

CYPRUS THE ROAD --- AHEAD

With a new government and financial assistance secured, Cyprus is adamant to turn the crisis into an opportunity

INTERVIEWS:

Christodoulos Angastiniotis

President, Cyprus Investment
Promotion Agency

Phidias Pilides

President, Cyprus Chamber
of Commerce and Industry

Eva Rossidou-Papakyriacou

Head of Unit for Combating
Money Laundering (MOKAS)

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*Head of Unit for Combating
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CYPRUS

THE



ROAD

AHEAD

Cyprus is repositioning itself for life after the bailout. Despite predictions of its demise as an international business centre by its competitors and detractors, Cyprus continues to stand tall and is adamant not to 'waste this crisis', but to turn it into an opportunity to become a more competitive jurisdiction.



Fresh from securing €10 billion in financial assistance, the country is now focused on restructuring and revitalising the economy, making sure every cent counts in safeguarding the future. With Cyprus' corporate structures still a compelling proposition for global companies, new investment opportunities in tourism and with the 'world class' discovery of hydrocarbons, there is every reason to believe that Cyprus will weather this storm.

Cyprus has taken centre stage in recent months as the fifth EU member state to request a financial assistance package. The small Eastern Mediterranean country captured the world's attention as it fought hard to bounce back from the brink of bankruptcy through intense negotiations with international lenders, while at the same time undergoing presidential elections and a change of government.

Recent economic developments have put Cyprus on the world map, albeit for all the wrong reasons. What may have been lost in the coverage of these events is that the island's core offering remains as relevant today as it has for the past decade. The country's status as a financial centre has certainly been wounded, but what remains intact is Cyprus' solid experience in corporate structuring and offering blue chip companies and tax planners preferential access to high growth markets like Europe, Russia, China and India. With close to 50 double tax treaties, Cyprus continues to provide international businesses an attractive base for their operations, a fully EU-harmonised tax and legal framework and one of the lowest and most competitive corporate tax rates in Europe at 12.5%.


THE PERFECT STORM


The current situation in Cyprus has been described by many as the perfect storm. Having enjoyed decades of uninterrupted growth before the current global financial crisis, Cyprus first began to feel the effects in 2010 when the booming construction and real estate sector suffered a severe hit with falling property prices and a decrease in overseas buyers.


The economic climate deteriorated further with rising unemployment, a bloated public sector and public overspending pushing the government deficit further into the red. But even at that stage the situation was manageable. While Cypriot banks were already grappling with a rising number of non-performing loans, the collapse of the Greek economy and the island's significant exposure to Greek government bonds became the proverbial straw that broke the camel's back.


Both domestic and international critics have questioned why Cyprus invested so heavily into Greece. Cyprus has strong trade and investment relations, as well as a cultural and religious affinity with Greece, providing a natural market in which to expand during the boom years. Government bonds are not usually considered to be a risky investment and there was reportedly some pressure on Cypriot banks, especially those operating in Greece, to buy the bonds. However the risks involved were unfortunately grossly underestimated as was the outcome of the Greek bailout, which imposed staggering losses of around €4.5 billion on Cypriot banks following the EU/IMF debt haircut on Greece. ▶


CYPRUS AT A GLANCE


-  **Population:**
838,897 (Republic of Cyprus)

-  **Currency:**
Euro

-  **Sunshine:** 340 days
of sunshine a year

-  **Average Temperature:**
Winter 12°C
Summer 33°C

-  **Annual rainfall:**
387mm

-  **Time:** 2 hours
ahead of GMT



The Russian Connection

Cyprus and Russia have a long history of being strategic partners and their relations have steadily developed, reaching a high level of cooperation in all fields. Diplomatic relations between the two countries were established in 1960 and Russia was one of the first countries to recognise the newly-established Cypriot state following independence from Britain. Prior to the fall of the Soviet Union, Cyprus was one of the few countries Russians could enter freely and one of the only countries with a double tax treaty with the USSR. In addition, sharing the Orthodox faith and strong historical ties between their respective churches, the Eastern Mediterranean island provided a convenient and welcoming environment for business people and holidaymakers alike.

Cyprus has always been an attractive jurisdiction for Russians and businesses from former Soviet states. Many fled domestic instability after the collapse of the Soviet Union and over the years a large Russian and Eastern European community has established itself in Cyprus with its own schools, churches and newspapers. Tourism from Russia has also been increasing in Cyprus every year, and more than 400,000 Russian tourists are expected to visit in 2013.

The double taxation treaty between the two countries is considered to be the most favourable of its kind concluded by Russia to date. The initial tax treaty provided significant benefits for inbound and outbound investment via Cyprus and it remained in force throughout the disintegration of the Soviet Union. Cyprus and Russia have signed several bilateral agreements and the island offers Russian companies and individuals an ideal location to structure their investments in the EU, the Middle East and Russia. As the economies of Russia and the CIS countries grew, Cyprus became a natural portal for investment from the West into Russia and for Russian companies to expand into new markets. Signalling a new era in economic relations, Cyprus and Russia signed a revised double tax agreement in 2010, bringing it in line with OECD guidelines and reinforcing Cyprus as the jurisdiction of choice for corporate structures and investment between Russia and the rest of the world.



THE BANKS

The unprecedented decision by the Eurogroup to impose losses on depositors sent shock waves around the world and resulted in the closure of Cyprus' entire banking sector for nearly two weeks with the imposition of capital controls in a bid to prevent a bank run. However, what emerged as the world watched with baited breath, was not a run on the banks or violent riots, but a defiant show of resilience and solidarity among the Cypriots – who say 'we have overcome worse times than this'. Granted, there has been justified anger over these developments and the losses imposed on uninsured depositors. Cypriots and the local banking sector have been severely affected by the winding down of Laiki Bank and the restructuring of the Bank of Cyprus, and those with deposits over €100,000 in these

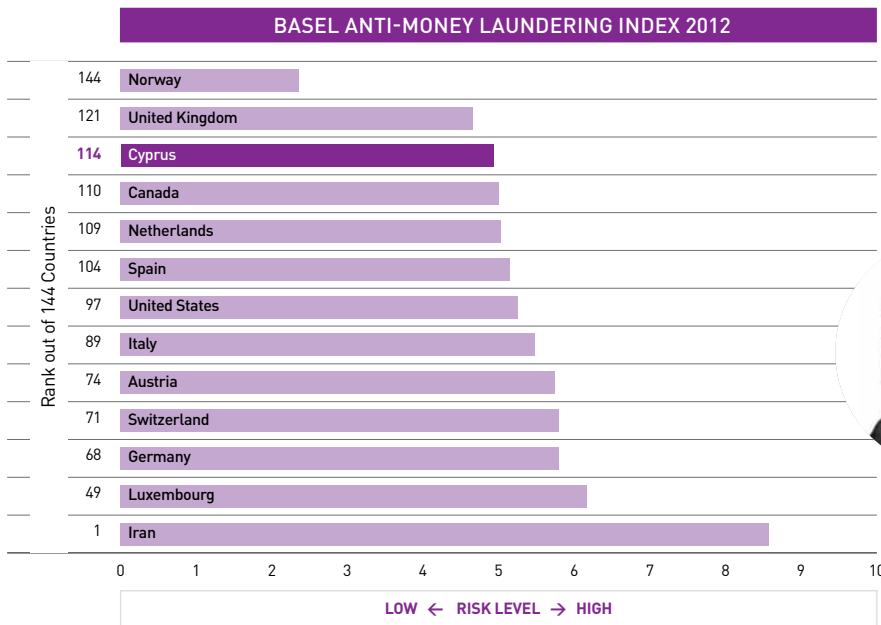
banks have unfortunately had to take this costly setback 'on the chin'.

Despite reports of Cyprus' financial centre being in complete meltdown, in reality, out of the 40 banks operating in Cyprus only two local banks have been forced to undergo restructuring – leaving the majority of banks on the island unaffected. Today, temporary capital controls remain in place to safeguard the banking system and while a definite date is yet to be set to lift these measures, companies in Cyprus have reportedly been able to operate despite the inconvenience. Naturally, both the government and the private sector are keen to see these controls lifted as soon as possible and there have been assurances that the restrictions on capital movement will gradually be relaxed as the situation improves.



Despite the short-term pains of a rapid reduction in the size of the banking sector, the economic programme agreement ensures public debt will be sustainable. It creates an even more robust banking sector, giving international investors the opportunity to reaffirm their presence in a financially healthier Cyprus in the years to come. Once the recapitalization of the banking sector is completed and the necessary structural changes are implemented, the financial sector will be on the path to recovery and growth. Over the years, Cypriot banks have demonstrated resilience in the face of adversity, and are therefore well positioned to successfully meet the present challenges. The recent discovery of vast natural gas resources is a positive development and an encouraging sign for a swift return to growth and prosperity, both for the financial sector and the Cypriot economy.

Michael Kammass
 Director General
 Association of Cyprus Banks



MONEY LAUNDERING

Prior to joining the European Union in 2004, the reputation of Cyprus suffered from rumours of money laundering, tax evasion and being a haven for Russian oligarchs. During the negotiation process to join the EU, Cyprus had to undergo extensive measures to implement its current fully EU-approved tax framework. Cyprus is also on the OECD White List and has implemented all EU directives to achieve transparency. In fact, Cyprus is currently the only EU member state applying a stricter threshold to identify beneficial owners of legal entities – in Cyprus 10% own-

ership must be disclosed rather than the EU benchmark of 25%.

However, these rumours resurfaced once again during the bailout negotiations and many saw them as an unjustified attack and unfair treatment, considering the measures Cyprus has taken to combat money laundering have been internationally assessed several times by the Council of Europe Committee (MONEYVAL). Of course financial crime occurs worldwide, but Cyprus’ professionals point out that the country’s money laundering regulations rate better than most countries levelling these allegations. ►



Cyprus’ regulatory framework as regards to tax and money laundering is recognised by the OECD as complying with best practice worldwide, and many of the world’s most respected companies do business through Cyprus. It is an offence to them and to Cyprus to suggest that they do so for criminal purposes. In my opinion the allegations against Cyprus are politically motivated and based on prejudice. One British bank recently paid almost \$2 billion to settle a money laundering investigation in the USA; other British and German banks have also been implicated. Perhaps the people seeking to discredit Cyprus should first put their own house in order.

Andreas Neocleous
 Chairman
 Andreas Neocleous & Co LLC

With the introduction of a series of carefully planned measures to overhaul public spending and reinforce the main economic sectors, the outlook for the next five years is well-positioned for Cyprus to return to prosperity. The recent discovery of natural gas in the Exclusive Economic Zone of Cyprus creates great prospects for Cyprus shipping and the Cyprus off-shore sectors, a combination of which will definitely play an important role in transforming Cyprus into an important energy centre in the Mediterranean. Strategic partnerships can create new and vibrant shipping and energy projects with huge financial benefits for the Cyprus economy.



Thomas Kazakos
 Director General
 Cyprus Shipping Chamber

The current problems faced are due to the mishandling of public sector finances over several years coupled with the over exposure of the banking sector to the Greek market, as a result we sustained heavy losses from the Greek debt haircut. These problems have nothing to do with the international business sector in Cyprus, which continues to be very healthy and robust. Once we tackle the current problems, Cyprus and its professional services sector will bounce back. I am very confident about the future.



Nicos Nicolaidis
 Managing Partner
 Abacus Ltd



SECTORS OF OPPORTUNITY

Despite the positive measures taken by the government and private sector, the Cypriot economy is expected to contract by an alarming 8% in 2013, shrink by a further 3% in 2014 and return to growth only in 2015 or 2016. The key challenge now is for Cyprus to control government expenditure and to generate export of services and goods. The road ahead will be long and rocky, but there is reason for optimism with strong economic sectors such as professional services, tourism and shipping. The light at the end of the tunnel for Cyprus has been the discovery of vast hydrocarbons reserves in its Exclusive Economic Zone (EEZ), which if fully exploited could see the reversal of Cyprus' fortunes.

Energy is the new boom industry in Cyprus and the country has attracted worldwide attention and serious international investment. The country has begun developing strategies to exploit its new-found hydrocarbon wealth, following a 'world class' natural gas discovery by US-company Noble Energy in 2011. The reserves are currently estimated at around 7 trillion cubic feet (198 billion cubic metres) – enough to meet the domestic gas demand for around 100 years. There is increasing interest to invest in the energy sector and auxiliary services in Cyprus, presenting new opportunities for growth in the well-established legal, financial services and even construction sectors. Cyprus has already signed

multi-million-euro agreements with an Italian and South Korean consortium, ENI/KOGAS, and with French energy giant Total to start natural gas exploration in its other EEZ blocks – and has plans to start building a new infrastructure to utilise natural gas locally. Cyprus is positioning itself to become a regional energy hub and the reserves could contribute to EU energy security.

Cyprus' maritime sector continues to grow and the island is considered one of the most influential global hubs for ship owning and ship management services – boasting some of the world's most influential names in shipping. Cyprus is the largest third party ship management centre in Europe and the largest crew management centre in the world, while the island's international ship register is the third largest in Europe and the tenth largest in the world.

€1 bn
 Shipping contributes around €1 billion a year to the economy

This sector contributes over €1 billion to the economy annually, accounting for around 7% of GDP, and directly employs 4,000 shore-based personnel and 55,000 seafarers worldwide. Shipping is one of the success stories in Cyprus and has a fully EU-approved tax tonnage system in place. The overall operational and tax infrastructure for shipping in Cyprus has remained intact, despite current economic developments.

Tourism is expected to do exceptionally well this year. Cyprus saw a 10% increase in visitors in 2012 and projections for 2013 also expect increased numbers. In addition to the traditional 'sun and sea' package, Cyprus has



been diversifying its tourism product with the development of luxury marinas and golf courses and niche markets such as cultural, conference and agro-tourism. Sports tourism alone generated around €20 million in 2011. Medical tourism is also on an upward trajectory thanks to the many excellent private hospitals and highly-trained medical professionals. Casinos are another new development, which could open up new investment opportunities and revenue streams of up to €50 million annually, according to the Cyprus Tourism Organisation.

The international business and professional services sector has proved remarkably resilient and has continued to grow throughout the international financial crisis. Following the bailout agreement, business leaders have shown optimism saying the impact on international business is not expected to be as significant as first projected. According to a number of accounting and legal firms, the majority of their foreign clients using Cyprus as a base or a gateway for investment have expressed continued confidence in the country as a regional business hub, stating they will continue their operations on the island. Cyprus is mostly used as a business and tax planning jurisdiction and not as an investment location, where foreign investors ‘park’ their funds as part of asset management strategies. While the international business centre is the single most important sector of the economy, it will face

“foreign clients using Cyprus as a base or gateway for investment have expressed continued confidence in the country as a regional business hub”

challenges and increased competition in core markets, but Cyprus’ strong track record and redoubled efforts to implement new incentives will help maintain and further develop this important sector.

ROLLING OUT THE RED CARPET

In addition to the positive outlook of these sectors, the government is implementing new measures to boost the economy. Tax-incentives, fast-tracking of permits for large projects and the relaxation of measures to encourage foreign direct investment into the country will certainly strengthen the economy. In the past, bureaucracy was a key source of frustration for the business community, but the many reforms being implemented today will create a more efficient Cyprus – supporting the efforts to secure a speedy recovery from this economic crisis.

The Cypriot resilience and entrepreneurial spirit has proven formidable throughout its history and despite the current challenges in the local economy, Cyprus presents many new and exciting opportunities. In a high value-added service economy, innovation is the key to survival and the silver lining of a crisis is the chance to restructure, rethink strategies and explore new opportunities. The road ahead will be challenging, but with the right decisions, investment and action Cyprus is hoping to come out of this crisis stronger than ever. ■

There is no denying that the crisis in Cyprus will lead to a very sharp contraction in economic output that could last three years. However, the crisis has also concentrated minds on implementing long overdue reforms to diversify the economy from dependence on one or two sectors and markets. Work is underway on a new growth model that leverages the highly skilled workforce and Cyprus’ regional advantages. Casinos will be licensed for the first time and Cyprus can be expected to welcome high value-added sectors that also employ young graduates, such as venture capital, solar-based energy and initiatives to exploit natural gas reserves.



Fiona Mullen
 Director
 Sapienta Economics Ltd



BIO

Christodoulos E. Angastiniotis is the Chairman of the Board of CIPA and the Chief Executive Officer of VitaTrace Nutrition Ltd Group. He is also the Vice President of the Cyprus Chamber of Commerce and Industry, President of Lefkosia Tourism Development and Promotion Company and President of The Veterinary Pharmaceutical Importers Association.

He has participated in various economic, financial and business promotion seminars worldwide, presenting a number of papers on the role of Cyprus as a regional business and commercial centre. Christodoulos E. Angastiniotis studied in the UK and holds a post graduate degree MSc in Management Sciences from the University of Cranfield.

INTERVIEW

Christodoulos Angastiniotis

Chairman, Cyprus Investment Promotion Agency (CIPA)

SIGNIFICANT REFORMS AND NEW MEASURES TO FAST-TRACK INVESTMENT ARE SET TO BOOST THE ECONOMY AND ATTRACT NEW BUSINESS TO CYPRUS, SAYS CIPA CHAIRMAN CHRISTODOULOS ANGASTINIOTIS.

THE BAILOUT DEAL BETWEEN CYPRUS AND THE TROIKA HAS NOW BEEN REACHED, BUT THE BANKING CRISIS HAS NEGATIVELY AFFECTED CYPRUS' IMAGE. DOES CYPRUS HAVE A FUTURE AS A FINANCIAL AND BUSINESS CENTRE?

Following current developments the financial sector will be downsized, but Cyprus continues to be a competitive business centre with all of the same advantages – such as the beneficial tax framework, close to 50 double tax treaties, high quality of life and excellent service provision. At the same time the economy overall is expected to become more competitive adding another edge to its development. Being an EU member state and with our strategic geographical location between three continents, Cyprus is also an ideal gateway for third countries to access

European markets. Although facing challenging times today, we have a bright future and will rebuild Cyprus into the strong and efficient jurisdiction it has been for decades.

IN ADDITION TO BUSINESS AND FINANCIAL SERVICES, WHICH SECTORS OF THE ECONOMY ARE SHOWING INCREASING GROWTH AND OPPORTUNITY?

Tourism is increasing every year with markets such as Russia and Ukraine growing rapidly. We have maintained our traditional UK market and are seeing more interest from countries like China. Cyprus is taking important steps to diversify the tourism product and attract 'high-spending' tourists by building luxury marinas and golf courses as well as upgrading our hotels and services – and a new addition to our product offering will be casinos. We are also taking steps to attract more sports, cultural, religious and medical tourism, which is a big opportunity for Cyprus thanks to its many excellent private hospitals and highly qualified doctors.

“Cyprus continues to be a competitive business centre with all of the same advantages”

Shipping is another formidable sector and accounts for more than 7% of the GDP and we fully support the decision of the new government to create a new ministerial level position with sole focus on the shipping sector. Shipping is one of the success stories in Cyprus and the tax tonnage law passed in 2010 is the only EU-approved system in place today.

The energy sector of Cyprus has great prospects. This new-found wealth from hydrocarbons will certainly filter into all sectors

and boost the economy. We recently signed agreements with an Italian and South Korean consortium ENI/KOGAS and with French energy giant Total to start natural gas exploration in Cyprus' Economic Exclusive Zone following the successful exploration results of Nobel Energy in December 2011.

THE WORLD-CLASS DISCOVERY OF NATURAL GAS IN CYPRUS' EEZ IS SPARKING A LOT OF INTEREST TO INVEST IN CYPRUS, HOW DO YOU THINK THIS WILL AFFECT THE CYPRUS ECONOMY AND WHAT OTHER INVESTMENT OPPORTUNITIES AND POTENTIAL FOR GROWTH DO YOU SEE AT THE MOMENT?

The discovery will bring more business and hydrocarbons expertise into the country. The natural gas reserves also open opportunities for new business, especially to energy consuming industries such as aluminium industries. Many of these are now located in neighbouring Middle Eastern countries and are now showing interest to relocate to Cyprus for two reasons: to operate within the EU to avoid paying import duty and to utilise our future cheap energy from natural gas for these high energy consuming industries. One of the biggest consumers of aluminium is the motor industry, which is mainly based in Europe.

THERE HAS RECENTLY BEEN A LOT OF CRITICISM ABOUT THE CLOSE ECONOMIC RELATIONS BETWEEN CYPRUS AND RUSSIA WITH ALLEGATIONS OF MONEY LAUNDERING AND TAX EVASION IN CYPRUS. HOW WOULD YOU RESPOND TO THESE COMMENTS?

These are unjustified claims. Why are no other low tax EU jurisdictions facing these questions as they also have a fair share of Russian business? For example 23% of FDI into Russia goes through the Netherlands, Malta and

“the energy sector of Cyprus has great prospects. This new-found wealth from hydrocarbons will certainly filter into all sectors and boost the economy”

Luxemburg. Cyprus is going through an economic crisis and when you are in a vulnerable position, you are an easy target. Cyprus is on the OECD Whitelist, we have an on-going commitment to adhere to all international and EU anti-money laundering procedures and Cyprus is fully harmonised with EU legislation. We have an extremely stringent and well-monitored anti-money laundering system, which has been favourably rated by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL). The European Commission's own tool ranks Cyprus at the top of its relevant list. It should be noted that Russia itself has placed Cyprus on its White List thus trusting the right measures are in place. After all, it would be Russia that would lose out on money laundering in Cyprus.

Cyprus also ranked better than many EU countries – including Germany and the Netherlands – in its anti-money laundering regulation

ABOUT

CIPA is a private sector organisation belonging entirely to the government and is managed by a board of 15 people mostly from the private sector, including bankers, lawyers and accountants. CIPA promotes Cyprus as a preferred investment location, offers support services to investors and makes the necessary regulatory amendments to improve the attractiveness of Cyprus for investment. CIPA was ranked fifth among 189 organisations globally in the World Bank report 'Global Investment Promotion Benchmarking 2012' for the promotion of foreign investments, specifically for the application of best practices in respect to the collection, analysis and provision of information to investors.

“Cyprus also ranked better than many EU countries, including Germany and the Netherlands, in its anti-money laundering regulation in the Basel Institute on Governance report”

in the Basel Institute on Governance report. Transparency and security are crucial aspects for a business centre and there has been no basis for these claims circulating in international media. Now we have the challenge of combating this dent in our reputation and regaining the credibility and trust of our European neighbours.

CYPRUS HAS A LONG HISTORY WITH RUSSIA – BOTH ECONOMICALLY AND CULTURALLY – AND IT CONTINUES TO BE A KEY MARKET FOR BUSINESS AND TOURISM. COULD YOU EXPLAIN WHY THERE IS SO MUCH RUSSIAN INTEREST IN CYPRUS? HOW IMPORTANT IS RUSSIAN BUSINESS TO CYPRUS?

Russian business continues to be very important and recent developments have hurt relations, but we are working hard to recover from these setbacks.

Cyprus and Russia have a long history of doing business together and many Russians have moved to Cyprus over the decades. The sunny climate and the familiarity with sharing the Orthodox Christian faith makes Cyprus an ideal location to live and work. It is relatively easy for Russians to get a visa to Cyprus and Moscow is only a three-hour flight away, which is the same time many Russians have to sit in commuter traffic. The strong business relationship, tax efficiency and tax treaties that pre-existed the breakup of the USSR have provided a great infrastructure for Russian companies. Limassol in particular has a significant Russian community hosting Russian schools, churches, newspapers and radio stations, which make Cyprus a comfortable home away from home.

ASIDE FROM RUSSIA, WHAT OTHER COUNTRIES ARE SHOWING INTEREST IN CYPRUS? IS CYPRUS ACTIVELY TARGETING ANY SPECIFIC MARKETS GLOBALLY?

Our significant natural gas discovery has increased interest in Cyprus – not least from the US, who is a leader in the field, but also from Europe and the rest of the world. Israel and other neighbouring countries have

shown interest in fields like research and development and medical tourism. We are also seeing interest from the Gulf countries mainly in large-scale projects and developments. China is another emerging market for Cyprus and has already given a boost to the construction and real estate sector with the sale of more than 1000 homes to Chinese buyers. In the long term, China could become the next Russia for Cyprus in terms of business and our good relations have set the foundations for future opportunities.

Additionally, following the Arab Spring, many Egyptians and Syrians are looking at Cyprus as an option for their business due to the close proximity, the physically and legally safe operating environment and the similar Eastern Mediterranean culture.

CIPA IS OFTEN THE FIRST POINT OF CONTACT FOR INTERNATIONAL BUSINESSES LOOKING TO INVEST IN CYPRUS. ARE YOU SEEING ANY EVIDENCE OF A LOSS OF INVESTOR CONFIDENCE?

There has not been a loss of interest – on the contrary we have had a slight increase in investment inquiries. This economic crisis is also seen as an opportunity for many investors. To support business we have also implemented a mechanism to fast track the licencing of major investment projects into Cyprus and hope this will help counter balance the current economic situation.

WHICH SECTORS OF CYPRUS' ECONOMY ARE CURRENTLY PROVIDING THE MOST INTERESTING OPPORTUNITIES FOR FOREIGN INVESTMENT?

Energy, tourism and education are some of the most interesting areas for foreign investors. Also investment opportunities in large-scale projects, such as the development of luxury marinas, golf courses and multi-use residential complexes have been attracting significant interest from abroad. Research and private education catering to the foreign market has been growing steadily, transforming Cyprus into a major educational centre in the Eastern Mediterranean. Medical centres and hospitals that cater to the growing

market of international medical tourism are also an increasingly interesting opportunity for investment into Cyprus.

HOW DO YOU SEE CYPRUS DEVELOPING OVER THE NEXT FIVE YEARS?

The local economy is expected to have a challenging transition period over the next few years and we will suffer, but I am optimistic. The international organisations with offices and headquarters in Cyprus will find it significantly less challenging as their market is not limited to the economy of the island. The government is approving measures aimed at boosting our economy, which will include fast-tracking permits for large projects, tax breaks, and relaxation of measures to encourage foreign investment. President Anastasiades has also announced that the Cyprus company registrar will be fully automated in the next six months to speed up and simplify procedures. Bureaucracy was an obstacle holding up projects in the past and we are committed to creating a more efficient system that will support the business environment. We are finally restructuring and implementing reforms that are long overdue and with hard work we will get back on our feet and become even stronger. And once we start to profit from our hydrocarbons discovery, Cyprus could be one of the richest per capita countries in Europe. ■

“the government is approving measures aimed at boosting our economy, which will include fast-tracking permits for large projects, tax breaks, and relaxation of measures to encourage foreign investment”

Q

As a foreign investor, how does Cyprus fit into your international operations and growth strategy?

Barclays Bank PLC

Country of Origin:
United Kingdom

Barclays has had a long-standing presence in Cyprus going back over 70 years. Barclays Cyprus is a branch of Barclays Bank PLC and falls under the Wealth and Investment Management division of the bank and offers a full range of corporate banking and investment services to local and international corporate clients. In recent years the country has made significant progress in developing its professional services sector and has achieved solid economic growth as a result. This has been driven by its location, highly skilled workforce, tax legislation, strong legal framework and its membership of the EU.

Evan Gavvas
Country Director
Barclays Bank PLC



Uniteam Marine Limited

Country of Origin:
Germany

Having the right team at the right location is a prerequisite to the successful pursuit of my vision and ideas. Cyprus is the right location, due to its strategic position close to Europe and within easy access to the Far East, the excellent infrastructure, professional services and the human capital element. Cyprus complements my international operations, with its highly educated staff and professional lawyers and accountants. The strong support in Cyprus for the maritime industry has greatly contributed to the successful tackling of various industry issues. The EU-approved unique tonnage tax system also acts as the mainstay for the continuous presence of shipping companies on the island. This combination of advantages sustains our success and has kept us in Cyprus since 1978 – and continues to help us further pursue the growth of our organisation.

Gerhard Ruether
Chairman
Uniteam Marine Limited



Kardex Systems Ltd

Country of Origin:
Switzerland

Kardex export HQ for MEA area has been based in Cyprus since 1980 and is the Kardex Group company responsible for the sales, marketing, technical and software support services to our distributors in the Middle East, Gulf, Africa, Balkans and Central Asia. After over 30 years in Cyprus, we will definitely stay on the island as time has proved that we made the right decision to have Cyprus as our base. We still maintain the same advantages of operating in an efficient business environment with experienced professionals, an attractive tax framework and overseas market proximity to Africa, Europe and Asia.

Demetris Kouloundis
Sales Director MEA
Kardex Systems Ltd



NCR Middle East/ Africa Region

Country of Origin:
United States

NCR's headquarters for the Middle East and Africa (MEA) Region are based in Cyprus. In addition to supporting the MEA region, executives from the NCR office in Cyprus have responsibilities for the growing markets of Asia, Australia and New Zealand. NCR's plan is to continue investing in the emerging economies while growing the customer base across all the countries. Cyprus provides us with the ideal base to achieve these goals. The favourable business climate, the excellent telecommunications infrastructure, the well-educated and skilled human resources, favourable tax rates and the island's proximity to the Middle East and Africa markets were among the key factors that motivated NCR Corporation to establish its regional offices in Cyprus.

George Flouros
Vice President, NCR
Middle East/Africa Region



VTTI B.V. VTT Vasiliko Ltd

Country of Origin:
The Netherlands

Our commitment and confidence in Cyprus remains as strong as ever. We expect to invest around €300 million and our oil storage terminal project is proceeding according to plan. In addition, an expansion of the terminal is under consideration, which could increase the overall investment to around €400 million. It will bring significant capital injections and economic benefits to Cyprus, from jobs to the reduction of fuel costs. The Cyprus Ports Authority will benefit around €18 million annually from port duties, while the state will have additional revenues from customs and the taxation of companies marketing products through the terminal. We see Cyprus as a future energy hub of the Eastern Mediterranean, and an attractive place in which to invest. Cyprus continues to be a solid business centre for its favourable geographical location, EU membership and the high quality of human capital, services and infrastructure. The terminal also provides opportunities to develop other services companies in the area, bringing additional economic benefits to Cyprus.

Rob Nijst
CEO of VTTI





BIO

Phidias Pilides became the President of the Cyprus Chamber of Commerce and Industry in January 2012. A Chartered Accountant, Mr Pilides has had a long career in the accounting profession, culminating in a 10 year tenure as the CEO and Chairman of PwC Cyprus. Public positions held by Phidias in the past include President of the Institute of Certified Public Accountants of Cyprus, Chairman of the Board of the University of Cyprus and Chairman of the Board of the Cyprus Investment Promotion Agency. He has been a speaker at many economic, financial and business fora and has written many articles and contributed to financial and business journals.

INTERVIEW

Phidias Pilides

President, Cyprus Chamber of Commerce and Industry

ALTHOUGH FACING CHALLENGING ECONOMIC TIMES, FORMER CEO OF PWC AND CURRENT PRESIDENT OF THE CYPRUS CHAMBER OF COMMERCE PHIDIAS PILIDES, IS CONFIDENT CYPRUS WILL RECOVER THANKS TO ITS NEWFOUND HYDROCARBONS WEALTH AND STRONG PROFESSIONAL SERVICES SECTOR.

CYPRUS HAS NOW SECURED A FINANCIAL RESCUE PACKAGE AFTER TOUGH AND LENGTHY NEGOTIATIONS WITH THE TROIKA, ARE YOU SATISFIED WITH THE OUTCOME? WHAT IMPACT WILL THE TERMS HAVE ON THE BUSINESS COMMUNITY?

Reaching the bailout agreement as soon as possible was crucial for Cyprus and today the banks are back to business with some temporary capital controls. Of course there is general disappointment about the situation, but life is slowly getting back to normal. While most foreign companies might bank somewhere else now, they will continue to conduct their business in Cyprus as all the previous advantages are still in place. Businesses with large deposits in the now-closed Laiki Bank have been hit the hardest, and those with deposits in Bank of Cyprus to a lesser extent. The terms of the bailout are

very tough on Cyprus, but we are optimistic that once we see the immediate effect of the shrinking of the banking sector and the possible loss of foreign deposits, we can start to enhance the role of Cyprus as an international business centre. We are confident that Cyprus will not be unduly affected.

HAS THE NEED FOR A SUPPORT MECHANISM AFFECTED INVESTOR CONFIDENCE OR THE REPUTATION OF CYPRUS AS AN INTERNATIONAL BUSINESS CENTRE?

Requesting a bailout in itself has not affected the confidence of business people who understand what the situation means in real terms, but perhaps the general public and the public opinion in Europe has been affected. It is well known that the key reason for the present situation, especially in the case of the banks, is an external one – the exposure of Cypriot banks to the Greek market and government bonds. The negative commentary in foreign press and particularly in the German press has definitely damaged the reputation of Cyprus. This has to be reversed. If there is to be discussion about Cyprus, it must be based on facts.

CYPRUS IS ON THE OECD WHITELIST, WHICH IS A VOTE OF CONFIDENCE FOR A TRANSPARENT TAX SYSTEM. WHY DO YOU THINK THERE CONTINUES TO BE MISCONCEPTIONS ABOUT THE INTEGRITY OF CYPRUS AS AN EU-COMPLIANT AND REGULATED BUSINESS CENTRE?

We have been assessed many times and rate stronger and better than many advanced economies in Europe. As for misconceptions, the majority stem from politics. With tough economic times in Europe and elections in various countries, it is a sensitive issue to ask taxpayers to contribute to the bailout of another country and this is often used in party politics. Greece and Portugal experi-

enced similar debate when they requested bailouts. There is also a general misconception about Russian business in Cyprus. When the Soviet Union fell, a lot of ‘black money’ left Russia and ended up in countries all over the world. Since then Russia has strengthened its own anti money laundering measures and there are state level agreements between Cyprus and Russia, regulating how business transactions and investments are conducted between the countries. These measures prevent to a large extent the ability to launder money in Cyprus.

HOW WOULD YOU RESPOND TO ACCUSATIONS ABOUT A LACK OF TRANSPARENCY IN CYPRUS IN TERMS OF BUSINESS?

These accusations are completely unjustified and we have adopted all European directives to achieve transparency. There are also misconceptions about

“if you consider money laundering as saving on taxes by applying double tax treaties between two countries, then yes, Cyprus is guilty”

what money laundering consists of. If you consider money laundering as saving on taxes by applying double tax treaties between two countries, then yes, Cyprus is guilty. Of course this is nonsense, as these are formal and legitimate treaties between countries, helping businesses to become more competitive globally. We have been subjected to three checks by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL) in the last decade and both the previous and current govern-

“the key reason for the present situation, especially in the case of the banks, is an external one – the exposure of Cypriot banks to the Greek market and government bonds”

ABOUT

The Chamber’s membership exceeds 8500 enterprises representing more than 95% of the business community of the country. More than 150 Professional Associations are also affiliated to the Chamber including 28 Bilateral Associations with other countries. Its wide range of services include advisory services, provision of business information, participation in foreign trade exhibitions, organisation of trade missions and business fora abroad for promoting Cyprus as an International and Financial Center, business training courses and seminars, advice on European Union issues, labour relations matters, issue of Certificates of Origin, ATA-CARNETS and participation in EU programmes. The Chamber is a full member of Eurochambers, the International Chamber of Commerce (ICC), the European Association of Craft, Small and Medium Sized Enterprises, Eurocommerce, GS1 and many other international business representative organisations.



“some estimate the potential hydrocarbon reserves discovered in Cyprus’ Exclusive Economic Zone could be compared to those of Azerbaijan”

ment have stated we are open to any check by any official European or international organisation.

WHAT HAVE BEEN THE REACTIONS TO THE RAISING OF CORPORATE TAX IN CYPRUS FOLLOWING THE FINANCIAL BAILOUT AGREEMENT?

There has been a small increase in corporate tax from 10% to 12.5%, but it is manageable and we still have one of the lowest tax rates in Europe, on par with Ireland. Reactions to this tax hike have been calm and positive. Businesses using Cyprus as a base for their regional and international operations have not been severely affected and I do not expect many businesses to leave Cyprus, as all the comparative advantages for business have been safeguarded. The current tax framework is the result of a complete tax reform in 2003, before Cyprus joined the EU and was achieved in total agreement with the taxation chapter of the EU.

WHAT IMPORTANT REFORMS HAS CYPRUS ALREADY IMPLEMENTED AND WHAT PROACTIVE STEPS ARE BUSINESSES TAKING TO STRENGTHEN THE ECONOMIC ENVIRONMENT?

Many companies are doing face-to-face meetings with their existing clients to reassure them and update them on the situation. We are also proposing more incentives to support the existing business community and to attract newcomers. However, overall the situation is relatively calm and secure.

Cyprus has also been proactive and taken the initiative to pass several new laws since the negotiations with the Troika started, with the aim of reducing public expenditure and improving the efficiency and productivity of the government.

THROUGHOUT ITS HISTORY CYPRUS HAS PROVEN RESILIENT IN THE FACE OF CHALLENGES, WHAT GROWTH AND INVESTMENT PROSPECTS DO YOU SEE IN CYPRUS AT THE MOMENT?

Tourism and international business are the two strong growth sectors of the economy and thankfully they have been showing an increase even throughout the crisis. In addition, exports and re-exports through Cyprus have been showing a healthy increase in the last few years. Another significant sector to take into account is energy. Some estimate the potential hydrocarbon reserves discovered in Cyprus’ Exclusive Economic Zone could be compared to those of Azerbaijan. Our hydrocarbon reserves could also contribute to the energy needs of the EU. Investment in Cyprus’ energy sector has already started with the licensing of blocks for hydrocarbons exploration to major energy companies, which will also boost other sectors in Cyprus.

HOW DO YOU SEE CYPRUS DEVELOPING OVER THE NEXT FIVE YEARS?

Cyprus’ economy has been severely affected. I expect unemployment to rise and businesses are sure to face many challenges, but it is crucial we start rebuilding the economy immediately. Cyprus started off as a business centre, but developed also into a finance centre over the years. We are no longer a strong financial centre – however we remain a reliable business hub with an attractive operating environment and modern infrastructure. We have several strong sectors that will help us recover and grow and we must now be more innovative to develop and diversify our economy. Tourism will continue to go from strength to strength and we will have a new sector in the mix soon, energy. There is a silver lining to this disaster as the reforms being implemented will allow Cyprus to come out of this crisis more productive, efficient and stronger than ever. ■

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As a key pillar of Cyprus' international business and finance centre, the professional services sector has been the main driver for growth. What are your expectations for the sector?

Baker Tilly

In my opinion, the advantages of Cyprus are unique and accordingly growth is expected once the current global economic crisis is over. I believe that the restructuring of the banking sector will facilitate the reactivation of businesses. In addition higher investment activity is expected in the energy sector following the discovery of natural gas in the Cyprus Exclusive Economic Zone. There are also areas with considerable potential which have not yet been fully exploited, such as developing Cyprus as a leading medical centre or educational centre in the region thus utilising the abundance of highly educated and trained Cypriots who are currently looking for employment abroad.

Marios Klitou
CEO
Baker Tilly



Ernst & Young

The extent to which the professional services sector in Cyprus will maintain its present level of activities and develop further over the next five years would largely depend on how the professional advisors would be able to explain the current economic situation in Cyprus to their clients and that the majority of the international business companies remain unaffected by the expected changes in the tax legislation and business environment of Cyprus, thus persuading them that the reasons for which they have originally chosen Cyprus as a location for their operations still remain significantly unaffected and Cyprus still remains an attractive business location.

Neophytos Neophytou
Member of the Board
Tax Services
Ernst & Young



Andreas Neocleous & Co LLC

I have great confidence for the future. Cyprus' history as a commercial centre dates back to Biblical times. We have faced great challenges in the past, and have overcome them. Our people make excellent accountants, bankers and lawyers, and we have developed a niche as the natural intermediary for investment into Russia and Eastern Europe, based not only on commercial factors but also on a shared Orthodox heritage. If we focus on providing the best possible service to the people who entrust us with their business, and do not allow ourselves to be distracted, we will continue to succeed.

Andreas Neocleous
Chairman
Andreas Neocleous & Co LLC



KPMG Cyprus

The decision of the Eurogroup has severely affected our banking system and the confidence of foreign investors. It will require hard work to regain credibility. However, Cyprus is still a strong services centre, with a competitive tax regime and highly skilled personnel. Although we will face difficulties in the next years I am confident that in the medium term the sector and the economy, in general, will experience growth, having in mind that we move closer to the period where the commercial exploitation of gas resources will commence.

Andreas Christofides
Managing Director
KPMG Cyprus



PwC Cyprus

According to the final text of the MoU presented to the Eurogroup, the tax system of Cyprus would remain fundamentally unchanged. Not only that but the attractiveness of the Cypriot tax system is expected to be reinforced even further as the government is fully aware of its importance in attracting international groups to Cyprus. The government is committed towards immediately taking initiatives and introducing new incentives to attract international investment and business to the country. The Cyprus government is also aware of the importance of the international services industry, outside the banking sector, as a pillar of the economy and the significant role it will play in achieving economic growth, thereby meeting the MoU targets.

Evgenios Evgeniou
CEO
PwC Cyprus





BIO

Before her post as head of the Cyprus Financial Intelligence Unit MOKAS, Eva Rossidou-Papakyriacou worked as a public prosecutor in the Cyprus Attorney General's office and as a lawyer in the Cyprus Ministry of Finance. She is also a representative of Cyprus to international organisations such as Moneyval Committee, Egmont Group, EU Committees and is the Current Committee chair of the Conference of the Parties of the Council of Europe Convention of Money Laundering and Terrorist Financing.

INTERVIEW

Eva Rossidou-Papakyriacou

Head of the Cyprus Unit for Combating Money Laundering (MOKAS)

CYPRUS' ANTI-MONEY LAUNDERING MEASURES GO BEYOND INTERNATIONAL STANDARDS TO COMBAT FINANCIAL CRIME, SAYS HEAD OF THE CYPRUS FINANCIAL INTELLIGENCE UNIT EVA ROSSIDOU-PAPAKYRIACOU.

THERE HAS RECENTLY BEEN A LOT OF NEGATIVE PRESS AND ALLEGATIONS OF FINANCIAL CRIME IN CYPRUS AND THE CLOSE RELATIONSHIP BETWEEN CYPRUS AND RUSSIA HAS BEEN HEAVILY SCRUTINISED. WHY DO YOU THINK THESE REPORTS HAVE EMERGED AND HOW WOULD YOU RESPOND TO THEM?

Naturally financial crime and money laundering occurs all over the world, which is why Financial Intelligence Units have been established to contribute in the Law Enforcement efforts. However, these recent allegations about Cyprus are disappointing, as those making the accusations have failed to provide any concrete evidence to justify the claims. We have proactively requested details in order to investigate and take necessary action, however to date we have not been given any evidence or facts on what these claims are based on, which I find very suspicious.

We have a lot of international business both from the EU and Russia, and there have been claims that there are Russian oligarchs in Cyprus. There are Russians in many countries and being an oligarch – or a Russian for that matter – is not equal to being a criminal. As with every request, whether we receive one on Russians or other nationalities operating in Cyprus, we investigate all suspicions in cooperation with the respective Financial Intelligence Units (FIUs) and Law Enforcement Authorities of other countries.

We are open to any justified requests for investigation, we have the necessary laws in place and have solid cooperation with our counterparts in other countries. These allegations have arisen mostly from political issues in Europe. I am not a politician, but Cyprus has been under attack as a financial centre and public opinion has been negatively influenced by these unjustified claims.

WHAT LEGISLATIVE AND PRACTICAL MEASURES HAS CYPRUS TAKEN TO COMBAT POSSIBLE ABUSE OF ITS FINANCIAL FACILITIES FOR CRIMINAL ACTIVITIES, INCLUDING MONEY LAUNDERING?

Cyprus has fully adopted and implemented all international measures and in some areas we even go beyond international standards to combat financial crime. Currently, Cyprus is the only EU member state that applies a stricter threshold to identify beneficial owners of legal entities, making our system more transparent than in many other countries. Many foreigners register international companies and bank accounts in Cyprus and an important element in international anti-money laundering measures

is the identification of beneficial owners. There is a strict application in our law to identify persons who control 10% of a legal entity, whereas the EU directive and the Financial Action Task Force (FATF) recommendations oblige countries to only identify those controlling 25% of a legal entity.

Another measure which goes beyond international standards is that we have the legal power to request banks to postpone both domestic and foreign financial transactions without a court order so that we can analyse suspicions. This can be crucial for investigations and is a measure very few countries have in place today.

WHAT INVESTIGATIVE POWERS AND JURISDICTION DOES MOKAS HAVE AND DOES IT HAVE CROSS-BORDER COOPERATION WITH SIMILAR INSTITUTIONS OR UNITS IN OTHER COUNTRIES?

We have full investigative powers and function within the Attorney General's office. We have a robust system in place. Our legislation demands mandatory reporting of suspicious transactions to MOKAS. Our unit can apply to the courts to obtain freezing, confiscation and disclosure orders – and with a disclosure order bank secrecy can also be lifted if cause can be justified. MOKAS and other international law enforcement authorities have strong cooperation; we exchange information with other FIUs and execute formal requests for legal assistance from other countries. We also register and enforce foreign court orders from both the EU and third countries for freezing and asset confiscation in Cyprus.

“Cyprus is the only EU member state applying a stricter threshold to identify beneficial owners of legal entities – in Cyprus 10% ownership must be disclosed rather than the EU benchmark of 25%”

ABOUT

The Cyprus Financial Intelligence Unit for Combating Money Laundering (MOKAS) was established in 1997 after the enactment of Cyprus' anti-money laundering legislation. The Unit's key responsibilities are receiving, requesting, analysing and investigating disclosures of suspicious transactions reports (STRs) and other relevant information concerning money laundering and terrorism financing activities.

“these allegations have arisen mostly from political issues in Europe. I am not a politician, but Cyprus has been under attack as a financial centre and public opinion has been negatively influenced by these unjustified claims”

“the last complete MONEYVAL evaluation was in 2011 and we were rated very favourably compared to other countries, proving Cyprus’ high level of compliance to international standards”

WHAT LEVEL OF COOPERATION DOES MOKAS HAVE WITH THE FINANCIAL, LEGAL AND BANKING SECTORS IN CYPRUS AND ARE ITS OPERATIONS FULLY SUPPORTED BY THESE SECTORS?

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We are fully supported. The law places additional administrative requirements on all institutions engaged in financial activities, which are designed to achieve two objectives: to facilitate the recognition of suspicious transactions through the strict implementation of the ‘know your client’ principle and to provide an audit trail for law enforcement agencies through adequate record keeping procedures. The implementation of these preventive measures is monitored by the respective supervisory authorities, such as the Central Bank.

HAVE THE ANTI-MONEY LAUNDERING MEASURES OF CYPRUS BEEN EVALUATED BY THE EU OR OTHER INTERNATIONAL INSTITUTIONS? IF SO, BY WHO AND WHAT WERE THEIR FINDINGS AND CONCLUSIONS?

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MOKAS and the Central Bank participate in the Council of Europe Committee MONEYVAL and other international bodies. Cyprus’ anti-money laundering measures have been evaluated by the Committee of the Council of Europe, Financial Action

Task Force (FATF), and the International Monetary Fund. We were evaluated for the first time in 1998 and have had four evaluations since. The last complete MONEYVAL evaluation was in 2011 and we were rated very favourably compared to other countries, proving Cyprus’ high level of compliance to international standards. Also the US State Department issues an annual report, which has commended Cyprus for its strong anti-money laundering measures and legal framework.

WHAT ARE THE FUTURE AIMS OF THE CYPRUS AUTHORITIES IN SECURING A TRANSPARENT BUSINESS ENVIRONMENT IN CYPRUS?

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There is always room for improvement and there is no perfect system, but we compare well to our European partners as well as third countries in our measures to secure a transparent business environment. During the Cyprus EU Presidency, we highlighted the need for a new EU directive for the freezing and confiscation of criminal proceeds and we managed to successfully finalise the file at Council level. This is another example of our commitment to the continuous improvement of not only national, but EU legislation in combating financial crime and we continue to contribute to the development of these measures across Europe. ■

Transparency Cyprus / Transparency International

The issue of whether or not to bail out the troubled banking sector in Cyprus took on serious political overtones as the crisis deepened. Recent allegations of Cyprus being a centre for money laundering are very worrying not only because they are completely unsubstantiated, but also because of the timing they are made. Transparency International – Cyprus (TI-Cyprus) has been vocal in foreign media about the unfair and unjustified accusations Cyprus has faced in the international press as a centre for money laundering and corruption. Cyprus is clearly not the first country to face such criticism and TI-Cyprus is not in a position to evaluate the claims and counter claims as to whether Russians – or other foreign nationals – attempt to find loopholes in Cyprus’ legal framework with the aim of exploiting it. What can be argued is that discussions like these are encouraging the authorities and the regulatory bodies to evaluate the regulations and procedures in place and ensure that they are fully enforced. TI-Cyprus has made a series of recommendations as far as money laundering is concerned and has prepared a detailed documentation with suggested anti-corruption measures for the newly-elected Cyprus Government to implement.



Maria Krambia-Kapardis
(PhD, MBus, B.Ec, FCA, ACFE),
Chair of Transparency
International – Cyprus
Associate Professor
of Accounting, Cyprus
University of Technology



How robust is Cyprus' regulatory framework? Why do you think there continues to be misconceptions about the integrity of Cyprus as an international business centre?

Abacus Ltd

Cyprus' regulatory framework is very robust. The country is signatory to the international conventions on anti money laundering and all relevant laws, rules and regulations are applied diligently by the banks and reputable accounting and law firms. I don't believe there are misconceptions as such about the integrity of Cyprus as an international business centre. The issue that has arisen recently is due to a totally unjustified attack from some circles that stand to benefit from the creation of problems within this sector and a possible flight of international businesses from Cyprus.

Nicos Nicolaidis
Managing Partner
Abacus Ltd



Deloitte

Cyprus regulatory framework is as robust as for most of our EU partners. Having been a British colony until 1960, Cyprus' system is largely based on its English counterpart. And with a highly skilled legal and accounting profession, comprising mostly of lawyers and accountants that are members of the UK Bar and Chartered Institutes, who are under external monitoring and abide to the highest of standards on regulatory and ethical matters, it is merely a misconception and no doubt unfair, for Cyprus to have the stigma of sub-standard integrity.

Christis M. Christoforou
CEO
Deloitte Cyprus



K. Treppides & Co Ltd

As an EU member state, Cyprus' regulatory framework is fully aligned with the respective EU framework, the third EU Anti Money Laundering Directive, the relevant UN conventions and Financial Action Task Force 40+9 recommendations. We have been repeatedly assessed, concluding that Cyprus has adopted measures in line with international standards and should be commended for the very comprehensive legal framework put in place. The misconceptions are driven by namely political and financial motives from competing financial centres looking for a slice of the investments and deposits flowing through Cyprus. This is completely unjust and against any free market principles. Capital and investments should be allowed to flow through business friendly jurisdictions as long as they are fully compliant with the various relevant international conventions on tax, anti money laundering and exchange of information conventions.

Kikis Treppides
Managing Director
K. Treppides & Co Ltd



Cyprus Fiduciary Association

The Cypriot regulatory framework is as strong, if not more strict and detailed, as other European jurisdictions. Misconceptions remain about the island's regulation, which are mainly driven by international media and most importantly by other competing jurisdictions. Cyprus has adopted all EU legislation for the prevention of suspicious transactions and has vigorously applied its provisions since January 2008. The Cyprus parliament also approved the law on the regulation of fiduciary service providers in 2012. The lack of such legislation also caused misconceptions about the reliability of Cyprus. Traditional client-source jurisdictions have played an important role in the integrity of Cyprus as an international business centre.

George Savvides
President
Cyprus Fiduciary Association



