resources the FIU may not have always managed to meet the deadlines, particularly where the case involved the collection of significant volumes of information. On a positive note, the FIU spontaneously shares fully-fledged analysis products with foreign counterparts, which have been critical in assisting foreign counterparts in securing convictions and the seizure and confiscation of proceeds.

The Police, Customs and the supervisory authorities have mechanisms in place to provide and seek information informally in a swift, constructive and confidential manner.

The authorities have been constructive in providing basic and BO information on legal persons and arrangements which is available to them.

## Priority Actions

1. The competent authorities should be more aggressive in pursuing money laundering from criminal proceeds generated outside of Cyprus.

The competent authorities should be more proactive at freezing and confiscating foreign criminal proceeds at their own initiative.

Cyprus should conduct a formal and comprehensive assessment of risks posed by legal persons and arrangements.

Cyprus should ensure that ASPs take action to enhance their ML/TF risk understanding and apply preventive measures commensurate with the risks, including by providing more guidance, training and feedback.

The CBA should strengthen its authorisation procedure. All ASP supervisors should continue developing the application of the risk-based approach to supervision. Effective and dissuasive sanctions should be imposed for breaches of AML/CFT requirements.

The supervision of the real estate sector should be significantly enhanced, and measures should be taken to increase the level of compliance with preventive measures by real estate agents.

Cyprus should conduct a comprehensive ML/TF risk assessment of the Cyprus Investment Programme.

Measures should be taken to increase ASP understanding of the risks of TFS evasion.

Cyprus should proceed with the implementation of a risk-based approach framework to the non-profit sector.

## Effectiveness & Technical Compliance Ratings

### Effectiveness Ratings<sup>2</sup>

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Substantial	Substantial	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Substantial	Moderate	Moderate


### Technical Compliance Ratings<sup>3</sup>

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	C	C	LC	LC	LC	PC	C	LC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	LC	PC	C	LC	LC	C	LC	LC	C
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
C	LC	LC	LC	LC	LC	C	LC	C	LC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
PC	LC	C	LC	C	C	LC	C	C	C

<sup>2</sup> Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

<sup>3</sup> Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – noncompliant.

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