

# CYPRUS

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RISK & COMPLIANCE REPORT

DATE: January 2017

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**Executive Summary - Cyprus**

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

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):**

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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)**

**No longer categorised a Jurisdiction of Primary Concern however the 2017 Report has not yet been published and, therefore, below is the 2016 report.**

Cyprus was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

#### **Perceived Risks:**

Since 1974, Cyprus has been divided between a government-controlled area, comprising the southern two-thirds of the island and a northern third administered by Turkish Cypriots. The Republic of Cyprus government is the only internationally recognized authority; in practice, it does not exercise effective control over the area the Turkish Cypriots declared independent in 1983. The United States does not recognize the "Turkish Republic of Northern Cyprus," nor does any country other than Turkey.

Cyprus is a regional financial center, and until its financial crisis of 2013, had a robust financial services industry and a significant number of nonresident businesses. Cyprus' preferential tax regime; double tax treaties with 55 countries, including the United States, several European countries, and former Soviet republics; well-developed and modern legal, accounting, and banking systems; a sophisticated telecommunications infrastructure; and EU membership all contributed to Cyprus' rise as a regional business hub. As of October 31, 2015, there were 252,890 companies registered in Cyprus, many of which belong to nonresidents, particularly Russians. Many of these nonresidents moved their money from banks to investment

companies. All companies registered in Cyprus must disclose their ultimate beneficial owners to the authorities.

Experts agree that the greatest money laundering vulnerability in Cyprus is primarily due to international criminal networks that use Cyprus as an intermediary. Examples of specific domestic criminal threats include advance fee fraud, counterfeit pharmaceuticals, and transferring illicit proceeds from identity theft. There is no significant black market for smuggled goods in Cyprus. Police and customs officials report that what little black market trade exists is usually related to small-scale transactions, typically involving fake clothing, pirated CDs/DVDs, and cigarettes moved across the UN-patrolled buffer zone dividing the island.

The Republic of Cyprus government is on track to successfully complete a three-year economic bail-out program with the "Troika" (IMF, European Commission, and the European Central Bank) by the end of March 2016. The Troika program has helped the government address fiscal imbalances, although restructuring of the banking sector remains a work in progress. Capital controls were fully lifted in April 2015, two years after their introduction, and confidence is returning in the local banking sector. After almost four years of recession, the Cypriot economy started growing again in 2015, recording growth that could reach 1.5 percent, although unemployment remains high at approximately 15 percent.

Cyprus has two free trade zones (FTZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas enjoy a special status and are considered to be outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, value added tax, or excise tax. FTZs are governed under the provisions of relevant EU and domestic legislation. The Ministry of Finance Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

***Do FINANCIAL INSTITUTIONS engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.:*** NO

***Criminalization of money laundering:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered: criminally:*** YES ***civilly:*** YES

***Know-your-customer (KYC) rules:***

***Enhanced due diligence procedures for PEPs: Foreign:*** YES ***Domestic:*** YES

***KYC covered entities:*** Banks, cooperative credit institutions, securities and insurance firms, money transfer businesses, payment and electronic money institutions, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and attorneys

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 813: January 1 – November 16, 2015

**Number of CTRs received and time frame:** Not available

**STR covered entities:** Banking institutions, cooperative credit institutions, and securities and insurance firms; payment institutions, including money transfer businesses and e-money institutions; trust and company service providers; auditors, tax advisors, accountants, and real estate agents; dealers in precious stones and gems; attorneys; and any person who in the course of his profession, business, or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

**money laundering criminal Prosecutions/convictions:**

**Prosecutions:** 15: January 1 – November 11, 2015

**Convictions:** 24: January 1 – November 11, 2015

**Records exchange mechanism:**

**With U.S.: MLAT:** YES **Other mechanism:** YES

**With other governments/jurisdictions:** YES

Cyprus is a member of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body.

**Enforcement and implementation issues and comments:**

The Republic of Cyprus continues its efforts to counter criticisms of lax banking rules by strengthening its AML regime and resources. In 2015, despite the government-wide hiring freeze and caps on government spending, the Unit for Combating Money Laundering (MOKAS), the Republic of Cyprus's financial intelligence unit (FIU), hired two new staff members and continued to improve its analytical capacity. Cyprus has adopted and implemented new provisions addressing enhanced due diligence for politically exposed persons (PEPs) and inclusion of tax evasion as a money laundering offense.

Throughout 2015, Cypriot authorities continued to implement the requirements of the AML action plan that include enhanced legislation and systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes.

Cyprus has no provisions allowing non-conviction-based forfeiture of assets, except in the case of dead or absconded persons. MOKAS can freeze assets of indicted entities but will not actually forfeit them until after conviction. Cyprus has engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Post financial crisis, Cypriot authorities and the public are paying increased attention to the need for transparency and avoiding questionable business practices. Cyprus should focus on enforcement and education, and maintain best business practices, particularly in light of plans to deregulate and establish a gaming industry.

**Area Administered by Turkish Cypriots**

The Turkish Cypriot-administered area lacks the legal and institutional framework necessary to provide effective protection against the risks of money laundering. There are 22 banks in the area administered by Turkish Cypriots; seven are branches of international banks. The "Ministry of Economy" drafts banking "regulations" and the "central bank" supervises the implementation of the "regulations."

The offshore banking sector remains a concern to law enforcement. It consists of seven banks regulated by the "central bank" and 332 companies regulated by the "Ministry of the Economy." Offshore banks are not authorized to conduct business with residents in the north and may not deal in cash. Turkish Cypriots only permit banks licensed by Organization for Economic Co-operation and Development-member nations or Turkey to operate an offshore branch in the north.

As of November 2015, there are 28 casinos in the Turkish Cypriot-administered area - four in Nicosia, three in Famagusta, three in Iskele, and 18 in Kyrenia. These remain essentially unregulated because of shortfalls in available enforcement and investigative resources.

There are press reports of smuggling of tobacco, alcohol, meat, and fresh produce across the 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.

***Do FINANCIAL INSTITUTIONS engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.:*** NO

***Criminalization of money laundering:***

***"All serious crimes" approach or "list" approach to predicate crimes:*** All serious crimes

***Are legal persons covered: criminally:*** YES ***civilly:*** YES

***Know-your-customer (KYC) rules:***

***Enhanced due diligence procedures for PEPs: Foreign:*** NO ***Domestic:*** NO

***KYC covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

***REPORTING REQUIREMENTS:***

***Number of STRs received and time frame:*** 664: January 1 – November 13, 2015

***Number of CTRs received and time frame:*** Not available

***STR covered entities:*** Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, and lawyers

**money laundering criminal Prosecutions/convictions:**

**Prosecutions:** 9: January 1 – November 13, 2015

**Convictions:** 3: January 1 – November 13, 2015

**Records exchange mechanism:**

**With U.S.: MLAT:** NO **Other mechanism:** NO

**With other governments/jurisdictions:** YES

The area administered by Turkish Cypriots is not part of any FATF-Style Regional Body (FSRB) and thus is not subject to normal peer evaluations.

**Enforcement and 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. The resources dedicated to enforcing the administered area's "AML Law" fall short of the present need. Experts agree the ongoing shortage of law enforcement resources and expertise leaves the casino and gaming/entertainment sector essentially unregulated, and, therefore, especially vulnerable to money laundering abuse. The unregulated money lenders and currency exchange houses are also areas of concern for "law enforcement." The EU provides technical assistance to the Turkish Cypriots to combat money laundering more effectively because of the area's money laundering and terrorist finance risks.

With international assistance, the Turkish Cypriots drafted new AML "legislation" in 2014 that incorporates UNSCRs 1267 and 1373 and extends to casinos and exchange houses. The "legislation" was referred to "parliament" in June 2014 for discussion and is still pending approval.

Banks and other designated entities are required to submit suspicious transaction reports (STRs) to the "FIU." 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 five-member committee is composed of representatives of the "Ministry of Economy," "Money and Exchange Bureau," "central bank," "police," and "customs."

The Turkish Cypriot authorities should continue their efforts to strengthen the "FIU" and more fully resource and implement a strong licensing and regulatory environment to prevent money laundering and the financing of terrorism. This is particularly true for casinos and money exchange houses. Turkish Cypriot authorities should enforce the cross-border currency declaration requirements and take steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecution.

### **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 2 (watch list) country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards.

Cyprus is a source and destination country for men and women subjected to forced labor and sex trafficking. In previous years, victims of trafficking identified in Cyprus were primarily from Cyprus, Bangladesh, Bulgaria, Cameroon, Dominican Republic, Georgia, India, Kenya, Latvia, Nigeria, the Philippines, Romania, Russia, Sri Lanka, Turkey, and Ukraine. Women, primarily from Eastern Europe, Vietnam, India, and sub-Saharan Africa, are subjected to sex trafficking. Sex trafficking occurs in private apartments and hotels, and within commercial sex trade outlets in Cyprus, including bars, pubs, coffee shops, and cabarets. Some victims of sex trafficking were recruited with promises of marriage or employment as barmaids and hostesses in cafeterias. Victims are often subjected to debt bondage, withholding of pay and documents, and threats against their families. Foreign migrant workers—primarily Indian and Romanian nationals—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 which they are often subjected to debt bondage, threats, and withholding of pay and documents once the work permit expires. In 2013, there was an increase in identified victims of labor trafficking from India. Asylum seekers from Southeast Asia, Africa, and Eastern Europe are subjected to forced labor within construction, agriculture, and domestic work. Unaccompanied children, children of migrants, and asylum seekers remain especially vulnerable to sex trafficking and forced labor.

The Government of Cyprus does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these efforts, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Cyprus is placed on Tier 2 Watch List. In April 2014, the government enacted a law implementing EU Directive 2011/36/EU, strengthening the legal framework for combating trafficking. The government adopted a new national action plan to combat trafficking for 2013-15. The government expanded the anti-trafficking police unit to eight persons by adding a forensic psychologist, a psychologist, a criminologist, and a social worker. Nevertheless, there was a significant decrease in all law enforcement efforts; investigations decreased by 68 percent, prosecutions decreased by 70 percent, and convictions decreased by 55 percent. The majority of offenders continued to be convicted under statutes that prescribe penalties less stringent than those prescribed by the anti-trafficking law. The government identified fewer victims of trafficking, and one victim was deported not in accordance with law.

## Terrorist Financing 2015:

**Overview:** The Republic of Cyprus collaborated closely with the United States, the EU, and other countries – bilaterally and multilaterally – in international counterterrorism efforts in 2015. Cyprus' counterterrorism partnership with the United States included participation in the Department of State's Regional Strategic Initiative programs and Department of Justice's Regional Overseas Prosecutorial Development, Assistance, and Training program, which strengthened the government's capacity to counter 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 a northern third, 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 Republic of Cyprus government does not exercise effective control over the area administered by the Turkish Cypriots. The UN Peacekeeping Force in Cyprus patrols the buffer zone separating the two sides, which is largely open to civilian traffic and remains a significant route for the illicit transit of people, narcotics, and other illicit goods.

The division of the island between the Republic of Cyprus government-controlled area and the northern area administered by the Turkish Cypriots has impeded counterterrorism cooperation between the two communities and between the Republic of Cyprus and Turkey, which do not have diplomatic relations. Turkish Cypriots lack the legal and institutional framework necessary to counter the financing of terrorism effectively. Despite these limitations, Turkish Cypriots cooperated in pursuing specific counterterrorism objectives.

In 2015, the United States and the Republic of Cyprus finalized arrangements to exchange biographic and biometric information of suspected terrorists with the goal of improving traveler screening and deterring terrorist travel.

Cyprus is a partner in the Global Coalition to Counter the Islamic State of Iraq and the Levant (ISIL).

**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 counterterrorist squad in the Cypriot National Police's (CNP) Emergency Response Unit.

In May, the CNP arrested Hussein Bassam Abdallah, a dual Lebanese-Canadian national, after Cypriot authorities found 8.2 tons of liquid ammonium nitrate in the basement of his residence in Larnaca. Abdallah admitted to Cypriot authorities he was a member of Hizballah. The Republic of Cyprus charged Abdallah with five offenses, including participation in a terrorist organization and providing support to a terrorist organization. After pleading guilty to all charges, he was sentenced to six years in prison on June 29. The Abdallah case marked the first time the 2010 counterterrorism law was used to prosecute a terrorism case. A prior Hizballah-related arrest in 2012 was tried under standard criminal laws.

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, strengthened passport control at airports and seaports, and increased security measures and surveillance at border crossing points and along the "Green Line" and Cypriot coast.

Cyprus continued to participate in regional and international workshops on Hizballah, aimed at improving the use of law enforcement tools to counter terrorist threats.

**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 (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Cyprus' financial intelligence unit, the Unit for Combating Money Laundering (MOKAS), is a member of the Egmont Group.

In 2015, Cypriot authorities were currently conducting a national risk assessment on money laundering and terrorism 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, focussing on financial sector transparency that Cyprus implemented in 2013-2015 in accordance with its IMF assistance program. In calendar year 2015, Cyprus did not identify or freeze any assets pursuant to relevant UN Security Council Resolutions (UNSCRs), including 1373 (2001) or the 1267/1989/2253 ISIL and al-Qa'ida sanctions.

Cyprus has implemented the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime and informally tracked individuals and entities listed under U.S. Executive Orders, including E.O. 13224. The Combating of Terrorism Law of 2010 provides a comprehensive legal framework on terrorism including adequate provisions regarding terrorism financing. In particular, Section 8 of the 2010 law criminalizes support and financing to any terrorist group, associated parties, and entities designated by EU and UN authorities. Additionally, the Ministry of Foreign Affairs circulates updates of UN and EU lists to competent authorities, including MOKAS, Central Bank of Cyprus, Chief of Police, various ministries, Central Intelligence Service, Cyprus Ports Authority, Cyprus Securities and Exchange Commission, the Cyprus Bar Association, and the Institute of Certified Public Accountants of Cyprus. However, the December 2015 FATF Terrorist Finance Fact Finding Initiative identified Cyprus for not having legal powers in place to apply targeted financial sanctions pursuant to UNSCR 1373 to EU internals.

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.

**Countering Violent Extremism:** Cyprus attended the September Leader's Summit on Countering ISIL and Violent Extremism hosted by President Obama in New York and continued its participation in the European Commission's Radicalization Awareness Network. The government exchanged best practices with partners on addressing terrorists' internet recruitment efforts. Police and prison officers also received training on countering radicalization to violence by the CNP's Counterterrorism Office.

**International and Regional Cooperation:** Members of the CNP's Counterterrorism Office participate in the Working Group on Terrorism (CWP) at the Council of the EU. Cyprus regularly participates on the Police Working Group on Terrorism, the "Dumas" Working Group,

and the European Expert Network on Terrorism, as well as meetings convened under Europol and INTERPOL. Cyprus has contributed to the Council of Europe's efforts to establish and adopt the Additional Protocol to the Council of Europe Convention on Combating Terrorism, which addresses foreign terrorist fighters within the framework of UNSCR 2178 (2014). Cyprus also participated in regional and international conferences on foreign terrorist fighters and countering Hizballah.

## International Sanctions

Cyprus is not currently subject to any International Sanctions

<b>Index</b>	<b>Rating (100-Good / 0-Bad)</b>
Transparency International Corruption Index	55
World Governance Indicator – Control of Corruption	80

## **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 four-fifths of GDP. Tourism, financial services, and real estate have traditionally been the most important sectors. Cyprus has been a member of the European Union (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 3%. An overextended banking sector with excessive exposure to Greek debt resulted in a contraction in economic growth. Two of Cyprus' biggest 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. The economy contracted by an accumulated 8.2% between 2009 and 2013 and is not expected to return to positive growth before 2015. Unemployment is currently over 17% and expected to reach 19% in 2014. In July 2012, Cyprus became the fifth eurozone 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 Nicos ANASTASIADES in February 2013, Cyprus faced an economic crisis and agreed with the Troika to a \$13 billion bailout that included losses on uninsured bank deposits. The bailout triggered a two-week bank closure and the imposition of capital controls, some of which remained in place through 2014. 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 some bank bondholders. The Troika conditioned the bailout on progress in financial and structural reforms and privatization of state-owned enterprises. Cyprus has downsized and restructured its banking sector significantly. Three positive reviews by the Troika since May 2013 indicate that Cyprus' bailout program is on track with a fourth review scheduled in May 2014. In October 2013, Cyprus completed preliminary appraisal of hydrocarbon deposits in its territorial waters, which revealed less than anticipated natural gas reserves. Additional exploration drilling is likely to continue in 2014-2015.

### **Agriculture - products:**

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

### **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

### **Exports - commodities:**

citrus, potatoes, pharmaceuticals, cement, clothing

**Exports - partners:**

Greece 23.3%, UK 10.1% (2012)

**Imports - commodities:**

consumer goods, petroleum and lubricants, machinery, transport equipment

**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)

**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

Strategically located at the crossroads of Europe, Asia, and Africa, Cyprus offers much promise and opportunity to U.S. investors. Best prospects lie in the energy, shipping, services, and high technology sectors. Though smaller, niche investment opportunities exist in food processing, franchises, and export-oriented businesses. Investors should not miss new opportunities created by efforts to develop renewable energy and offshore energy resources, expand tourism infrastructure, and reform the healthcare sector. Cyprus offers a low tax business environment, skilled and English-speaking professionals, and excellent infrastructure.

Doing business in Cyprus is not without its challenges. The Cypriot economy contracted by 5.4% in 2013 because of the financial crisis, and is expected to contract by another 4.8% in 2014, before returning to mild growth in 2015. Many economists attribute the financial crisis to the Cypriot banking sector's high exposure to Greek bonds. Cyprus engaged the Troika (European Commission, IMF, and European Central Bank) for assistance that was contingent on several points include the government agreeing to restructure the banking sector and cut government spending by roughly 7% over four years. As of early 2014 the Troika has praised Cyprus for its progress in, three formal reviews, and risk rating agencies have improved Cyprus' ranking since the crisis.

Companies considering investments in Turkish Cypriot administered areas should be aware of complications that arise from the lack of international recognition and the absence of a comprehensive political settlement in Cyprus. Turkish Cypriot business leaders are especially interested in working with American companies in the fields of processed agriculture, renewable energy, and franchises. 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. In 1983, the Turkish Cypriot-administered area declared itself the "Turkish Republic of Northern Cyprus" ("TRNC"), but this has not been recognized by any country other than Turkey. The accession of the Republic of Cyprus to the European Union (EU) in 2004 had important consequences for the northern part of Cyprus. Though the EU suspended implementation of the *acquis communautaire* (AC) in the area administered by Turkish Cypriots, EU funded technical programs are being used to bring Turkish Cypriot 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 settlement of Cyprus' long-standing political problem. According to many analysts, prospects for a settlement, combined with benefits from exploiting the island's offshore hydrocarbons potential, hold the promise of doubling Cyprus' GDP by 2035.

### 1. Openness To, and Restrictions Upon, Foreign Investment

#### *Republic of Cyprus*

The Republic of Cyprus' favorable business climate for foreign investment is derived from its strategic geographic location, low corporate and personal tax rates, its 49 double taxation avoidance treaties (including with the United States), excellent telecommunications and transportation infrastructure, and its highly-educated English-speaking labor force. An unintended consequence of the 2013 financial crisis is that Cypriot businesses are pursuing foreign strategic investors more aggressively for projects and deals that span from expanding and broadening tourism-related infrastructure, modernizing the ports, to opportunities to invest in Cyprus' banking sector. Foreign investors may establish a business in Cyprus on equal footing with local investors in most sectors. As permitted under EU regulations, some restrictions apply:

- Non-EU entities (persons and companies) may purchase only two real estate properties for private use (normally, two holiday homes or a holiday home and a shop or office). This restriction does not apply if the investment is through a company registered in Cyprus or another legal entity 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 own no more than 5% of a local TV and radio station, and total non-EU ownership of a local TV or radio station is restricted to 25%.
- 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 tertiary private institutions.
- Provision of healthcare services on the island are also subject to certain restrictions, applying equally to all non-residents.
- Finally, the Central Bank's prior approval is necessary before any individual person or entity, whether Cypriot or foreign, can acquire over 9.99% of a bank incorporated in Cyprus

For more information:

- One Stop Shop & Point of Single Contact
- Ministry of Commerce, Industry & Tourism
- 13-15 Andreas Araouzou
- 1421 Nicosia, Cyprus

- Tel. +357 22 409318 or 321
- Fax: +357 22 409432
- Email1: [onestopshop@mcit.gov.cy](mailto:onestopshop@mcit.gov.cy)
- Email2: [psccyprus@mcit.gov.cy](mailto:psccyprus@mcit.gov.cy)
- Website: [www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)

### **Area Administered by Turkish Cypriots**

To establish a company a foreign entity or individual must first obtain the approval of the "Council of Ministers". Turkish Cypriot authorities welcome foreign investment and are eager to attract projects or investments that include the transfer of advanced technology and technical skills. Priority is also given to investments in export-oriented industries. According to the "registrar of companies office", foreign ownership of construction companies is restricted to 49%. No foreign investment is allowed in travel agencies. The authorities in the area administered by Turkish Cypriots established "YAGA" – the Turkish Cypriot Investment Development Agency – a one stop shop for foreign and domestic investors.

According to the "registrar of companies office" statistics, as of March 2014, there are:

- 16,769 Turkish Cypriot majority-owned companies;
- 330 foreign companies; and
- 281 international companies.

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

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

*Competitiveness Rankings*

**Republic of Cyprus**

Cyprus' relatively liberal and transparent investment climate is reflected in the following globally-recognized reports and indexes.

Measure	Year	Rank/ Value	Website Address
TI Corruption Perceptions index	2013	31 of 177	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	46 of 165	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	39 of 189	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	43 of 142	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD 26,110	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

#### **Area Administered by Turkish Cypriots**

The Turkish Cypriot Chamber of Commerce (TCCC) publishes an annual Competitiveness Report on the Turkish Cypriot economy, based on the World Economic Forum methodology. The TCCC 2013-2014 Competitiveness Report ranked the northern part of Cyprus 118<sup>th</sup> among 144 economies. For more information on the TCCC Competitiveness Report, contact

the Turkish Cypriot Chamber of Commerce (<http://www.ktto.net/english/index.asp>) Tel: (+90) 392 - 228 37 60 / 228 36 45 or Fax:(+90) 392 - 227 07 82.

## **2. Conversion and Transfer Policies**

### **Republic of Cyprus**

The ROC implemented capital controls on March 28, 2013 prohibiting the transfer of funds internationally, limiting cash withdrawals, and preventing account holders from changing

banks. Some aspects of these restrictions have been eased in the months since the financial crisis. New investments post-March 2013 are completely exempt from capital controls. U.S. companies interested investing in Cyprus are encouraged to regularly refer to the Central Bank's website on capital controls for the most current restrictions:

[http://www.centralbank.gov.cy/ngcontent.cfm?a\\_id=12583&lang=en](http://www.centralbank.gov.cy/ngcontent.cfm?a_id=12583&lang=en)

### ***Area Administered by Turkish Cypriots***

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

Any kind of devaluation of the TL in Turkey 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. Foreign investors are authorized to repatriate all proceeds from their investments and business.

**Special Note:** In late 2013 and resulting from a move to strengthen their own anti moneylaundering operating procedures, some U.S. banks decided to stop offering U.S. dollar correspondent facilities to banks in certain jurisdictions, including Cyprus. Bankers and politicians in both the Republic of Cyprus and Turkish Cypriot-administered areas have expressed concerns about the impact such business decisions could have on bilateral money flows.

### **3. Expropriation and Compensation**

**Republic of Cyprus** The Republic of Cyprus expropriates private property for public purposes in a non-discriminatory manner and in accordance with EU norms and established principles of international law. 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 6-month LIBOR for the relevant currency.

### ***Area Administered by Turkish Cypriots***

Private property can be expropriated for public purposes and a process is followed whereby investors are entitled to compensation. Foreign investors may claim any damages in cases of expropriation by non-legal means or by incorrect performance of responsibilities by the authorities.

According to the "Title Deeds Office," the "government" issues a notice to private owners when it intends to acquire land. The "government" will then seek the approval of the "Council of Ministers" for the acquisition, and notification of the acquisition is published in the official gazette. "District officers" are sent to inspect the land/property a final time and a

notice of compensation is issued to the private owner. If the private owner accepts the package, then compensation payments are paid. In cases where the owner declines the compensation package, the case is turned over to the "court" for a final decision.

**Special Note:** For information pertaining to the risks associated with investing in Greek Cypriot property in the Turkish Cypriot-administered area or in Turkish Cypriot property in the Government-controlled area, please see the detailed section on "Protection of Property Rights."

#### 4. Dispute Settlement

##### *Republic of Cyprus*

International disputes are resolved through litigation in Cypriot courts or by alternative dispute resolution methods such as arbitration and mediation. Cyprus' judicial system is independent and judgments on cases generally take between three and five years to be issued, and up to 12 years for some investment disputes involving property foreclosure. The number of non-performing loans has grown, in the aftermath of the financial crisis, to account for more than 40% of the national portfolio; adding to pressure on the judicial system and dispute resolution mechanisms. The Ministry of Finance encourages the use of mediation services for banks and distressed borrowers. Commercial arbitration is available, offering an alternative recourse to normal judicial proceedings, provided both sides to the dispute agree to it. Under the Arbitration Law of Cyprus, an arbitrator can be appointed when the parties' are unable to reach a settlement. 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. Cyprus is a signatory to both the International Center for the Settlement of Investment Disputes (ICSID) and the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (UNCITRAL); a foreign award may be enforced in Cyprus by an action in common law.

- 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](http://www.jurisint.org/en/ctr/62.html)
- The Cyprus Arbitration and Mediation Centre (CAMC): [www.cyprusarbitration.com.cy/default.asp?pid=28](http://www.cyprusarbitration.com.cy/default.asp?pid=28)
- [www.triantafyllides.com/highlights-of-cyprus/86/24](http://www.triantafyllides.com/highlights-of-cyprus/86/24) ; and
- The Euro-Mediterranean Alternative Dispute Resolution Centre: [www.neocleous.biz/gr/download/busop\\_ccica.htm](http://www.neocleous.biz/gr/download/busop_ccica.htm)
- [www.neocleous.com/index.php?pageid=49&pageaction=neo&modid=102&newid=1524](http://www.neocleous.com/index.php?pageid=49&pageaction=neo&modid=102&newid=1524)

##### *Area Administered by Turkish Cypriots*

Foreign investors may make use of all the rights guaranteed to Turkish Cypriots. Private dispute resolution is not available and alternatives to the formal "court" system in the Turkish

Cypriot-administered area, to bring about settlement via arbitration or mediation, do not exist. The resolution of commercial and/or investment disputes through the "judicial system," takes an average of three to five years.

## **5. Performance Requirements and Incentives**

### ***Republic of Cyprus***

Cyprus does not have a rigid system of performance requirements for foreign investment and is a signatory to the WTO's Trade-Related Investment Measures (TRIMS) agreement. In the aftermath of the 2013 financial crisis, the ROC has stepped up efforts to promote Cyprus as an investment destination. New incentives added to the investment for visa/residency scheme can be found here:

<http://www.investcyprus.org.cy/images/media/assetfile/Citizenship0002.pdf>. Cyprus also offers investors one of the lowest corporate tax rates in the EU at 12.5%. Cyprus' other tax advantages include:

- one of the EU's lowest top statutory personal income tax rates at 30%;
- an extensive double tax treaties network with over 49 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; and
- no withholding tax on dividends received from EU subsidiaries.

A full description of Cyprus's investment incentives is available at:

[www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)

### ***Area Administered by Turkish Cypriots***

The Turkish Cypriot-administered area does not impose performance requirements on investments and offers incentives such as:

- No limitations on transferring proceeds;
- Exemption from Custom Duties;
- Zero rate VAT on imported and locally purchased machinery and equipment.

For a full description of investment incentives, visit:

- "North Cyprus Investment Development Agency"
- Tel: 90 392 228 9378
- Website: [www.investinnorthcyprus.org](http://www.investinnorthcyprus.org)
- E-mail: [mehmet.yildirim@investinnorthcyprus.org](mailto:mehmet.yildirim@investinnorthcyprus.org)

- Or: [info@InvestInNorthCyprus.org](mailto:info@InvestInNorthCyprus.org)

## **6. Right to Private Ownership and Establishment**

### ***Republic of Cyprus***

Foreign investors, like domestic business owners, can register a company directly with the Registrar of Companies. Foreign investors may acquire shares in an existing Cypriot company. Foreign investors, and domestic investors, are required to inform the Registrar of Companies about any changes in ownership to any Cyprus-registered company. Foreign investors are required to obtain all permits that may be necessary under Cypriot law to do business in Cyprus. For example, they may need to obtain a municipal permit to set up a kiosk or abide by prevailing health standards to own and operate a catering company, etc.

Local and foreign investors may establish any of the following legal entities or businesses in the Republic of Cyprus:

- Companies (private or public);
- General or limited partnerships;
- Business/trade name;
- European Company (SE);
- Branch of overseas companies.

This process involves completing an application for approval/change of name, followed by several steps outlined in the following link:

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

### ***Area Administered by Turkish Cypriots***

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.

## **7. Protection of Property Rights**

### ***Republic of Cyprus***

The newest IPR law passed was 2012 Law 207(I), which places the burden of proof on the defendant in cases of intellectual property right infringement. The 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. Cyprus has been off the Special 301 list since 2007. The last time Cyprus was included in the Special 301 report was in 2006, when the International Intellectual Property Alliance (IIPA) included Cyprus in its "special mention" category.

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/>.

Embassy point of contact: Andrea Donnally [DonnallyAS@state.gov](mailto:DonnallyAS@state.gov)

Local attorney list: <http://cyprus.usembassy.gov/lawyers.html>

EU nationals and companies domiciled in any EU country are not subject to any restrictions when buying property in Cyprus. 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% or more of its board members are non-EU citizens;
- 50% or more of its share capital belongs to non-EU citizens;
- Control (50% or more) belongs to non-EU citizens;
- Either the company's Memorandum or Articles of Association provides authority to a non-EU citizen securing that 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% 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](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 Government's Department of Lands and Surveys keeps 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.

### ***Area Administered by Turkish Cypriots***

Intellectual property rights are not adequately protected in the area administered by Turkish Cypriots. The "laws" in this area are inadequate, antiquated, and most importantly, lack enforcement. Infringing goods imported from Turkey and other sources are a significant concern.

For information, please contact the same sources listed above.

**Special Note:** Investors are advised to consider the risks associated with investing in immovable property and potential investors are strongly advised to obtain independent legal advice concerning purchasing or leasing property.

In the government-controlled area, there are restrictions on investing in Turkish Cypriot property. The Turkish Cypriot Property Management Service (TCPMS), established in 1991, administers properties of Turkish Cypriots 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 Turkish Cypriot properties cannot change (unless for inheritance purposes) except in exceptional cases when this is deemed beneficial for the owner or necessary for the public interest.

For property in the Turkish Cypriot-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 Immoveable 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 April, 2014, the IPC has received 5853 applications, of which 503 of them have been concluded through friendly settlements, and 12 through formal hearings. 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 Greek Cypriot property in the Turkish Cypriot-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.

## **8. Transparency of the Regulatory System**

### ***Republic of Cyprus***

In the past, U.S. companies competing on government tenders have noted concerns about opaque rules and the possible bias in decisions made by the technical committees responsible for preparing specifications and reviewing tender submissions. Overall, procedures and regulations are transparent and applied in practice by the government without bias.

When passing new legislation or regulations, Cypriot authorities follow the EU *acquis communautaire*. A formal public notice and comment procedure is not legally mandated in Cyprus, although it is a requirement for specific types of laws. Despite not being legally-mandated, the Cypriot government typically seeks feedback directly from stakeholders. Draft legislation must be published in the Official Gazette before being debated in the House to allow stakeholders an opportunity to submit comments. The 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. Most regulations are published in Greek and English translations are usually made available.

#### ***Area Administered by Turkish Cypriots***

The level of transparency for "lawmaking" and adoption of "regulations" in the area administered by Turkish Cypriots does not meet EU or U.S. standards.

### **9. Efficient Capital Markets and Portfolio Investment**

#### ***Republic of Cyprus***

The Cyprus Stock Exchange (CSE), launched in 1996, is one of the EU's smallest stock exchanges, with a capitalization of just under €1 billion (USD 1.2 billion) as of April 2014. 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 problem. 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% 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.

The "Central Bank" oversees and regulates all branches of local banks, foreign banks, private banks and international banking units. Out of 22 banks, there are 14 Turkish Cypriot banks, seven international branch banks, and one development bank. All banks are required to follow KYC and AML "laws," are regulated by the "Ministry of Economy," and supervised by the "Central Bank". Due to non-recognition issues, Turkish Cypriot banks encounter practical difficulties hampering their operations as a result of not qualifying for an international SWIFT number (SWIFT code is a standard format of Bank Identifier Codes (BIC)). Therefore, Turkish Cypriots and foreigners making international transfers depend on Turkish banks for assistance. Turkish Cypriot banks access international markets via Turkey. The total number of deposits, which includes bank, "public", individual and other was around USD 5.3 billion as of December 2013. More information is available at the "Central Bank" website: [http://www.kktcmerkezbankasi.org/ser/english/index\\_englishz.htm](http://www.kktcmerkezbankasi.org/ser/english/index_englishz.htm)

### **10. Competition from State-Owned Enterprises (SOEs)**

#### ***Republic of Cyprus***

The Republic of Cyprus maintains exclusive or majority-owned stakes in approximately 40 entities; although Troika recommendations will change this in the years to come through the recently approved road map for privatizations. Despite union opposition, the Cypriot government has already embarked on a privatizations program to raise €1.4 billion (USD 1.93

billion). The parliament passed legislation establishing the legal framework for privatizations on March 4, 2014. The government intends to privatize the following SOEs:

- Cyprus Ports Authority (CPA): The first SOE offered for partial privatization, in March 2014, was the Ministry of Communications and Works when it invited tenders for a consultation study on how to privatize Limassol port operations. The government plans for CPA to remain a regulator, but management of port commercial activities will be transferred to the private sector. This public-private partnership model is already being implemented for Larnaca port. The government plans to issue a tender and grant a long-term license for an operator of Limassol port by December 31, 2015.
- Cyprus Telecommunications Authority (CyTA): According to the Roadmap CyTA will be converted into a private company with the state as the only shareholder by December 31, 2014. By early 2015, CyTA employees and the union of workers will be offered the first right of refusal to buy shares, after which strategic investors and opportunity to buy shares of the telecom company.
- Electricity Authority of Cyprus (EAC): by June 30, 2015, the electricity company's various business streams will be unbundled into separate legal entities. EAC will be turned into a private company (or companies) with the state as the only shareholder by December 31, 2015. A share of the equity will be offered to workers by March 31, 2016. The government plans to complete the sale of shares of EAC September 30, 2017.
- The Cyprus Stock Exchange: Details are forthcoming, target privatization date is June 30, 2016;
- Cyprus State Fairs Authority: Details are forthcoming, target privatization date is June 30, 2016;
- Cyprus Forest Industries (51% state-owned): Details are forthcoming, target privatization date is June 30, 2016;
- The government stake in the Pancyprian Bakers' Company (11.9% state-owned): Details are forthcoming, target privatization date is June 30, 2016

The government anticipates conducting studies on the efficacy of privatizing the House Financing Organization, Land Development Organization, Fuel Storage Company, Cyprus Grain Commission, and the immovable property of the main slaughterhouse in Kofinou.

### ***Area Administered by Turkish Cypriots***

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

## **11. Corporate Social Responsibility (CSR)**

### ***Republic of Cyprus***

In recent years, CSR awareness among both producers and consumers is growing in Cyprus. Leading foreign and local enterprises tend to follow generally-accepted CSR principles, and firms pursuing these practices tend to be viewed more favorably by the public. The Cyprus Stock Exchange does impose CSR requirements for companies that are publicly-listed on the main market, and encourages voluntary CSR for smaller companies listed on the alternative market. See the CSE website for further information on these requirements prior to seeking to list on the Stock Exchange: <http://www.cse.com.cy/en/>

#### ***Area Administered by Turkish Cypriots***

In recent years, CSR awareness among both producers and consumers has been growing. Firms pursuing these practices tend to be viewed more favorably by the public.

### **12. 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 and the EU focused mainly at the Parliament and Presidential Palace in the early days 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. A couple 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.

### **13. Corruption**

#### ***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.

### **14. Bilateral Investment Agreements**

#### ***Republic of Cyprus***

The United States is in negotiations with the EU for a Transatlantic Trade and Investment Partnership which would extend bilateral investment incentives and protections to Cyprus once the agreement is reached. Cyprus is a party to 27 bilateral investment treaties (BITs), listed here: [http://unctad.org/Sections/dite\\_pcbb/docs/bits\\_cyprus.pdf](http://unctad.org/Sections/dite_pcbb/docs/bits_cyprus.pdf)

The United States and Cyprus entered into a Tax Convention in 1985, which remains valid today. 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" which 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. Cyprus has negotiated and ratified bilateral double tax treaties with 49 countries:

[http://www.mof.gov.cy/mof/ird/ird.nsf/dmldtc\\_en/dmldtc\\_en](http://www.mof.gov.cy/mof/ird/ird.nsf/dmldtc_en/dmldtc_en)

### **15. OPIC and Other Investment Insurance Programs**

The U.S. Overseas Private Investment Corporation (OPIC) is not active in Cyprus, but OPIC finance and insurance programs are open and may be useful when bidding on Build Operate and Transfer (BOT) contracts in the government-controlled area. Cyprus is a member of the Multilateral Investment Guarantee Agency (MIGA).

### **16. Labor**

#### ***Republic of Cyprus***

Unemployment in Cyprus has risen sharply in the last two years, reaching 17% at the end of 2013, and exceeding the corresponding averages of both the Euro area and the EU 28. Cyprus has a high per capita rate of college graduates, including many U.S. university graduates and offers an abundant supply of English-speaking staff. Cyprus' total labor force is estimated at 356,600 persons. The breakdown is: services, 79.5%; industry and construction, 17.7%; and agriculture, 2.8%. More women are joining the labor force, and their percentage participation has risen from 33.4% in 1980 to around 45% today. For information, about hiring local employees, contact the Ministry of Labour and Social Insurance: [www.mlsi.gov.cy/dlr](http://www.mlsi.gov.cy/dlr).

In an environment of declining influence, the financial crisis further weakened trade union influence in the Republic of Cyprus. The percentage of the labor force belonging to unions as of April 2014 was estimated to be around 50%, down from around 70% in 2012, and 80% in 1980. Local labor experts predict that this percentage will shrink further to around 30-40% over the next few years, on par with EU averages. Head-on confrontations between management and unions in Cyprus are rare. Most recently, disagreement has arisen over the Troika requirement to privatize several state-owned enterprises. International companies are not required to hire union labor.

Cyprus imposes a minimum wage for certain professions as follows:

- Clerks/secretaries, sales assistants, paramedical, live-in maids/domestic helpers, school assistants/child-carers: €870 (USD 1,201) per month, rising to €924 (USD 1,275) after six months' employment.
- Security guards: €4.90 (USD 6.76) per hour, rising to €5.20 (USD 7.18) after six months' employment.
- Cleaning personnel: €4.55 (USD 6.28) per hour, rising to €4.84 (USD 6.68) after six months' employment. Non-EU, live-in domestic servants have a separate minimum wage, set at USD 426 (€ 309) per month, plus their room and board as of April 2014.

For all other professions, there is no minimum wage, and wages are set through free. Collective bargaining agreements between trade unions and employers cover most sectors of the economy. Wages set in these agreements are typically significantly higher than the legislated minimum wage.

### ***Area Administered by Turkish Cypriots***

As of January 2012, the "State Planning Office" estimated the labor force in the area administered by Turkish Cypriots to be 108,929. The area administered by Turkish Cypriots also has a high per capita rate of college graduates, including many U.S. and European university graduates and offers an abundant supply of white-collar workers. As of December 2013 estimated unemployment was approximately 9.6%. The breakdown of employment by sector at the end of 2011 was as follows: 3.7% in agriculture, 8.7% in construction sector, and 80.3% in services (including "public sector", trade, and tourism). As of the most recent statistics available in 2011, women accounted for roughly 32% of the labor force. Around 10% of private sector workers and more than 65% of "semi-public" and "public sector" workers belong to labor unions. Workers are allowed to form and become members of unions. As of January 2014, the minimum wage was TL 1,560 per month (approximately USD 730).

Foreign persons are required to obtain work permits through their employer. Foreign entities may import their key personnel from abroad and are also permitted to hire trainees and part-time workers. A full-time work week is 39 hours.

## **17. Foreign-Trade Zones/Free Ports**

### ***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/6D61C14C3E95345CC22572A6003BCB D5?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 any import duties, VAT, or excise tax. FZs are governed under the provisions of relevant EU and Republic of Cyprus 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 Ministry of Commerce, Industry and Tourism has management oversight over the Larnaca FZ.

A Customs Warehouse can be set up anywhere in Republic of Cyprus, 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
- website: [www.mof.gov.cy/ce](http://www.mof.gov.cy/ce)
- E-mail: [headquarters@customs.mof.gov.cy](mailto:headquarters@customs.mof.gov.cy)

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 Ministry of Commerce, Industry, and Tourism for guidance on identifying suitable locations. For additional info, please contact:

One Stop Shop & Point of Single Contact

- Ministry of Commerce, Industry & Tourism

- 13-15 Andreas Araouzos
- 1421 Nicosia
- Tel. +357 22 409318 or 321
- Fax: +357 22 409432
- Email 1: onestopshop@mcit.gov.cy
- Email 2: pscyprus@mcit.gov.cy
- Website: [www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)

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
- E-mail: Kokkinos@cpa.gov.cy
- Website: <http://www.cpa.gov.cy/>

***Area Administered by Turkish Cypriots***

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

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 all kinds of ships.
- Banking and insurance services.

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

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

## 18. Foreign Direct Investment Statistics

### *Republic of Cyprus*

Given its small size, the Republic of Cyprus attracts considerable investment flows, particularly registration of 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) "2013 World Investment Report":

[http://unctad.org/en/publicationslibrary/wir2013\\_en.pdf](http://unctad.org/en/publicationslibrary/wir2013_en.pdf)

In 2012, according to Central Bank of Cyprus, the net inflow of FDI (excluding "brass plate" companies) reached €979 million (USD 1.2 billion), while the net outflow from Cyprus reached €219 million (USD 280 million). Economists estimate that 90% of the net inflow in 2012 came from the Russian Federation. In 2012, the stock of FDI in Cyprus reached €15.9 billion (USD 20.3 billion), while the stock of Cypriot investment abroad reached €5.6 billion (USD 7.2 billion). [Note: In 2011, the Central Bank of Cyprus stopped including FDI transactions by companies that either were not physically present in or operating in Cyprus, otherwise known as "brass plate" companies.]

Cyprus' liberal investment climate and, more recently, its potential offshore energy reserves have made it a progressively more attractive destination for U.S. investors. In 2012, the stock of U.S. Foreign Direct Investment (FDI) on the island reached USD 4,119 million, down from USD 4,430 million in 2011, making up 20% of Cyprus' total stock investment. The net inflow of U.S. investment into Cyprus was USD 110.1 million in 2012. Other projects involving U.S. investment in recent years have focused on services, specifically (in order of magnitude): 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 field of offshore energy exploration and infrastructure. For more info on Cyprus' FDI stocks and flows, please refer to following links posted by the Central Bank of Cyprus:

[http://www.centralbank.gov.cy/media/pdf/FDI\\_report\\_2012.revised.pdf](http://www.centralbank.gov.cy/media/pdf/FDI_report_2012.revised.pdf)

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=10905](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=10905)

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=12490&lang=en](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=12490&lang=en)

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

### *Area Administered by Turkish Cypriots*

No detailed statistics on investment in the area administered by Turkish Cypriots are available. However, it is clear that most foreign direct investment in the Turkish Cypriot-administered area since 1974 has come from Turkey. The sectors which have attracted the most investment are tourism and real estate. For additional information on foreign direct investment: <http://www.investinnorthcyprus.org>

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