

CYPRUS

RISK & COMPLIANCE REPORT

DATE: March 2018

KNOWYOURCOUNTRY

Executive Summary - Cyprus

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Offshore Finance Centre Compliance of OECD Global Forum's information exchange standard
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.) Failed States Index (Political Issues)(Average Score)
<p>Major Investment Areas:</p> <p>Agriculture - products: citrus, vegetables, barley, grapes, olives, vegetables; poultry, pork, lamb; dairy, cheese</p> <p>Industries: tourism, food and beverage processing, cement and gypsum production, ship repair and refurbishment, textiles, light chemicals, metal products, wood, paper, stone and clay products</p> <p>Exports - commodities: citrus, potatoes, pharmaceuticals, cement, clothing</p> <p>Exports - partners: Greece 23.3%, UK 10.1% (2012)</p> <p>Imports - commodities: consumer goods, petroleum and lubricants, machinery, transport equipment</p> <p>Imports - partners: Greece 21.5%, Israel 11.9%, Italy 8.3%, UK 7.4%, Germany 7%, Netherlands 6.7%, France 6%, China 4.5% (2012)</p>	
Investment Restrictions:	

International companies may invest and establish business in Cyprus on equal terms with local investors in most sectors.

Non-EU investors (both natural and legal persons) may invest freely in Cyprus in most sectors, either directly or indirectly (including all types of portfolio investment in the Cyprus Stock Exchange). The only exceptions concern the acquisition of property and, to a lesser extent, ownership restrictions on investment in the sectors of banking, construction, mass media, and higher education

several other restrictions infringe on the foreign investor's right to private ownership and establishment in Cyprus. For example, current ROC legislation restricts ownership of local electronic mass media companies (e.g. TV and radio stations, but excluding print media) to a ceiling of 25 percent of each local media company for EU investors, and to just 5 percent of each local media company for non-EU investors.

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Section 1 - Background

A former British colony, Cyprus became independent in 1960 following years of resistance to British rule. Tensions between the Greek Cypriot majority and Turkish Cypriot minority came to a head in December 1963, when violence broke out in the capital of Nicosia. Despite the deployment of UN peacekeepers in 1964, sporadic intercommunal violence continued forcing most Turkish Cypriots into enclaves throughout the island. In 1974, a Greek Government-sponsored attempt to seize control of Cyprus was met by military intervention from Turkey, which soon controlled more than a third of the island. In 1983, the Turkish Cypriot-occupied area declared itself the "Turkish Republic of Northern Cyprus" ("TRNC"), but it is recognized only by Turkey. The election of a new Cypriot president in 2008 served as the impetus for the UN to encourage both the Greek Cypriot and Turkish Cypriot communities to reopen unification negotiations. In September 2008, the leaders of the two communities began discussions under UN auspices aimed at reuniting the divided island. The talks are ongoing. The entire island entered the EU on 1 May 2004, although the EU acquis - the body of common rights and obligations - applies only to the areas under the internationally recognized government, and is suspended in the areas administered by Turkish Cypriots. However, individual Turkish Cypriots able to document their eligibility for Republic of Cyprus citizenship legally enjoy the same rights accorded to other citizens of European Union states.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Cyprus is not currently on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Cyprus was undertaken by the Financial Action Task Force (FATF) in 20xx. According to that Evaluation, Cyprus was deemed Compliant for 17 and Largely Compliant for 22 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations.

Key Findings from Moneyval Report: Special Assessment of the Effectiveness of Customer Due Diligence Measures in the Banking Sector in Cyprus - April 2014:

Substantial international business, which is mainly tax-driven, is conducted in and through the Cypriot banking sector. Such international business involves various features such as complex corporate structures, cross-border transactions with counter-parties in various jurisdictions, introduced business, the use of nominee shareholders/directors, trusts, client accounts and cash-collateralised loans. These features are inherently vulnerable to misuse for money laundering (ML) and financing of terrorism (FT) purposes and pose the highest ML/FT risk to the banking sector in Cyprus.

In general, the banks interviewed demonstrated high standards of knowledge and experience of AML/CFT issues, an intelligent awareness of the reputational risks they face and a broad commitment to implementing the customer due diligence (CDD) requirements set out in the law and in subsidiary regulations issued by the Central Bank of Cyprus (CBC). Implementation of CDD measures, as described by the banks, appeared strong under most headings. However, a range of shortcomings with the potential to undermine the effectiveness of CDD was identified in many of the banks interviewed. In one bank the assessors had particular concerns about the overall effectiveness of their CDD procedures. This report focuses mainly on the risks and shortcomings identified and includes recommendations for remedial action.

A large part of the international business is introduced to banks by professionals and trust and corporate service providers, the latter known in Cyprus as Administrative Service Providers (ASPs). The banks therefore place significant reliance on the business introducers in Cyprus or other countries to certify the authenticity of many of the documents provided for CDD purposes and to perform some other elements of CDD. It is the assessors' view that reliance on introducers constitutes one of the largest areas of vulnerability for the banking sector in

Cyprus. Given the significant role played by introducers in attracting international business to Cyprus, it was noted with concern that one of the categories of introducers (ASPs) although made subject to regulation is not yet supervised in practice for compliance with AML/CFT requirements and the supervision of the other categories of introducers (lawyers and accountants) needs to be strengthened further.

All banks have procedures in place to determine the identity of the beneficial owner controlling the customer. In those cases where the customer is introduced, the identity of the beneficial owner is typically presented to the bank as part of an overall package of CDD documentation provided by the introducer. However, banks remain in many cases one or more steps removed from direct contact with the beneficial owner, still more where chains of introducers are used. In such cases, banks should implement the highest level of enhanced CDD, which could include (as indicated by some banks in Cyprus as already their practice in high risk cases) direct contact with the ultimate beneficial owner in a larger number of cases.

None of the banks could point to the existence of an overall AML/CFT risk assessment conducted at the level of and specific to the individual bank which could be used to determine the risk appetite of the bank across the whole range of its potential business lines. Additionally, in a significant number of banks their compliance function is not always adequately consulted in the acceptance of high risk customers. These findings, in combination, constitute material deficiencies in light of the level of high risk international business being conducted in the banking sector.

Some of the banks interviewed maintain business with a significant number of politically exposed persons (PEPs). The measures being applied to PEPs are not yet fully effective in some of the banks interviewed in respect of measures to determine the source of wealth of PEPs, identifying family members and close associates of PEPs and identifying a customer who subsequently becomes or is found to be a PEP.

Various banks appear not to obtain sufficient information to create a meaningful economic and business profile of the customer and beneficial owner at the inception of a business relationship. This may undermine the effectiveness of ongoing monitoring carried out in the course of the relationship.

The substantial number of alerts generated by automated ongoing monitoring systems on high risk accounts appears to be disproportionate to the number of staff managing such alerts. As a consequence, insufficient consideration may be given to these alerts before being cleared. Not many suspicious activity reports (SARs) appear to have been made as a result of ongoing monitoring, which may call into question the effectiveness of the current monitoring systems.

Although tax incentives are important in attracting business to Cyprus, the assessment team was advised that not many SARs are submitted by banks in relation to tax-related suspicions of ML. Notwithstanding the fact that, as a result of a recent amendment, certain tax crimes (including tax evasion) are now predicate offences for ML, many banks interviewed are either unaware or unclear about the full implications of such changes.

Overall, therefore, the assessors are concerned that the combination of a number of features associated with international banking business (e.g., introduced business plus complex structures plus use of nominees) may in higher-risk cases bring the cumulative level of

inherent risk beyond a level that is capable of being effectively mitigated by the CDD measures currently being applied.

[Read Full Report](#)

Key Findings from latest follow-up Mutual Evaluation Report (2011):

Cyprus has a record of relatively low level of crime. The authorities with whom the evaluation team met explained that the money laundering risks to which the jurisdiction is exposed have not changed since the third round evaluation in 2005. No specific money laundering (ML) /financing of terrorism (FT) risk assessment has been undertaken, however the Advisory Authority has identified a number of risks and vulnerabilities. According to its assessment, the main risks emanate from the international business activities at the layering stage, money laundering activities usually taking place through banking or real estate transactions, while it is considered that risks at the placement stage are being mitigated by legal requirements in place regarding dealers in foreign currency, restrictions on foreign ownership of property and the limited role of cash transactions. Cyprus authorities consider the FT risk to be low. Nonetheless, a comprehensive national risk assessment is essential to adequately identify ML/TF risks and vulnerabilities, as well as the targeted sectors in the country, Cyprus should take appropriate measures to address those risks.

Money laundering and the financing of terrorism are criminalised largely in line with the FATF standard and the legal framework provides an ability to freeze and confiscate assets in appropriate circumstances, with minor deficiencies relating to the scope of criminalisation of the FT offence. As of the assessment date, there have been no prosecutions or convictions for terrorism financing. A few effectiveness issues remain as regards the implementation of the ML offence when considering the number and type of ML convictions and the volume of confiscation orders achieved. Cyprus needs to take additional measures to ensure a comprehensive system for freezing terrorist assets in application of the United Nations Security Council Resolutions (UNSCR).

Overall, progress has been made since the third round evaluation by strengthening the preventive regime through the enactment on 13 December 2007 of the Law no. 188(I)/2007 on the Prevention and Suppression of Money Laundering Activities and Terrorist Financing Law (hereinafter the AML/CFT Law), which came into force on the 1st of January 2008. This Act, which was amended in 2010, was also aimed at implementing the transposition in Cyprus legislation of the Third European Directive 2005/60/EC on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing. These requirements were complemented by directives and orders issued by the supervisory authorities to the respective sector. It was positively noted that the financial and to a lesser extent the DNFBPs sectors show a higher degree of awareness of their responsibilities and obligations under the AML/CFT Law and the relevant Directives.

The Cyprus supervisory authorities of the financial sector have sufficient powers to supervise compliance with AML/CFT requirements and carry out inspections. They are empowered to apply, as appropriate, a range of sanctions which are proportionate and dissuasive, though it was noted that sanctions imposed in practice have been mainly in the form of warning

letters to take corrective action. Overall, the financial sector appeared to be adequately monitored, although it is recommended to step up the number of on-site visits in particular on MTBs and investment firms and regulated markets.

However, the same cannot be concluded as regards the designated non-financial businesses and professions, as there is insufficient evidence that effective supervision is taking place across the board, and in particular as regards trust and company service providers, real estate, dealers in precious metals and stones as well as lawyers. There is also a clear lack of resources in the supervisory authorities with the result that on-site examinations may not be undertaken appropriately, if and when undertaken.

Cyprus has effective mechanisms for coordination and co-operation among all domestic AML/CFT stakeholders, including an active Advisory Authority. Cyprus should, however, conduct a review of the effectiveness of the AML/CFT system.

The legal framework for mutual legal assistance is sound and Cyprus responds to requests for assistance generally in an efficient and effective manner. Further efforts appear necessary to demonstrate that non-MLA related assistance is also similarly effective for all competent authorities.

US Department of State Money Laundering assessment (INCSR)

Cyprus is deemed a Jurisdiction of Primary Concern by the US Department of State International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

Since 1974, the southern part of Cyprus has been under the authority of the Government of the Republic of Cyprus, while the northern part, administered by Turkish Cypriots, proclaimed itself the "Turkish Republic of Northern Cyprus" ("TRNC") in 1983. In practice, the Republic of Cyprus does not exercise effective control over the area administered by Turkish Cypriots. The United States does not recognize the "TRNC," nor does any country other than Turkey. A buffer zone, or "green line," patrolled by the UN Peacekeeping Force in Cyprus, separates the two parts. Cyprus and the area administered by Turkish Cypriots are discussed separately below.

Cyprus has a comprehensive AML legal framework, which it continues to upgrade. As a regional financial center, Cyprus has a significant number of nonresident businesses, over 252,500 as of October 31, 2015. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities, even if they do not maintain accounts with banks in Cyprus. VULNERABILITIES AND EXPECTED TYPOLOGIES

The main risk for the country appears to emanate from layering activities, mainly from international business through banking transactions. Apart from domestic criminal offenses, Cyprus is affected to a certain extent by criminal acts committed abroad, proceeds of which may be laundered through the Cypriot banking system. The main criminal activities and trends identified are investment fraud, advance fee fraud, phishing, and, to a lesser

extent, drug trafficking. Additionally, there has been a considerable increase in the number of cases involving electronic fraud, especially e-mail hacking and the use of ransomware. Banks operating in Cyprus are known to be used by organized criminal groups and corrupt officials to launder proceeds, in particular, the proceeds from Russian and Ukrainian corruption.

Cyprus amended its investor citizenship program in November 2016, lowering the investment threshold to allow foreign investors to apply for Cypriot (and therefore, EU) citizenship after investing more than U.S. \$2.2 million in Cyprus. The Ministry of Interior and other Cypriot authorities conduct comprehensive background checks and due diligence before granting citizenship.

Cyprus abolished its two FTZs in 2011. KEY AML LAWS AND REGULATIONS

The Unit for Combating Money Laundering (MOKAS) is Cyprus' FIU. Cyprus has several supervisory authorities for AML compliance, including the Central Bank of Cyprus (CBC), Cyprus Securities and Exchange Commission (CySEC), Superintendent for Insurance, Council of the Institute of Certified Public Accountants of Cyprus, Council of the Cyprus Bar Association, Real Estate Agents Registration Council, National Betting Authority, and Cyprus Casino Gaming Commission. Each of these entities can issue directives to their respective supervised entities. The supervisory authorities have developed onsite and offsite tools for risk-based supervision, setting inspection cycles and the nature of inspections according to the risk profile of regulated entities.

In October 2017, Parliament initiated discussion of a draft bill amending the AML/CFT law and transposing the provisions of the 4th EU AML Directive. Passage of the bill has been delayed until after February 2018, when parliament will reconvene after presidential elections. One of the key provisions of this bill will create a national registry listing all beneficial owners of legal entities in Cyprus.

The AML law contains provisions allowing for the registration and enforcement of foreign court orders. Cypriot authorities maintain close cooperation with foreign supervisory authorities, including with the United States. Cypriot legislation covers foreign as well as domestic PEPs.

Cyprus is a member of MONEYVAL, a FATF-style regional body.

Cyprus has a strong AML legal framework, which it continues to upgrade. Cypriot authorities are finalizing a national risk assessment (NRA) of money laundering and terrorist financing vulnerabilities. An action plan, following adoption of the NRA, will address possible deficiencies or areas for improvement.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

Cyprus implements the 1988 UN Drug Convention and other applicable international conventions. Additionally, there is a bilateral MLAT between the United States and Cyprus.

In the period 2011-2015, Cypriot authorities prosecuted 403 money laundering-related cases, often with multiple defendants, leading to 90 convictions. Statistics are not yet available for 2016.

As part of its onsite and offsite supervisory activity over credit, payment, and e-money institutions, the CBC continues to assess the need to impose administrative fines in cases where it identifies deficiencies in the implementation of the law or CBC directives. In an effort to “name and shame” offenders, both the CBC and CySEC have begun posting information on their websites on the imposition of such fines.

Area Administered by Turkish Cypriots

OVERVIEW

The area administered by Turkish Cypriots lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. However, Turkish Cypriot authorities have taken steps to address some of the major deficiencies, although “laws” are not sufficiently enforced to effectively prevent money laundering. The casino sector and the offshore banking sector remain of concern for money laundering abuse.

VULNERABILITIES AND EXPECTED TYPOLOGIES

As of November 2017, there are 30 casinos in the Turkish Cypriot-administered area. Local experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, vulnerable to money laundering. The unregulated money lenders and currency exchange houses are also areas of concern.

The offshore banking sector also remains a concern to law enforcement. As of November 2017, it consists of seven offshore banks regulated by the “central bank” and 411 offshore companies. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch locally.

In the area administered by Turkish Cypriots, there is one “free port and zone” in Famagusta, which is regulated by the “Free-Ports and Free Zones Law.” Operations and activities permitted include industry, manufacturing, and production; storage and export of goods; assembly and repair of goods; building, repair, and assembly of ships; and banking and insurance services.

There have been reports of smuggling of tobacco, alcohol, meat, and fresh produce across the UN buffer zone. Additionally, intellectual property rights violations are a concern; a legislative framework is lacking and pirated materials, such as sunglasses, clothing, shoes, and DVDs/CDs are freely available for sale.

KEY AML LAWS AND REGULATIONS

Turkish Cypriot authorities passed AML “legislation” in 2008.

The following entities are required to submit STRs to the “FIU”: banks, cooperatives, financial leasing companies, factoring companies, casinos and other gaming companies, capital market institutions, portfolio management companies, investment fund managers, jewelers, money exchange offices, real estate companies, “Lottery Department,” accountants and auditors, insurance companies, postage and cargo companies, antiques and antique businesses, auto dealers, and law firms. Following receipt, the “FIU” forwards STRs to the five-

member "Anti- Money Laundering Committee," which decides whether to refer suspicious cases to the "Attorney General's Office," and then, if necessary, to the "Police" for further investigation. The committee is composed of representatives of the "Ministry of Economy," "Money and Exchange Bureau," "central bank," "Police," and "Customs."

The "central bank" oversees and regulates local, foreign, and private banks. There are 22 banks in the area administrated by Turkish Cypriots, of which 14 are Turkish Cypriot-owned banks, and eight are branches of banks in Turkey.

With international assistance, Turkish Cypriot authorities drafted new AML "legislation" in 2014 incorporating international standards and the EU Fourth AML Directive, but the "legislation" is still pending approval in "Parliament."

The area administrated by Turkish Cypriots does not have a records-exchange mechanism with the United States. It is not a member of any FATF-style regional body, and, thus, is not subject to AML/CFT peer evaluation. The area administrated by Turkish Cypriots is not subject to any U.S. or international sanctions or penalties.

AML DEFICIENCIES

The area administrated by Turkish Cypriots lacks the legal and institutional framework necessary to provide effective protection against money laundering risks. Inadequate legislation and a lack of expertise among members of the enforcement, regulatory, and financial communities restrict regulatory capabilities.

The area does implement enhanced due diligence procedures for PEPs, foreign and domestic, but lacks enforcement.

According to local experts, the "criminal code" needs to be updated to aid money laundering- related prosecutions.

The area administrated by Turkish Cypriots is not a member of the Egmont Group.

ENFORCEMENT / IMPLEMENTATION ISSUES AND COMMENTS

While progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos, these "statutes" are not sufficiently enforced to prevent money laundering.

Between January and November 2017, the "FIU" reported receiving 515 STRs and participated in seven money laundering-related prosecutions.

The EU provides technical assistance to the Turkish Cypriots to combat money laundering because of the area's money laundering and terrorist finance risks.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Cyprus conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Cyprus is an EU member and therefore is on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Cyprus is considered to be an Offshore Financial Centre

Trafficking in Persons

Cyprus is classified a Tier 1 - a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

Cyprus is a source and destination country for men, women, and children subjected to forced labor and sex trafficking. Victims identified in Cyprus in 2015 were primarily from India, Bangladesh, Bulgaria, Romania, Philippines, Cameroon, Cote d'Ivoire, Slovakia, and Czech Republic. Sex trafficking victims from Paraguay were identified for the first time in 2015. Women, primarily from Eastern Europe, Vietnam, India, and sub-Saharan Africa, are subjected to sex trafficking. Sex trafficking occurs in private apartments and hotels, on the street, and within commercial sex outlets in Cyprus including bars, pubs, coffee shops, and cabarets. Some female sex trafficking victims are recruited with false promises of marriage or work as barmaids or hostesses. Foreign migrant workers—primarily from South and Southeast Asia—are subjected to forced labor in agriculture. Migrant workers subjected to labor trafficking are recruited by employment agencies and enter the country on short-term work permits. After the permits expire, they are often subjected to debt bondage, threats, and withholding of pay and documents. Asylum-seekers from Southeast Asia, Africa, and Eastern Europe are subjected to forced labor in agriculture and domestic work. Unaccompanied children, children of migrants, Roma, and asylum-seekers are especially vulnerable to sex trafficking and forced labor. Romani children are vulnerable to forced begging.

The Government of Cyprus fully meets the minimum standards for the elimination of trafficking. During the reporting period, the government convicted 31 traffickers, a significant increase from nine in 2014. The government approved a national referral mechanism outlining procedures for victim identification and referral to government services. It increased the number of police in the anti-trafficking unit from eight to 12 and expanded the unit's authority to make it the lead for all potential trafficking investigations throughout the country. Delays in delivering financial support to victims, a concern in the previous reporting period, were significantly reduced and trafficking victims were prioritized over less vulnerable beneficiaries. Authorities did not investigate potential trafficking cases among domestic workers or individuals in agriculture, as these cases were typically seen as labor disputes. Concerns were raised during the reporting period that some officers within the police anti-trafficking unit conducted insensitive interviews that may have re-traumatized victims. Observers also reported interpreters used in the interview process did not have sufficient knowledge of foreign languages, which may have affected victims' testimonies.

Terrorist Financing 2016:

Overview: The Republic of Cyprus collaborated closely with the United States, the European Union (EU), and other countries – bilaterally and multilaterally – in international counterterrorism efforts in 2016. Cyprus' counterterrorism partnership with the United States included participation in a Department of State-funded Department of Justice regional

program focused on countering Hizballah. The program strengthened the government's understanding of Hizballah and stressed the importance of interagency cooperation in countering all types of terrorism.

Since 1974, Cyprus has been divided *de facto* into the Republic of Cyprus government-controlled area, composed of the southern two-thirds of the island, and the northern third not under the effective control of the Republic of Cyprus, which is administered by the Turkish Cypriots. In 1983, the Turkish Cypriots declared the northern part to be the independent "Turkish Republic of Northern Cyprus" ("TRNC"). The United States does not recognize the "TRNC," nor does any country other than Turkey. The UN Peacekeeping Force in Cyprus (UNFICYP) patrols the Buffer Zone, also called "the Green Line," which separates the two sides, is largely open to civilian traffic, and remains a significant route for the illicit transit of people, narcotics, and other contraband.

The division of the island has impeded counterterrorism cooperation between the two communities and between the Republics of Cyprus and Turkey, which do not maintain diplomatic relations. Given the lack of international recognition, the Turkish Cypriots do not have the legal and institutional framework necessary to counter the financing of terrorism effectively. Within these current limitations, Turkish Cypriots have cooperated in pursuing specific counterterrorism objectives.

Cyprus is a partner in the Global Coalition to Defeat ISIS and regularly participates in the Coalition's Working Groups on Foreign Terrorist Fighters and Counter-ISIS Finance Group.

Legislation, Law Enforcement, and Border Security: The Republic of Cyprus enacted a National Law on Combating Terrorism in 2010 that incorporates EU Council Framework Decisions. Cypriot authorities continued to develop capabilities under the supervision of the National Counterterrorism Coordinator and a specialized counterterrorism squad in the Cypriot National Police's (CNP) Emergency Response Unit.

In response to multiple terrorist attacks in Europe, Cyprus enhanced its security cooperation and law enforcement measures. These activities included increased patrols around critical infrastructure and soft targets including popular tourist resorts, cultural sites, and diplomatic facilities. They have also increased security measures and surveillance at border crossing points and along the "Green Line" and Cypriot coast. Cyprus has strengthened passport control at airports and seaports through improved information exchange with Europol and INTERPOL regarding lost and stolen passports and enhanced training for border security officers to identify potential foreign terrorist fighters.

Cyprus currently is reviewing its existing legislation to address the requirements set out in UN Security Council resolution (UNSCR) 2178. Cyprus is also preparing to implement the 2016 EU Directive on the use of Passenger Name Records.

Countering the Financing of Terrorism: The Republic of Cyprus is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, a Financial Action Task Force-style regional body. Cyprus's financial intelligence unit, the Unit for Combating Money Laundering (MOKAS), is a member of the Egmont Group of Financial Intelligence Units.

In April 2015, MOKAS started using "goAML," a sophisticated IT system, designed to meet data collection, management, analytical, workflow, and statistical needs of FIUs. This new system enables supervised entities to submit suspicious transaction reports to MOKAS electronically, under the highest security standards. MOKAS has already reported a 25 percent increase in the number of reports filed since the inception of this system, crediting it with simplifying the submission process.

In 2016, Cypriot authorities continued conducting a national risk assessment on money laundering and terrorist financing, covering the entire anti-money laundering/countering the financing of terrorism (AML/CFT) system, including charities. This document will build on a set of AML/CFT reforms, focusing on the financial sector transparency that Cyprus implemented in 2013-2016, in accordance with its IMF assistance program.

Cyprus has implemented the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime and informally tracked individuals and entities listed under U.S. executive orders (E.O.), including E.O. 13224. The Ministry of Foreign Affairs circulates updates of UN and EU sanctions lists to relevant authorities as well as the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus. Cyprus does not have legal powers in place to apply targeted financial sanctions pursuant to UNSCR 1373, however.

Cyprus enacted legislation in 2016 to designate national competent authorities for implementing the EU and UN sanctions regimes and criminalizing infringements ("The Implementation of the Provisions of UNSCRs or Decisions (Sanctions) and Decisions and Regulations of the Council of the European Union (Restrictive Measures) Law of 2016, L.58(I)/2016"). This law also enables the supervisory authorities of the financial and non-financial sector to issue directives to their regulated entities and take administrative measures in case of non-compliance. Cyprus did not identify or freeze any assets pursuant to relevant UNSCRs in 2016.

The Central Bank of Cyprus is the supervisory authority for the banking sector, including cooperative societies, electronic money institutions, and payment institutions. Cyprus does not have a significant unregulated informal banking and money transfer system. Predominantly due to low capacity for supervision of financial institutions and company formation, Cyprus remains a major hub for shell company activity.

International Sanctions

Cyprus is not currently subject to any International Sanctions

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	57
World Governance Indicator – Control of Corruption	78

Although Cyprus is generally free from corruption, high-profile corruption cases in recent years have highlighted the presence of corruption risk in the Cypriot banking sector, public procurement and land administration sector. The close relationship between bankers, businesses and politicians have resulted in the economic crisis that the country recently faced, contributing to corruption in other areas (e.g., bias in the awarding of public tenders). Businesses may encounter demands for irregular payments, but the government has established a strong legal framework to combat corruption. Bribery, facilitation payments and giving or receiving gifts are criminal offences under Cypriot law. The government has a strong anti-corruption framework and has developed effective e-governance systems (the Point of Single Contact and the e-Government Gateway project) to assist businesses. Investors should take into consideration the political situation of the country, which divides the island into two parts: one controlled by the Cypriot government and the other under the administration of Turkish Cypriots. **Information provided by GAN Integrity.**

US State Department

Republic of Cyprus

The U.S. government is not aware of any U.S. firms identifying corruption as a significant obstacle to foreign direct investment in Cyprus. Notwithstanding certain well-publicized cases in the recent past that tend to suggest that the public is less tolerant of corruption involving politically-exposed persons, Cyprus does well by most international measures: it ranked 31 out of 177 on the 2013 Transparency International Corruption Index and 85% on the World Bank "Control of Corruption" World Governance Indicator.

Corruption, both in the public and private sectors, constitutes a criminal offense. Under Cyprus' Constitution, the Auditor General controls all government disbursements and receipts and has the right to inspect all accounts on behalf of the Republic. In the most recent annual report, the Auditor General identifies specific instances of mismanagement or deviation from proper procedures in the civil service.

Cyprus cooperates closely with EU and other international authorities to fight corruption and provide mutual assistance in criminal investigations. Cyprus ratified the European Convention on Mutual Assistance in Criminal Matters. Cyprus also uses the foreign Tribunal Evidence Law, Chapter 12, to execute requests from other countries for obtaining evidence in Cyprus in criminal matters. Additionally, Cyprus is an active participant in the Council of Europe's Multidisciplinary Group on Corruption. Cyprus signed and ratified the Criminal Law

Convention on Corruption and has joined the Group of States Against Corruption the Council of Europe.

Area Administered by Turkish Cypriots

The Embassy is unaware of any recent complaints from U.S. businesses involving corrupt practices in the north. Corruption, both in the public and private sectors, constitutes a criminal offense. The "Audit Office" controls all disbursements and receipts and has the right to inspect all accounts. In its annual report, the "Audits Office" identifies specific instances of mismanagement or deviation from proper procedures and anecdotal evidence suggests that corruption and patronage continue to be a factor in the economy.

Section 3 - Economy

The area of the Republic of Cyprus under government control has a market economy dominated by the service sector, which accounts for more than four-fifths of GDP. Tourism, financial services, shipping, and real estate have traditionally been the most important sectors. Cyprus has been a member of the EU since May 2004 and adopted the euro as its national currency in January 2008.

During the first five years of EU membership, the Cyprus economy grew at an average rate of about 4%, with unemployment between 2004 and 2008 averaging about 4%. However, the economy tipped into recession in 2009 as the ongoing global financial crisis and resulting low demand hit the tourism and construction sectors. An overextended banking sector with excessive exposure to Greek debt added to the contraction. Cyprus' biggest two banks were among the largest holders of Greek bonds in Europe and had a substantial presence in Greece through bank branches and subsidiaries. Following numerous downgrades of its credit rating, Cyprus lost access to international capital markets in May 2011. In July 2012, Cyprus became the fifth euro-zone government to request an economic bailout program from the European Commission, European Central Bank and the International Monetary Fund - known collectively as the "Troika."

Shortly after the election of President Nikos ANASTASIADES in February 2013, Cyprus reached an agreement with the Troika on a \$13 billion bailout that resulted in losses on uninsured bank deposits. The bailout triggered a two-week bank closure and the imposition of capital controls that remained partially in place until April 2015. Cyprus' two largest banks merged and the combined entity was recapitalized through conversion of some large bank deposits to shares and imposition of losses on bank bondholders. As with other EU countries, the Troika conditioned the bailout on passing financial and structural reforms and privatizing state-owned enterprises. Despite downsizing and restructuring, the Cypriot financial sector throughout 2015 remained burdened by the largest stock of non-performing loans in the euro zone, equal to nearly half of all loans. Since the bailout, Cyprus has received positive appraisals by the Troika and outperformed fiscal targets but has struggled to overcome political opposition to bailout-mandated legislation, particularly regarding privatizations. Cyprus emerged from recession in 2015 and its economy grew an estimated 1.6% for the year, setting a positive tone for the scheduled end of the bailout program in March 2016.

In October 2013, a US-Israeli consortium completed preliminary appraisals of hydrocarbon deposits in Cyprus' exclusive economic zone (EEZ), which revealed an estimated gross mean reserve of about 130 billion cubic meters. Though exploration continues in Cyprus' EEZ, no additional commercially exploitable reserves were identified during the exploratory drilling in 2014/2015. Developing offshore hydrocarbon resources remains a critical component of the government's economic recovery efforts, but development has been delayed as a result of regional developments and disagreements about exploitation methods.

Even though the whole of the island is part of the EU, implementation of the EU "acquis communautaire" has been suspended in the area administered by Turkish Cypriots, known locally as the "Turkish Republic of Northern Cyprus" ("TRNC"), until political conditions permit the reunification of the island. The market-based economy of the "TRNC" is roughly one-fifth the size of its southern neighbor and is likewise dominated by the service sector with a large portion of the population employed by the government. In 2012 - the latest year for which

data are available - the services sector, which includes the public sector, trade, tourism, and education, contributed 58.7% to economic output. In the same year, light manufacturing and agriculture contributed 2.7% and 6.2%, respectively. Manufacturing is limited mainly to food and beverages, furniture and fixtures, construction materials, metal and non-metal products, textiles and clothing. The "TRNC" maintains few economic ties with the Republic of Cyprus outside of trade in construction materials. Since its creation, the "TRNC" has heavily relied on financial assistance from Turkey, which supports the "TRNC" defense, telecommunications, water and postal services. The Turkish Lira is the preferred currency, though foreign currencies are widely accepted in business transactions. The "TRNC" remains vulnerable to the Turkish market and monetary policy because of its use of the Turkish Lira. The "TRNC" weathered the European financial crisis relatively unscathed - compared to the Republic of Cyprus - because of the lack of financial sector development, the health of the Turkish economy, and its separation from the rest of the island. The "TRNC" economy experienced growth estimated at 2.8% in 2013 and 2.3% in 2014 and is projected to grow 3.8% in 2015.

Economy of the area administered by Turkish Cypriots:

Economy - overview: Even though the whole of the island is part of the EU, implementation of the EU "acquis communautaire" has been suspended in the area administered by Turkish Cypriots, known locally as the "Turkish Republic of Northern Cyprus" ("TRNC"), until political conditions permit the reunification of the island. The market-based economy of the "TRNC" is roughly one-fifth the size of its southern neighbor and is likewise dominated by the service sector with a large portion of the population employed by the government. In 2012 - the latest year for which data are available - the services sector, which includes the public sector, trade, tourism, and education, contributed 58.7% to economic output. In the same year, light manufacturing and agriculture contributed 2.7% and 6.2%, respectively. Manufacturing is limited mainly to food and beverages, furniture and fixtures, construction materials, metal and non-metal products, textiles and clothing. The "TRNC" maintains few economic ties with the Republic of Cyprus outside of trade in construction materials. Since its creation, the "TRNC" has heavily relied on financial assistance from Turkey, which supports the "TRNC" defense, telecommunications, water and postal services. The Turkish Lira is the preferred currency, though foreign currencies are widely accepted in business transactions. The "TRNC" remains vulnerable to the Turkish market and monetary policy because of its use of the Turkish Lira. The "TRNC" weathered the European financial crisis relatively unscathed - compared to the Republic of Cyprus - because of the lack of financial sector development, the health of the Turkish economy, and its separation from the rest of the island. The "TRNC" economy experienced growth estimated at 2.8% in 2013 and 2.3% in 2014 and is projected to grow 3.8% in 2015.

Agriculture - products:

citrus, vegetables, barley, grapes, olives, vegetables; poultry, pork, lamb; dairy, cheese

Agriculture - products: citrus fruit, dairy, potatoes, grapes, olives, poultry, lamb

Industries:

tourism, food and beverage processing, cement and gypsum, ship repair and refurbishment, textiles, light chemicals, metal products, wood, paper, stone and clay products

Industries: foodstuffs, textiles, clothing, ship repair, clay, gypsum, copper, furniture

Exports - commodities:

citrus, potatoes, pharmaceuticals, cement, clothing

Exports - partners:

Greece 10.9%, Ireland 10.2%, UK 7.2%, Israel 6% (2015)

Imports - commodities:

consumer goods, petroleum and lubricants, machinery, transport equipment

Imports - partners:

Greece 25.7%, UK 9.1%, Italy 8%, Germany 7.5%, Israel 5.5%, China 4.8%, Netherlands 4.1% (2015)

Banking

Government Controlled Area:

The standard of banking services in the government-controlled area of Cyprus compares well with other European countries and the United States. The Central Bank of Cyprus supervises private banks closely and requires them to meet Bank for International Settlements (BIS) standards as well as corresponding directives by the European Union. Bank financial statements are in compliance with international standards and audited by internationally recognized auditors. Since 2001, a deposit insurance scheme has been in operation, under the Banking Law of 1997. New regulations passed in the summer of 2009 raised the guaranteed amount under this scheme from Euros 20,000 to Euros 100,000 per depositor.

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots went through a severe banking crisis from 1999 to 2001, which resulted in the closure of several banks and in financial losses for hundreds of local depositors. The crisis was fuelled mainly by the Turkish financial crisis but also by inadequate supervision. Banking supervision in the north has improved significantly in the past few years. The "Central Bank" oversees and regulates the 24 on-shore banks, many of which have correspondence relationship with foreign banks. Two of the five members of the "Central Bank"s "Board of Directors" are from Turkey as is the "Central Bank Governor." Turkish Cypriot banks do not have access to the SWIFT system.

Stock Exchange

The [Cyprus Stock Exchange \(CSE\)](#) was launched in 1996. The CSE is currently the EU's third-smallest stock exchange, ahead of Malta and Slovakia, with a capitalization of around Euros 7.3 billion (USD 10.7 billion) as of January 2010. Since 2006, the CSE and the Athens Stock Exchange (ASE) operate from a joint trading platform, allowing capital to move more freely from one exchange to the other, even though both exchanges retain their autonomy and independence. The joint platform has increased capital available to Cypriot firms and improved the CSE's liquidity.

Executive Summary

The business and investment climate in Cyprus is steadily improving following the financial crisis of 2013. After almost four years of recession, the Cypriot economy registered a positive growth rate of 1.6 percent in 2015 and is expected to grow to 2 percent in 2016. The gradual economic recovery has helped improve domestic economic sentiment, but other challenges remain. The banking sector continues to struggle with exceptionally high levels of impaired loans – among the highest in Europe; new lending is low as households and banks deleverage high levels of debt; and the unemployment rate, while decreasing, remains high at 15 percent. At the same time, access to market financing has improved, as reflected in the successful government debt issuance on international capital markets in 2015. Liquidity and solvency in the banking system have improved and the pace of debt restructuring has accelerated. Cyprus graduated from a three-year economic adjustment program at the end of March. The program was tied to policy reforms, including restructuring the banking sector, reforming the civil service, and reducing government spending, and privatizing state-owned enterprises (SOEs).

Strategically located at the crossroads of Europe, Asia, and Africa, Cyprus offers significant promise and opportunity to U.S. investors. Sectors that provide the greatest opportunity for investment are in energy, shipping, services, and technology. Smaller, niche investment opportunities exist in food processing and franchises. Investors may also be interested in new opportunities in renewable energy and tourism infrastructure. Cyprus offers a low tax business environment, skilled and English-speaking professionals, and excellent infrastructure for doing business in the Eastern Mediterranean. U.S. citizens traveling with a U.S. passport may enter Cyprus without a visa for up to 90 days.

Area Administered by Turkish Cypriots

Since 1974, the southern two-thirds of Cyprus has been under the control of the government of the Republic of Cyprus (ROC), while the remaining area in the north has been administered by Turkish Cypriots (TCs). In 1983, the TC-administered area declared itself the "Turkish Republic of Northern Cyprus" ("TRNC"), but this has not been recognized by any country other than Turkey. While the unresolved conflict has implications for all potential investment on the island, companies considering investments in the TC-administered area should be particularly aware of complications that arise from the lack of international recognition and the absence of a comprehensive political settlement in Cyprus. TC businesses are interested in working with American companies in the fields of agriculture, renewable energy, and franchises. The accession of the ROC to the European Union (EU) in 2004 also had important consequences for the northern part of Cyprus. Although the EU suspended implementation of the *acquis communautaire* (AC) in the area administered by TCs, EU-funded technical programs are being used to bring TC goods and services into compliance with EU standards and norms.

The single greatest catalyst for island-wide Cypriot economic growth and prosperity lies in the efforts of both communities to achieve a political settlement. According to some analysts, prospects for a settlement hold the promise of significantly increasing the island's GDP.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	32 of 168	http://www.transparency.org/cpi2015
World Bank's Doing Business Report "Ease of Doing Business"	2015	47 of 189	www.doingbusiness.org/rankings
Global Innovation Index	2015	34 of 141	www.globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2015	N.A.	www.BEA.gov
World Bank GNI per capita	2014	USD 26,370	www.data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward Foreign Direct Investment

Republic of Cyprus

The ROC has a favorable attitude towards foreign direct investment (FDI), putting to good advantage its strategic geographic location, low corporate and personal tax rates, 59 double taxation avoidance treaties (including with the United States), and transportation infrastructure, and an educated and mostly English-speaking labor force. The 2013 financial crisis brought to the surface several underlying structural and institutional obstacles to investment, ranging from delays in obtaining building permits and court judgments, to difficulties in starting a business, and limited access to financing. In the aftermath of the crisis, ROC authorities have addressed these challenges in an effort to make Cyprus attractive to foreign investors. Key sectors that hold potential for future investment include tourism-related infrastructure, casinos, ports, banks, real estate, and hydrocarbons/energy-related support services. Foreign investors may establish a business in Cyprus with the same benefits as local investors in most sectors with a few well-defined and transparent limitations for non-EU investors in certain sectors (see limits on Foreign Control, below).

For more information:

One-Stop-Shop & Point of Single Contact
 Ministry of Commerce, Industry and Tourism (MECIT)
 13-15 Andreas Araouzos
 1421 Nicosia, Cyprus
 Tel. +357 22 409318 or 321
 Fax: +357 22 409432
 Email1: onestopshop@mcit.gov.cy

Email2: psscypus@mcit.gov.cy

Website: www.businessincyprus.gov.cy

Area Administered by Turkish Cypriots

TCs welcome FDI and are eager to attract investments, particularly those that will lead to the transfer of advanced technology and technical skills. Priority is also given to investments in export-oriented industries. The "Turkish Cypriot Investment Development Agency" ("YAGA") is a one-stop shop for all investors.

Other Investment Policy Reviews

Republic of Cyprus

Cyprus has been a member of World Trade Organization (WTO) since July 30, 1995. As of May 1, 2004 it is a member State of the EU. Cyprus has not undergone investment policy reviews by the Organization for Economic Cooperation and Development (OECD) or United Nations Committee on Trade and Development (UNCTAD). The WTO published a Trade Policy Review on the EU28, including Cyprus, in July 2015. The text is available at:

https://www.wto.org/english/tratop_e/tpr_e/tp417_e.htm

Area Administered by Turkish Cypriots

TC "officials" have not conducted policy reviews on investment.

Laws/Regulations on Foreign Direct Investment

Republic of Cyprus

Below are links to laws affecting incoming foreign investment:

<http://www.investcyprus.org.cy/media-center/publications/>

<http://www.cyprulawdigest.com/topics/foreign-investments/item/149-protection-of-foreign-investments>

<http://www.cyprulawdigest.com/>

Area Administered by Turkish Cypriots

<http://www.investinnorthcyprus.org/>

Business Registration

Republic of Cyprus

Domestic and foreign investors may establish any of the following legal entities or businesses in the ROC:

- Companies (private or public);
- General or limited partnerships;
- Business/trade name;
- European Company (SE); and

- Branches of overseas companies.

The registration process takes approximately two working days and involves completing an application for approval/change of name, followed by the steps outlined in the following link:

<http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9?OpenDocument>

The Ministry of Energy, Commerce, Industry, and Tourism's (MECIT's) One-Stop-Shop offers assistance with the logistics of registering a business in Cyprus to all investors, regardless of origin and size.

In addition to registering a business, foreign investors, like domestic business owners, are required to obtain all permits that may be necessary under Cypriot law. At a minimum, they must obtain residence and employment permits, register for social insurance, and register with the tax authorities for both income tax and Valued Added Tax (VAT). In order to use any building or premises for business, including commerce, industry, or any other income-earning activity, one also needs to obtain a municipal license. Additionally, town planning or building permits are required for building new offices, or converting existing buildings. There are also many sector-specific procedures. Information on all of the above procedures is available online at:

http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/eke08_en/eke08_en?OpenDocument

The World Bank's 2015 Doing Business report (<http://www.doingbusiness.org/rankings>) ranked Cyprus 47 out of 189 countries for ease of doing business, although starting a new business in Cyprus was ranked less favorably at 64 out of 189.

Cyprus follows the EU definition on micro, small and medium-sized enterprises (MSMEs), as follows:

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ EUR 50 m		≤ EUR 43 m
Small	< 50	≤ EUR 10 m		≤ EUR 10 m
Micro	< 10	≤ EUR 2 m		≤ EUR 2 m

Foreign-owned MSMEs are free to take advantage of programs in Cyprus designed to help such companies, including the following:

<http://www.fundingprogrammesportal.gov.cy/easyconsole.cfm/page/programme/fsld/18/1ang/en>

http://www.mcit.gov.cy/mcit/mcit.nsf/dmlsme_en/dmlsme_en?OpenDocument&print

<http://www.cyprusreporter.com/newsdetail/EBRD-supports-Cypriot-SMEs-through-a-two-year-programme-3773>

Foreign investors can take advantage of the services and expertise of the Cyprus Investment Promotion Agency (CIPA), a non-profit agency aimed at helping investors stand-up

businesses in Cyprus. CIPA is mainly geared towards larger investors, investing in the country more than approximately EUR 500,000, although this not a fixed minimum requirement. Even smaller investors should not hesitate to contact CIPA for assistance:

CIPA
9A Makarios III Ave
Severis Bldg., 4th Flr.
1065 Nicosia
Tel. +357-22-441133
Fax: +357-22-441134
Email: info@investcyprus.org.cy
Website: <http://www.investcyprus.org.cy/>

Area Administered by Turkish Cypriots

The "Registrar of Companies' " website is available only in Turkish:
<http://www.rkmmd.gov.ct.tr/> . An online registration process for domestic or foreign companies does not exist and registration needs to be completed in person.

"YAGA" was established by TC authorities with the aim of it becoming a one-stop-shop for both local and foreign investors who are interested in investing in the area administered by TCs. Their website provides explanations and guides in English on how to register a company in the area administrated by Turkish Cypriots.

As of March 2015, the "Registrar of Companies Office" statistics indicated there were 18,798 registered companies, of which 18,070 were TC majority-owned limited liability companies; 354 foreign companies; and 374 offshore companies.

The area administered by TCs defines MSMEs as entities having less than 250 employees. There are several grant programs financed through Turkish aid and EU aid targeting MSMEs.

The TC Chamber of Commerce (KTTO) publishes an annual Competitiveness Report on the TC economy, based on the World Economic Forum's methodology. KTTO's 2015-2016 report ranked northern Cyprus 121st among 144 economies, dropping seven places from its 114th ranking in 2015.

For more information and requirements on establishing a company, obtaining licenses, and doing business visit:

"Turkish Cypriot Development Agency" ("YAGA")
Tel: +90 392 - 22 82317
Website: <http://www.investinnorthcyprus.org>
E-mail: mehmet.yildirim@investinnorthcyprus.org
Turkish Cypriot Chamber of Commerce (KTTO)
<http://www.ktto.net/english/index.asp>
Tel: +90 392 - 228 37 60 / 228 36 45
Fax: +90 392 - 227 07 82

Industrial Promotion

Republic of Cyprus

In the aftermath of the financial crisis, the ROC is pursuing an economic strategy known as the "Growth Action Plan" to reform the economy and address investment climate challenges, focusing on reducing bureaucracy and increasing transparency in public administration. The ambitious plan seeks to reform the regulatory framework to boost investment, particularly in key sectors such as tourism, shipping, green energy, and generic pharmaceuticals. Details of this plan are available at:

[http://www.reform.gov.cy/crcs/crcs.nsf/All/FE9B14F25265813BC2257DF7004596B7/\\$file/GROWTH%20ACTION%20PLAN%20\(REVISED%2010%202%202015\).pdf](http://www.reform.gov.cy/crcs/crcs.nsf/All/FE9B14F25265813BC2257DF7004596B7/$file/GROWTH%20ACTION%20PLAN%20(REVISED%2010%202%202015).pdf)

Additional information on key sectors is available from:

http://www.cipa.org.cy/easyconsole.cfm/page/media_section

<http://www.investcyprus.org.cy/en/cyprus-investment-promotion-agency>

Area Administered by Turkish Cypriots

According to "YAGA", the primary sectors in the area administered by TCs that may be attractive to foreign investors include tourism (specialized, non-seasonal or off-seasonal), the construction of university dormitories, specialized niche investment, high value-added agriculture and food processing, software development, and telecommunications.

Limits on Foreign Control and Right to Private Ownership and Establishment

Republic of Cyprus

The following restrictions apply to investing in the ROC:

Non-EU entities (persons and companies) may purchase only two real estate properties for private use (two holiday homes or a holiday home and a shop or office). This restriction does not apply if the investment property is purchased through a domestic company or as a corporation elsewhere in the EU.

- Non-EU entities also cannot invest in the production, transfer, and provision of electrical energy. Additionally, the Council of Ministers may refuse granting a license for investment in hydrocarbons prospecting, exploration, and exploitation to a third-country national or company if that third country does not provide similar treatment to Cyprus or other EU member states.
- Individual non-EU investors may not own more than five percent of a local television or radio station, and total non-EU ownership of a local TV or radio station is restricted to a maximum of 25 percent.
- The right to register as a building contractor in Cyprus is reserved for citizens of EU member states. Non-EU entities are not allowed to own a majority stake in a local construction company. Non-EU physical persons or legal entities may bid on specific construction projects but only after obtaining a special license by the Council of Ministers.
- Non-EU entities cannot invest in private tertiary education institutions.

- Provision of healthcare services on the island is also subject to certain restrictions, applying equally to all non-residents.
- Finally, the Central Bank of Cyprus' prior approval is necessary before any individual person or entity, whether Cypriot or foreign, can acquire over 9.99 percent of a bank incorporated in Cyprus.

Area Administered by Turkish Cypriots

According to the "Registrar of Companies Office," foreign ownership of construction companies is restricted to 49 percent. Currently the travel agency sector is closed to foreign investment. Registered foreign investors may buy property for investment purposes. Foreign natural persons also have the option of forming private liability companies, and foreign investors can form mutual partnership with one or more foreign or domestic investors.

Privatization Program

Republic of Cyprus

Under the provisions of its adjustment program with international creditors, the ROC agreed to undertake a privatization program aimed at raising EUR 1.4 billion (USD 1.5 billion) by 2018.

An independent Privatizations Unit, established March 2014, oversees the privatizations program. Below are recent developments concerning specific organizations included in the privatizations plan:

- Electricity Authority of Cyprus (EAC): In December 2015, under threat of strikes, the government reversed earlier plans to privatize the EAC. The government intends to push ahead with unbundling the EAC's generation and transmission operations into separate legal entities by the end of 2017.
- Cyprus Telecommunications Authority (CyTA): In February 2016, the House of Representatives initiated discussion of draft legislation for CyTA's corporatization, a "prior action" required for disbursement of the last tranche of bailout funding, although most political parties currently oppose the bill.
- Limassol Port commercial activities: This is the only privatization that has taken place. In February 2016, the government selected three pre-qualified bidders to run the port's three main operations (container terminal, marine services, and a multi-purpose terminal). The House of Representatives approved the transaction March 24, 2016. The winners include two consortiums headed by prominent port operating firms Dubai Ports (DP) World Ltd. and Eurogate International GmbH. The Cyprus Ports Authority will remain the regulator of Cypriot ports, but management of Limassol port's commercial activities will be transferred to the private sector, a public-private partnership model already implemented for Larnaca port.
- Other Privatizations: There are plans for other, smaller privatizations, including selling parts of the national lottery, the logo of the now-defunct Cyprus Airways, and 30 pieces of government land, some in prime locations across the island.

For more information, please see text on privatization goals contained in the 7th review of the Cyprus program by international creditors:

<http://www.mof.gov.cy/mof/mof.nsf/Revised%20Memorandum%20of%20Understanding%20September%202015.pdf>

Area Administered by Turkish Cypriots

In the TC-administered area, the below-listed institutions are known as "public economic enterprises" (POEs), "semi-public enterprises" and "public institutions," which aim to provide common utilities and essential services.

Some of these organizations include:

- Turkish Cypriot Electricity Board (KIBTEK)
- RTK - State Television and Radio Broadcasting Corporation
- Cyprus Turkish News Agency
- Turkish Cypriot Milk Industry
- Cypruvex Ltd. - Citrus Facility
- EMU - Eastern Mediterranean Foundation Board
- Agricultural Products Corporation
- Turkish Cypriot Tobacco Products Corporation
- Turkish Cypriot Alcoholic Products LTD
- Coastal Safety and Salvage Services LTD
- TC Development Bank

The airport at Ercan and K-Pet Petroleum Corporation have been converted into public-private partnerships, the concept of privatization continues to be controversial in the TC community.

In March 2015, TC authorities signed a public-private partnership agreement with Turkey regarding the management and operation of the water obtained from an underwater pipeline funded by Turkey.

Within the area administered by TCs, there has also been discussion about privatizing the electricity authority "KIBTEK" and the TC telecommunications operations.

Screening of Foreign Direct Investment

Republic of Cyprus

The ROC does not pre-screen foreign investment, and has a welcoming attitude towards investors, subject to certain transparent limitations in certain sectors such as property (see Limits on Foreign Control).

Area Administered by Turkish Cypriots

There are no pre-screening requirements.

Competition Law

Republic of Cyprus

The oversight agency for competition is the Commission for the Protection of Competition:
www.competition.gov.cy

Area Administered by Turkish Cypriots

The relevant "agency" for competition is the "Competition Board". More information can be found here: www.rekabet.gov.ct.tr.

2. Conversion and Transfer Policies

Foreign Exchange

Republic of Cyprus

As a member of the Eurozone, the ROC uses the euro as its currency. The Eurozone has no restrictions on the transfer or conversion of its currency, and the exchange rate is freely determined in the foreign exchange market. There is no difficulty in obtaining foreign exchange. Since the 2008 financial crisis, the European Commission, has pursued several initiatives aimed at creating a safer and more sound financial sector, known as the Banking Union. These initiatives, which include stronger prudential requirements for banks, improved depositor protection and rules for managing failing banks, form a single rulebook for all financial actors in the 28 Member States of the EU. The single rule book is the foundation of the Banking Union. For more info, please refer to: http://ec.europa.eu/finance/general-policy/banking-union/index_en.htm

Area Administered by Turkish Cypriots

The northern part of Cyprus has a separate financial system. As a result, the financial crisis in the ROC government-controlled area has had little impact on capital transfer policies in the area administered by TCs. The financial system in the area administered by TCs is linked closely with that of Turkey. The Turkish Lira (TL) is the main currency in use, although the Euro, U.S. dollar, and British Pound are commonly accepted. The vast majority of business borrowing is derived from domestic and Turkish sources.

Devaluations of the TL against foreign exchange rates (or the opposite), has an effect on the economy of the area administered by Turkish Cypriots. Wages across sectors are generally paid in TL, and almost all real estate, electronic white goods, vehicles, and other products are sold in foreign currencies. Banks in the Turkish Cypriot administered areas provide low interest rate loans to customers who seek foreign exchange loans in Euros or British Pounds, but interest rates are higher in TL. Foreign investors are authorized to repatriate all proceeds from their investments and business.

Remittance Policies

Republic of Cyprus

There are no restrictions or delays on investment remittances or the inflow or outflow of profits.

Cyprus is a member of the Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation report can be found at:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

The U.S. Department of State's Bureau of International Narcotics and Law Enforcement lists Cyprus among the countries of Primary Concern from a money laundering perspective in the 2015 International Narcotics Control Strategy Report (INCSR). The full report can be accessed at:

<http://www.state.gov/j/inl/rls/nrcrpt/2015/vol2/239069.htm>

Area Administered by Turkish Cypriots

Remittance policies do not differ from general conversion and transfer policies.

3. Expropriation and Compensation

Republic of Cyprus

Private property may, in exceptional instances, be expropriated for public purposes, in a non-discriminatory manner, and in accordance with established principles of international law. The expropriation process entitles investors to proper compensation, whether through mutual agreement, arbitration, or the local courts. Foreign investors may claim damages resulting from an act of illegal expropriation by means other than litigation. Investors and lenders to expropriated entities receive compensation in the currency in which the investment was made. In the event of any delay in the payment of compensation, the Government is also liable for the payment of interest based on the prevailing six-month LIBOR for the relevant currency.

Area Administered by Turkish Cypriots

Private property may be expropriated for public purposes. The expropriation process entitles investors to proper compensation. Foreign investors may claim damages resulting from an act of illegal expropriation by means other than litigation.

In the cases involving private owners, these are notified, the property is then inspected, and if an agreement is reached regarding the amount, then the owner is compensated. In cases where the owner declines the compensation package, the case is turned over to local "courts" to make a final decision.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Republic of Cyprus

Cyprus is a common law jurisdiction and its legal system is based on English Common Law, in both substantive and procedural matters. Cyprus inherited many elements of its legal system from the United Kingdom, including the presumption of innocence, the right to due process, the right to appeal, and the right to a fair public trial. Courts in Cyprus possess the necessary powers to enforce compliance by parties who fail to obey judgments and orders made against them. There is a high level of public confidence in the Cypriot legal system.

International disputes are resolved through litigation in Cypriot courts or by alternative dispute resolution methods such as mediation or arbitration. Businesses often complain of court gridlock and judgments on cases generally taking years to be issued, and even more for claims involving property foreclosure. In the aftermath of the financial crisis, the number of non-performing loans has grown to around 45 percent of the national portfolio, prompting authorities to introduce new foreclosure and insolvency laws to deal with this problem more efficiently.

Area Administered by Turkish Cypriots

Foreign investors can make use of all the rights guaranteed to TCs. Alternative dispute resolution mechanisms are not available in the TC-administered area. The resolution of commercial or investment disputes through the "judicial system" takes can take several years.

Bankruptcy

Republic of Cyprus

In April 2015, the ROC parliament approved a new package of insolvency laws to overhaul the existing system and help resolve very high levels of non-performing loans. Bankruptcy procedures can be initiated by a creditor through compulsory liquidation or by the debtor through voluntary liquidation. The court can impose debt rescheduling, in cases where aggregate liabilities do not exceed EUR 350,000 (USD 385,000) and individuals with minimal assets and income may apply to the court via the Insolvency Service for a debt relief order of up to EUR 25,000 (USD 27,500). Discharge from bankruptcy is automatic after three years, provided all debtor assets are sold and the proceeds distributed to creditors. Fraudulent alienation of assets prior to bankruptcy and non-disclosure of assets draws criminal sanctions under the new legislation. There are concerns the new insolvency framework might be open to abuse by creditors and that it might tend to cause even longer delays for the already congested Cypriot courts. For these reasons, Cypriot authorities are monitoring very closely progress in implementing the new insolvency framework, in order to ensure it supports the objective of helping rehabilitate the real economy.

Area Administered by Turkish Cypriots

In 2013, the TCs passed a debt restructuring "law" aimed at providing incentives to restructure debts.

Investment Disputes

Republic of Cyprus

The bail-in of depositors (converting deposits to equity) in March 2013 and other related actions sparked a flurry of legal disputes against the ROC, most of which are ongoing.

Additionally, ROC authorities are currently finalizing an official investigation into the reasons behind the collapse of the economy, which may have legal implications for high-profile economic actors domestically and abroad.

International Arbitration

Republic of Cyprus

Cyprus honors the enforcement of foreign court judgments and foreign arbitration awards. Domestic legislation on binding international arbitration is modeled after internationally-accepted regulations, such as the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration, which Cyprus adopted in 1985. Cyprus' bilateral investment treaties with several countries also include dispute settlement provisions (see Section 14, Bilateral Investment Agreements).

In 2015, the ROC' Financial Ombudsman began offering mediation and arbitration services between banks and their customers. Under the Arbitration Law of Cyprus, if the parties are unable to reach a settlement an arbitrator can be appointed. Arbitration rulings are fully enforceable and the court may enforce an arbitral award in the same way as a judgment. Mediation is not fully enforceable.

- The Financial Ombudsman's office can be reached through its website at: www.financialombudsman.gov.cy.
- The Cyprus Chamber of Commerce and Industry (CCCI, <http://www.ccci.org.cy/>) offers arbitration and mediation. A 2012 law sanctions international and domestic mediation and designates the following three bodies to act as mediators: the Cyprus Bar Association, CCCI, and the Scientific and Technical Chamber of Cyprus. For more info: www.jurisint.org/en/ctr/62.html
- The Cyprus Arbitration and Mediation Centre (CAMC): www.cyprusarbitration.com.cy/default.asp?pid=28 or
- www.triantafyllides.com/highlights-of-cyprus/86/24; and
- The Euro-Mediterranean Alternative Dispute Resolution Centre: www.neocleous.biz/gr/download/busop_ccica.htm or
- www.neocleous.com/index.php?pageid=49&pageaction=neo&modid=102&newid=1524

ICSID Convention and New York Convention

Republic of Cyprus

Cyprus is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). Cyprus is also a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention)

Duration of Dispute Resolution – Local Courts

Republic of Cyprus

Cyprus' judicial system is seen as independent but businesses often complain judgments generally take too long – between three and five years for most cases. Enforcing court judgments on property foreclosure used to be particularly time-consuming, and it remains to be seen how the new foreclosures legislation will address this problem in practice.

Area Administered by Turkish Cypriots

Investors can make use of all the rights guaranteed to TCs. Alternative dispute resolution mechanisms are not available in the TC-administered area. There is no fixed duration for dispute settlement related cases. The resolution of commercial or investment disputes through the "judicial system" can take several years.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Republic of Cyprus

The ROC has not notified the WTO of any measures that are not in compliance with its Trade-related Investment Measures (TRIMs) obligations.

Investment Incentives

Republic of Cyprus

In the aftermath of the 2013 financial crisis, the ROC stepped up efforts to promote Cyprus as an investment destination. Cyprus offers investors one of the lowest corporate tax rates in the EU at 12.5 percent. Other tax advantages include:

- One of the EU's lowest top statutory personal income tax rates at 30 percent;
- An extensive double tax treaties network with 59 countries, enabling lower withholding tax rates on dividend or other income received from the subsidiaries abroad;
- No withholding tax on dividend income received from subsidiary companies abroad under certain conditions;
- No withholding tax on dividends received from EU subsidiaries; and
- Low Tonnage Tax for shipping.

Additionally, Cyprus offers the option of fast-tracking investments (soon to be enhanced through dedicated legislation) and obtaining Cypriot citizenship through investment. Recently, Cyprus harmonized and enhanced all its regulations regarding investment funds, becoming a more attractive jurisdiction for managing and home-basing investment funds.

Area Administrated by Turkish Cypriots

There are incentives in various forms for tourism and industrial-related investments, including 100 to 200 percent investment allowance on the initial fixed capital investment expenditure for certain regions and sectors; exemption from "corporate tax" and "income tax" until the

above-mentioned allowance percentages are met; exemption from “custom duties” when importing machinery and equipment the projects; and exemption from construction license fees.

Research and Development

Republic of Cyprus

The Embassy is not aware of any restrictions against U.S. and other foreign firms participating in government-financed and/or subsidized research and development programs.

Performance Requirements

Republic of Cyprus

There are no requirements for local sourcing, ownership, or employment. Hiring Cypriot and EU staff is quite easy, particularly with current high rates of unemployment. However, securing work permits for non-EU staff can be difficult, particularly in sectors where there is abundant local labor readily available. In order to overcome this problem, a foreign investor must explain to the satisfaction of ROC authorities why the non-EU staff in question is essential to the business. As with other such matters, CIPA can offer invaluable assistance to investors overcoming hiring problems (see Section 1, Business Registration).

Area Administered by Turkish Cypriots

There are no performance requirements on investments.

Data Storage

Cyprus does not follow a “forced localization” policy, and does not require foreign IT providers to turn over source code or provide access to surveillance for encryption. The EU Data Protection Directive (95/46/EC) has been transposed into domestic legislation since 2003, designating the Commissioner for Personal Data Protection (www.dataprotection.gov.cy) as the competent authority for handling data storage issues.

6. Protection of Property Rights

Real Property

Republic of Cyprus

EU nationals and companies domiciled in any EU country are not subject to any restrictions when buying property in the ROC. By contrast, Cypriot law imposes significant restrictions on the foreign ownership of real estate by non-EU residents. Non-EU persons and entities may purchase a maximum of two real estate properties for private use (defined as a holiday home built on land of up to 4,014 square meters; plus a second home or office of up to 250 square meters, or shop of up to 100 square meters). Exceptions can be made for projects requiring larger plots of land but are difficult to obtain and rarely granted. This restriction applies to non-EU citizens or non-EU companies. A legal entity is deemed to be controlled by non-EU citizens if it meets any of the conditions listed below:

- 50 percent or more of its board members are non-EU citizens;

- 50 percent or more of its share capital belongs to non-EU citizens;
- Control (50 percent or more) belongs to non-EU citizens;
 - Either the company's Memorandum or Articles of Association provides authority to a non-EU citizen securing the company's activities are conducted based on his/her will during the real estate acquisition period. In the case that the authority is provided to two or more persons, a legal entity is considered to be controlled by non-EU citizens if 50 percent or more of the people granted such authority are non-EU citizens.

For additional information and application forms for the acquisition of property by non-EU residents, please refer to the Ministry of Interior website:

http://www.moi.gov.cy/moi/moi.nsf/index_en/index_en?OpenDocument

Legal requirements and procedures for acquiring and disposing of property in Cyprus are complex, but professional help from real estate agents and developers can ease the burden of complying with government requirements. The ROC Department of Lands and Surveys keeps excellent records and follows internationally-accepted procedures. Non-residents are allowed to sell their property and transfer abroad the amount originally paid, plus interest or profits, without restriction.

Purchasing property in the area administered by Turkish Cypriots is a contentious issue in Cyprus, as per the following warning posted on the Ministry of Foreign Affairs website:

http://www.mfa.gov.cy/mfa/properties/occupiedarea_properties.nsf/index_en/index_en?OpenDocument

The UK government website also offers useful information on buying property in Cyprus:

<https://www.gov.uk/guidance/how-to-property-in-cyprus>

Additionally, there are restrictions on investing in TC property located in the ROC. The Turkish Cypriot Property Management Service (TCPMS), established in 1991, administers properties of TC who are not ordinarily residents of the government-controlled area. This service acts as the temporary custodian for such properties until a comprehensive political settlement is reached. The TCPMS is mandated to administer properties under its custodianship "in the manner most beneficial for the owner." Ownership of TC properties cannot change (except for inheritance purposes) except in exceptional cases when this is deemed beneficial for the owner or necessary for the public interest.

Area Administered by Turkish Cypriots

Special Note: Investors are advised to consider the risks associated with investing in immovable property in the area administered by TCs. Potential investors are strongly advised to obtain independent legal advice prior to purchasing or leasing property there.

For property in the TC-administered areas, only pre-1974 title deeds are uncontested. In response to the European Court of Human Rights' (ECHR) 2005 ruling in the Xenides Arestis case that Turkey's "subordinate local authorities" in Cyprus had not provided an adequate local remedy for property disputes, Turkish Cypriot authorities established an Immovable

Property Commission (IPC) to handle property claimed by Greek Cypriots. In a March 2010 ruling, the ECHR recognized the IPC as a domestic remedy. As of March 4, 2016, the IPC had received 6,276 applications, of which 731 have been concluded through friendly settlements, and 21 through formal hearings. The ROC does not consider the IPC to be a legitimate body. For more info on IPC please visit <http://www.tamk.gov.ct.tr/>.

On January 19, 2010, the UK Court of Appeal enforced an earlier court decision taken in the Republic of Cyprus in support of a Greek Cypriot person's trespassing claim (the Orams case - <http://curia.europa.eu/juris/liste.jsf?language=en&num=C-420/07> and <http://www.bailii.org/ew/cases/EWCA/Civ/2010/9.html>), effectively voiding the transfers of GC property in the TC-administered areas. This landmark decision also establishes precedent in cases where foreign investors purchasing disputed properties outside of the government-controlled area can be found liable for damages.

Intellectual Property Rights

Republic of Cyprus

On the whole, IPR protection in the ROC is strong and getting stronger over time. Cyprus has not appeared in the Special 301 report in recent years, and was last mentioned in 2006 due to a citation by the International Intellectual Property Alliance (IIPA).

In 2012, the ROC improved its IPR legislation further by passing Law 207(I) (2012), placing the burden of proof on the defendant in cases of intellectual property right infringement. This law also allows the police to assess samples of pirated articles in lieu of the whole shipment and introduces the alternative for out-of-court settlement in some cases. Other important IPR laws include Law 103 (2007) on unfair commercial practices and Law 133(I) (2006) strengthening earlier legislation targeting copyright infringement. In 2015, the Department of Customs confiscated 56,302 counterfeit items, in 427 separate cases, while the Police confiscated another 5,164 pirated CDs and DVDs, along with equipment used for illegal duplication.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at: <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

Embassy point of contact:

George F. Demetriou

Economic Specialist

U.S. Embassy, Nicosia

Tel: +357-22-393361

Email: demetriougf@state.gov

Local attorneys listed with Embassy: <http://cyprus.usembassy.gov/lawyers.html>

AmCham Cyprus: <http://www.amchamcyprus.com.cy>

Area Administered by Turkish Cypriots

Intellectual property rights are not adequately protected in the area administered by TC. The "laws" in this area are inadequate, antiquated, and lack enforcement. Infringing goods imported from Turkey are a significant concern. The 2015 Out-of-Cycle Review of Notorious

Markets by the United States Representative (at: <https://ustr.gov/sites/default/files/USTR-2015-Out-of-Cycle-Review-Notorious-Markets-Final.pdf>) notes that online "cyberlocker" site 4shared.com is reportedly based in the British Virgin Islands and hosted in Cyprus (although it is not clear whether this is in the ROC or the area administered by TCs). For information, please contact the same sources listed above.

7. Transparency of the Regulatory System

Republic of Cyprus

U.S. companies competing for ROC government tenders have noted concerns about opaque rules and possible bias by technical committees responsible for preparing specifications and reviewing tender submissions. Overall, however, procedures and regulations are transparent and applied in practice by the government without bias towards foreign investors. The ROC actively promotes good governance and transparency as part of its Growth Action Plan:

[http://www.reform.gov.cy/crcs/crcs.nsf/All/FE9B14F25265813BC2257DF7004596B7/\\$file/GROWTH%20ACTION%20PLAN%20\(REVISED%2010%202%202015\).pdf](http://www.reform.gov.cy/crcs/crcs.nsf/All/FE9B14F25265813BC2257DF7004596B7/$file/GROWTH%20ACTION%20PLAN%20(REVISED%2010%202%202015).pdf)

In line with the above plan and EU requirements, the ROC launched in 2016 the National Open Data Portal (www.data.gov.cy) to increase transparency in government services. Government agencies are now required to post on this portal publicly-available information, data, records, on the entire spectrum of their activities, for use, including commercial use, by the public. The number of data sets available through this portal has been growing rapidly in recent months.

Several agencies and NGO's share competence on fostering competition and transparency, including the ROC Commission for the Protection of Competition (www.competition.gov.cy), the Competition and Consumer Protection Service (under the MECIT), and the Cyprus Securities and Exchange Commission (www.cysec.gov.cy), the Cyprus Consumers Association (www.cyprusconsumers.org.cy).

Most laws and regulations are published only in Greek and obtaining official English translations can be difficult. When passing new legislation or regulations, Cypriot authorities follow the EU *acquis communautaire*. A formal public notice and comment procedure is not required in Cyprus, except for specific types of laws. In general the ROC will seek stakeholder feedback directly. Draft legislation must be published in the Official Gazette before it is debated in the House to allow stakeholders an opportunity to submit comments. The ROC House of Representatives also typically invites specific stakeholders to offer their feedback when debating bills. Draft regulations, on the other hand, do not have to be published in the Official Gazette prior to being approved.

In an effort to contribute to global tax transparency, the ROC has adopted the Standard of Automatic Exchange of Information developed by the Organization for Economic Co-Operation and Development (OECD) known as Common Reporting Standard (CRS). Starting January 1, 2016, the ROC Tax Department requires all financial institutions to confirm their clients' jurisdiction(s) of Tax Residence and Respective Tax Identification Number, if applicable. Additionally, the ROC has signed the U.S. Foreign Account Tax Compliance Act (FATCA), allowing Cypriot tax authorities to share information with U.S. counterparts.

Area Administered by Turkish Cypriots

The level of transparency for “lawmaking” and adoption of “regulations” in the area administered by TCs does not meet U.S. or EU standards.”

8. Efficient Capital Markets and Portfolio Investment

Republic of Cyprus

The ROC Stock Exchange (CSE), launched in 1996, is one of the EU’s smallest stock exchanges, with a capitalization of just under EUR 2.5 billion (USD 2.7 billion) as of March 2016. The CSE and the Athens Stock Exchange (ASE) have operated from a joint trading platform since 2006, allowing capital to move more freely from one exchange to the other, even though both exchanges retain their autonomy and independence. The joint platform has increased capital available to Cypriot firms and improved the CSE’s liquidity, although its small size remains a constraint. The private sector has access to a variety of credit instruments, which has been enhanced through the operation of private venture capital firms. Credit is allocated on market terms to foreign and local investors alike. Foreign investors may acquire up to 100 percent of the share capital of Cypriot companies listed on the CSE with the notable exception of companies in the banking sector.

Area Administered by Turkish Cypriots

There is no stock exchange in the Turkish Cypriot-administered area.

Money and Banking System, Hostile Takeovers

Republic of Cyprus

The ROC banking sector is still in a process of healing and restructuring, following the March 2013 haircut of uninsured deposits. Depositor confidence is gradually returning, aided by the mild economic recovery and the lifting of all capital controls, but the banks’ asset quality remains a source of concern. Non-performing Loans (NPLs) are currently at 45 percent but the introduction of new legislation on foreclosures and other measures are gradually helping to address this problem. After raising additional capital in 2014, Cypriot banks are now adequately funded.

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=13890&lang=en

In order to open a new bank account, a foreigner must establish residency status and provide information on employment status.

Area Administered by Turkish Cypriots

The “Central Bank” oversees and regulates local, foreign, and private banks. Out of 22 banks, there are 14 TC-owned banks, seven international branch banks, and one development bank. Banks are required to follow “know- your-customer” (KYC) and AML “laws,” which are regulated by the “Ministry of Economy,” and supervised by the “Central Bank.” Due to non-recognition issues, TC banks encounter practical difficulties as a result of not qualifying for an international SWIFT number (SWIFT code is a standard format of Bank Identifier Codes (BIC). Therefore, TC and foreigners making international transfers depend on Turkish banks for

assistance as local banks access international markets via Turkey. The total number of deposits, which includes bank, "public," individual and other was approximately USD 4.83 billion as of December 2015. More information is available at the "Central Bank" website:

http://www.kktcmerkezbankasi.org/ser/english/index_englishz.htm

<http://www.kktcmerkezbankasi.org/>

9. Competition from State-Owned Enterprises

Republic of Cyprus

The ROC maintains exclusive or majority-owned stakes in more than 40 SOEs, and is making slow progress towards privatizing some of them (see sections on Privatization and OECD Guidelines on Corporate Governance of SOEs). These SOEs operate in a competitive environment (domestically and internationally) and are increasingly responsive to market conditions. The state-owned EAC monopoly on electricity generation and distribution ended in 2014, although competition still remains difficult given the small market size. As an EU member state, Cyprus is a party to the WTO Government Procurement Agreement (GPA).

Area Administered by Turkish Cypriots

In the area administrated by TCs, there are several "state-owned enterprises" and "semi-state-owned enterprises," which common utilities and essential services.

OECD Guidelines on Corporate Governance of SOEs

Republic of Cyprus

OECD Guidelines on Corporate Governance are not mandatory for ROC SOEs, although some of the larger SOEs have started adopting elements of corporate governance best practices in their operating procedures. Each of the 40-plus SOEs is subject to dedicated legislation. Most are governed by a board of directors, typically appointed by the government at the start of its term, and for the duration of its term in office. SOE board chairs are typically technocrats, affiliated with the ruling party. Representatives of labor unions and minority shareholders contribute to decision making. Although they enjoy a fair amount of independence, they report to the relevant minister. SOEs are required by law to publish annual reports and submit their books to the Auditor General.

Sovereign Wealth Funds

Republic of Cyprus

The ROC has not yet established a sovereign wealth fund but is in the process of establishing one. The Fiscal Responsibility and Budget Systems Law (Law 20(I) of 2014), reforms Public Financial Management in line with best international practices. This law (available in Greek from the Official Gazette at: http://www.cylaw.org/nomoi/arith/2014_1_20.pdf) introduces greater fiscal discipline and sets out the legal framework for the National Investment Fund (NIF), the Cypriot equivalent of a sovereign wealth fund will handle hydrocarbons revenue.

Additionally, the Auditor General, an independent officer, prepares a lengthy Annual Report every year auditing the central government, public organizations, SOEs, local authorities and

other public bodies and funds. The lengthy report catalogues instances of corruption, mismanagement, and other shortcomings in the broad public sector, including State-Owned Enterprises (SOEs) for the preceding year. The 2014 report, for example, like the ones before it, catalogs hundreds of instances of corruption, inefficiency, political interventions, accountability, illegality, tax evasion, and lack of planning. Auditor General Reports are sometimes used to follow up and tackle identified problems. These reports are submitted to the President of the Republic, the House of Representatives, and then made public on the Auditor General's website (the reports used to be translated into English up until 2008 but budget-cutting measures have resulted in them being available only in Greek since then):

http://www.audit.gov.cy/audit/audit.nsf/annualrpt_en/annualrpt_en?OpenDocument

Area Administered by Turkish Cypriots

There is no established sovereign wealth fund.

10. Responsible Business Conduct

Republic of Cyprus

In recent years, responsible business conduct (RBC) awareness among both producers and consumers is growing in Cyprus. Leading foreign and domestic enterprises tend to follow generally-accepted RBC principles, and firms pursuing these practices tend to be viewed more favorably by the public. The Cyprus Stock Exchange is among the entities imposing a responsible code of conduct among listed companies: <http://www.cse.com.cy/en-GB/profile/code-of-conduct/>. Most professional associations also promote ethical business conduct among their members, including the Cyprus Bar Association, and the Institute of Certified Public Accountants of Cyprus.

The ROC does not specifically adhere to OECD Guidelines for Multinational Enterprises; however, it is expected multinationals follow generally-accepted RBC principles. ROC authorities are currently in contact with the Extractive Industries Transparency Initiative (EITI – www.eiti.org), making initial soundings towards possible membership.

Area Administered by Turkish Cypriots

RBC awareness has grown among both producers and consumers. Firms pursuing these practices tend to be viewed favorably by the public.

11. Political Violence

Republic of Cyprus

There have been no incidents of politically-motivated damage to foreign projects and or installations since 1974. U.S. companies have not been the target of violence. There were numerous relatively peaceful protests against the ROC government following the financial crisis of March 2013 and in response to the forced conversion of deposits into equity. Since then, protests against additional austerity measures have been fairly calm. Several of these demonstrations resulted in minor scuffles with police but most passed without incident.

Area Administered by Turkish Cypriots

There have been no incidents of politically-motivated damage to foreign projects and or installations since 1974. U.S. companies have not been the target of violence

12. Corruption

Republic of Cyprus

High-profile scandals on the island in the aftermath of the financial crisis have called into question Cyprus' anti-corruption reputation. A January 2016 survey found 65 percent of local CEOs listed bribery and corruption as the top threat to their companies' ability to conduct business. In response to increasing public pressure, the government's New Growth Strategy aims to reduce excessive and complex bureaucracy.

Corruption, both in the public and private sectors, constitutes a criminal offense. Under Cyprus' Constitution, the Auditor General controls all government disbursements and receipts and has the right to inspect all accounts on behalf of the Republic. Private sector concerns focus on the inertia in the system, as reflected in the Auditor General's annual reports, listing hundreds of alleged incidents of corruption and mismanagement in public administration that usually remain unpunished or unrectified.

Cyprus cooperates closely with EU and other international authorities to fight corruption and provide mutual assistance in criminal investigations. Cyprus ratified the European Convention on Mutual Assistance in Criminal Matters. Cyprus also uses the foreign Tribunal Evidence Law, Chapter 12, to execute requests from other countries for obtaining evidence in Cyprus in criminal matters. Additionally, Cyprus is an active participant in the Council of Europe's Multidisciplinary Group on Corruption. Cyprus signed and ratified the Criminal Law Convention on Corruption and has joined the Group of States against Corruption in the Council of Europe.

Area Administered by Turkish Cypriots

Corruption, both in the public and private sectors, constitutes a criminal offense. The "Audit Office" controls all disbursements and receipts and has the right to inspect all accounts. In its annual report, this office identifies specific instances of mismanagement or deviation from proper procedures and anecdotal evidence suggests corruption and patronage continue to be a factor in the economy.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Cyprus is a member of the UN Anticorruption Convention (<http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>) but it is not a member of the OECD Convention on Combatting Bribery (<http://www.oecd.org/daf/anti-bribery/countryreportsontheimplementationoftheoecdanti-briberyconvention.htm>).

Resources to Report Corruption

Republic of Cyprus

Government agencies responsible for combating corruption:

Financial Crime Unit
Cyprus Police Headquarters
Athalassa
1478 Nicosia
Tel. +357-22-808080
E-mail: fcu@police.gov.cy
Website: www.police.gov.cy

Unit for Combating Money Laundering (MOKAS)
7 Pericleous Str.
2020 Strovolos
Tel. +357-22-446004
E-mail: mokas@mokas.law.gov.cy
Website: http://www.law.gov.cy/law/mokas/mokas.nsf/index_en/index_en?OpenDocument

Auditor General of the Republic
6 Deligiorgi Str.
1406 Nicosia
Tel. +357-22-401300
E-mail: omichaelides@audit.gov.cy
Website: www.audit.gov.cy

Anti-corruption NGO:

Transparency International (TI) Cyprus
27 Michalacopoulou Street
City Business Centre
Office FF08
1075 Nicosia
T. +357 22 025772
F. +357 22 025773
TI Cyprus Hot Line for Reporting Corruption: 70070011
E-mail: info@transparencycyprus.org
Website: www.transparencycyprus.org

13. Bilateral Investment Agreements

Republic of Cyprus

Cyprus is a party to 28 bilateral investment treaties (BITs) listed here:

http://unctad.org/Sections/dite_pcbb/docs/bits_cyprus.pdf

The ROC does not have a full-fledged BIT with the United States, but it does have a more general bilateral agreement relating to Investments Guarantees, which came into force in 1963 through the exchange of notes. This agreement is listed as item 16 in the ROC's list of bilateral treaties between the ROC and the United States:

[http://www.olc.gov.cy/olc/olc.nsf/all/D2F8E99BBA5B2FD5C22575D700359092/\\$file/UNITED%20STATES.pdf?openelement](http://www.olc.gov.cy/olc/olc.nsf/all/D2F8E99BBA5B2FD5C22575D700359092/$file/UNITED%20STATES.pdf?openelement).

For additional reference on bilateral agreements in effect, please refer to the Department of State's Treaties in Force:

<http://www.state.gov/documents/organization/218912.pdf>

Bilateral Taxation Treaties

Republic of Cyprus

The United States and Cyprus entered into a Tax Convention in 1985, which remains in force today as per:

<https://www.irs.gov/Businesses/International-Businesses/Cyprus---Tax-Treaty-Documents>

Under this treaty, residents or citizens of the United States are taxed at a reduced rate, or are exempt from foreign taxes, on certain items of income they receive from sources within Cyprus. This income tax treaty contains what is known as a saving clause, this prevents a citizen or resident of the United States from using the provisions of a tax treaty in order to avoid taxation of U.S. source income.

Additionally, Cyprus has signed bilateral double tax treaties with 59 countries:

http://www.mof.gov.cy/mof/ird/ird.nsf/dmldtc_en/dmldtc_en

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Republic of Cyprus

The lead government agency handling areas subject to a special customs regime is the Department of Customs and Excise. Specific rules for the two main types of such areas, namely Customs Warehouses and Free Zones, are listed below and are fully harmonized with equivalent EU norms:

<http://www.mof.gov.cy/mof/customs/customs.nsf/All/6D61C14C3E95345CC22572A6003BCBD5?OpenDocument>

There are two types of Free Zones:

- Control Type I Free Zone, in which controls are principally based on the existence of a fence; and
- Control Type II Free Zone, in which controls are principally based on the formalities carried out in accordance with the requirements of the customs warehousing procedure.

Cyprus has two Control Type II Free Zones (FZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FZs are not subject to import duties, VAT, or excise tax. FZs are governed under the provisions of relevant EU and ROC legislation. The Department of Customs has jurisdiction over both normal zones and FZs and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods. Additionally, the MECIT has management oversight over the Larnaca FZ.

A Customs Warehouse can be set up anywhere in the ROC, provided the right criteria are met and with the approval of the Department of Customs. For more information, interested parties may contact:

Director
Department of Customs and Excise
Michali Karaoli Str.
1096 Nicosia
Tel. +357-22-601754 or 55
Fax: +357-22-302018
Email: headquarters@customs.mof.gov.cy
Website: www.mof.gov.cy/ce

When larger projects are involved, potential investors interested in establishing their own customs warehouse or seeking to engage existing customs warehouses may also contact the One Stop Shop (www.businessincyprus.gov.cy) for guidance on identifying suitable locations.

Additional information on the Limassol and Larnaca FZs can be obtained from:

Cyprus Ports Authority
P.O.Box 22007
1516 Nicosia
23 Kritis Street
1061 Nicosia
Tel. +357-22-817200, X-0
Fax: +357-22-762050
Email: cpa@cpa.gov.cy
Website: <http://www.cpa.gov.cy/>

Area Administered by Turkish Cypriots

Famagusta has a "free port and zone," which is regulated by the Free-Ports and Free Zones "Law."

Operations and activities permitted there include:

- Engaging in all kinds of industry, manufacturing, and production;
- Storage and export of goods imported to the "Free Port and Zone";
- Assembly and repair of goods imported to the "Free Port and Zone";
- Building, repair and assembly of ships; and
- Banking and insurance services.

Information about incentives provided to businesses established there can be accessed at:

<http://www.portisbi.com/news.html>

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$B USD)	2014	23.2	2014	27.5	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	4,724	N/A	2014	2,150	http://bea.gov/international/factsheet/factsheet.cfm?Area=304
Host country's FDI in the United States (\$M USD, stock positions)	249	N/A	2014	2,386	http://bea.gov/international/factsheet/factsheet.cfm?Area=304
Total inbound stock of FDI as % host GDP	20.1	N/A	2014	3.7%	data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS

(*) Source: Central Bank of Cyprus

Table 3: Sources and Destination of FDI

Republic of Cyprus

Despite its small size, the ROC attracts considerable investment flows, particularly businesses whose real operations are elsewhere, known as "brass plate" companies. Following is a link to the United Nations Conference on Trade and Development (UNCTAD) "2015 World Investment Report": http://unctad.org/en/publicationslibrary/wir2015_en.pdf

The U.S. Bureau of Economic Analysis (BEA) does not provide data on bilateral investment with Cyprus (it is folded under "other" in the following link: <http://www.bea.gov/international/di1fdibal.htm>)

Eurostat reports the total flow of FDI into Cyprus from all countries was -5.1 percent of GDP in 2014, although it does not provide a breakdown by country. (<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tipsbp90&language=en>). GDP in 2014 was EUR 17.4 billion (USD 23.1 billion).

In 2014, according to the Central Bank of Cyprus, the net inflow of FDI (including "brass plate" companies) reached EUR 232 million (USD 309 million), while the net outflow from Cyprus reached EUR 954 million (USD 1,269 million). Economists estimate over 60 percent of the net inflow in 2014 came from the Russian Federation. In 2014, the stock of FDI in Cyprus reached EUR 123 billion (USD 164 billion), while the stock of Cypriot investment abroad reached EUR 115 billion (USD 153 billion). [Note: In line with revised IMF reporting standards (BPM 6), the Central Bank of Cyprus includes "brass-plate" company activities as of 2013, whereas the previous standard (BPM 5) did not fully capture this activity.]

Cyprus' liberal investment climate and potential offshore energy reserves have made it an attractive destination for U.S. investors. In 2014, the stock of U.S. FDI on the island reached USD 4.7 billion compared to USD 4.1 billion in 2012 (no figures exist for 2013, due to Central Bank of Cyprus confidentiality rules). The net inflow of U.S. investment into Cyprus was USD 249 million in 2014, compared to USD 110 million in 2012 (again, no figures available for 2013). In 2014, a consortium led by a U.S. investor bought USD 532 million worth of Cyprus' largest bank, marking the largest investment in the island in recent years. Other projects involving U.S. investment in recent years have focused on services, such as finance and insurance (including re-insurance); management consulting; real estate; professional, scientific and technology/IT consulting; and wholesale trade. Over the next few years, Cyprus is poised to attract additional investment in the fields of offshore energy exploration and infrastructure, tourism infrastructure, and the gaming industry. For more info on Cyprus' FDI position, please refer to following links:

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=12490&lang=en

http://www.centralbank.gov.cy/media/pdf/FDI_report_2013.pdf

http://www.centralbank.gov.cy/nqcontent.cfm?a_id=13911&lang=en

<http://www.cipa.org.cy>

Area Administered by Turkish Cypriots

No detailed statistics on investment in the area administered by TCs are available. However, most foreign direct investment in the TC-administered area since 1974 has come from Turkey. The sectors that have attracted the most FDI are tourism and real estate.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars), 2014								
Total			Equity Securities			Total Debt Securities		
All Countries	14,195	100%	All Countries	5,437	100%	All Countries	8,758	100%
Russian Fed.	3,025	21.3	Russian Fed.	2,867	5.27	France	1,075	12.3
Greece	1,613	11.40	Greece	1,197	22.0	Greece	416	4.7
France	1,229	7.6	Ireland	450	8.3	Ireland	285	3.2
Ireland	777	5.2	Jersey	-302	-5.6	Russian Fed.	159	1.8
Jersey	713	-2.0	France	9	0.2	Jersey	18	0.2

Note: The IMF's Coordinated Portfolio Investment Survey (CPIS) site (www.cpis.imf.org) does not provide any information on Cyprus, so the above information is sourced from the Central Bank of Cyprus. Additional information on portfolio investment in Cyprus is available from the Central Bank's website:

http://www.centralbank.gov.cy/ngcontent.cfm?a_id=15256&lang=en

Section 5 - Government

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law and civil law with Greek Orthodox religious law influence

International organization participation:

Australia Group, C, CD, CE, EBRD, ECB, EIB, EMU, EU, FAO, IAEA, IBRD, ICAO, ICC (national committees), IDA, IFAD, IFC, IFRC (observer), IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, NAM, NSG, OAS (observer), OIF, OPCW, OSCE, PCA,

UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There are no exchange controls in Cyprus.

Treaty and non-treaty withholding tax rates

Cyprus has signed **51 agreements (51 DTC agreements)** providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Armenia	DTC	17 Jan 2011	19 Sep 2011	Unreviewed	Yes	
Austria	DTC	20 Mar 1990	1 Jan 1991	Yes	Yes	
Belarus	DTC	29 May 1998	12 Feb 1999	Unreviewed	No	
Belgium	DTC	14 May 1996	8 Dec 1999	Yes	No	
Bulgaria	DTC	30 Oct 2000	3 Jan 2001	Unreviewed	No	
Canada	DTC	2 May 1984	3 Sep 1985	Yes	No	
China	DTC	25 Oct 1990	5 Oct 1991	Yes	No	
Czech Republic	DTC	28 Apr 2009	26 Nov 2009	Yes	No	
Denmark	DTC	11 Oct 2010	18 May 2011	Yes	Yes	
Egypt	DTC	18 Dec 1993	14 Mar 1995	Unreviewed	No	
Estonia	DTC	15 Oct 2012	not yet in force	Yes	Yes	
Finland	DTC	15 Nov 2012	28 Apr 2013	Yes	Yes	
France	DTC	18 Dec 1981	1 Apr 1983	Yes	No	
Germany	DTC	18 Feb 2011	16 Dec 2011	Yes	Yes	
Greece	DTC	30 Mar 1968	16 Jan 1969	Yes	No	
Hungary	DTC	30 Nov 1981	24 Sep 1982	Yes	No	
India	DTC	13 Jun 1994	21 Dec 1994	Yes	No	
Ireland	DTC	24 Sep 1968	7 Dec 1970	Yes	No	
Italy	DTC	24 Apr 1974	9 Jun 1983	Yes	Yes	
Kuwait	DTC	5 Oct 2010	not yet in force	Unreviewed	Yes	
Kuwait	DTC	15 Dec 1984	25 Sep 1986	Unreviewed	No	
Lebanon	DTC	18 Feb 2003	14 Apr 2005	No	No	
Lithuania	DTC	21 Jun 2013	not yet in force	Unreviewed	Yes	
Malta	DTC	22 Oct 1993	11 Aug 1994	Yes	No	
Mauritius	DTC	21 Jan 2000	12 Jun 2000	Yes	No	
Moldova, Republic of	DTC	28 Jan 2008	3 Sep 2008	Unreviewed	No	
Montenegro	DTC	29 Jun 1985	8 Sep 1986	Unreviewed	No	
Norway	DTC	2 May 1951	18 May 1955	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Poland	DTC	4 Jun 1992	1 Jan 1992	Yes	Yes	
Portugal	DTC	19 Nov 2012	16 Aug 2013	Yes	Yes	
Qatar	DTC	11 Nov 2008	20 Mar 2009	Yes	No	
Romania	DTC	16 Nov 1981	8 Nov 1982	Unreviewed	No	
Russian Federation	DTC	5 Dec 1998	1 Jan 2000	Yes	Yes	
San Marino	DTC	27 Apr 2007	18 Jul 2007	No	No	
Serbia	DTC	29 Jun 1985	8 Sep 1986	Unreviewed	No	
Seychelles	DTC	28 Jun 2006	27 Oct 2006	Yes	No	
Singapore	DTC	24 Nov 2000	8 Feb 2001	No	No	
Slovakia	DTC	15 Apr 1980	30 Dec 1980	Yes	No	
Slovenia	DTC	12 Oct 2010	14 Sep 2011	Yes	Yes	
South Africa	DTC	26 Nov 1997	8 Dec 1998	Yes	No	
Spain	DTC	14 Feb 2013	not yet in force	Yes	Yes	
Spain	EEC directive	1 Jan 2003	1 Jan 2004	Yes	No	
Sweden	DTC	25 Oct 1988	13 Nov 1989	Yes	No	
Syrian Arab Republic	DTC	15 Mar 1992	22 Feb 1995	Unreviewed	No	
Tajikistan	DTC	29 Oct 1982	26 Aug 1983	No	No	
Thailand	DTC	27 Oct 1998	4 Apr 2000	Unreviewed	No	
Turkmenistan	DTC	29 Oct 1982	26 Aug 1983	No	No	
Uganda	DTC	8 Nov 2012	not yet in force	Unreviewed	Yes	
Uganda	DTC	8 Nov 2012	7 Aug 2013	Unreviewed	Yes	
United Arab Emirates	DTC	27 Feb 2011	not yet in force	Yes	Yes	
United Kingdom	DTC	20 Jun 1974	1 Nov 1974	Yes	No	
United States	DTC	19 Mar 1984	31 Dec 1985	Yes	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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