

# THE LAW REGULATING COMPANIES PROVIDING ADMINISTRATIVE SERVICES AND RELATED MATTERS OF 2012

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## LEGISLATION FOR THE REGULATION OF COMPANIES PROVIDING ADMINISTRATIVE SERVICES AND RELATED MATTERS

### Preamble

For the purposes of regulating the professional activities provided in the framework of administrating private companies by other companies

The House of Representatives votes as follows:

## PART I – INTRODUCTORY PROVISIONS

#### Short title

1. This Law shall be referred to as the Law Regulating Companies Providing Administrative Services and Related Matters of 2012.

#### Interpretation

2. In this Law, unless otherwise provided by the text-

“authorisation” means the approval and registration of the licensed person in the Register maintained by the Commission;

“licensed person” means the company which holds an authorisation under this Law;

“eligible persons” mean the exempted persons who are regulated by their respective competent authorities and the licensed persons;

“administrative services” mean the services regulated by this Law and are defined in article 4;

69(I) of 1992

20(I) of 2012

“trust” means the written legal arrangement where the settlor transfers trust property to one or more trustees/commissioners who will hold it for the benefit of one or more of other persons/beneficiaries and includes an international trust, as defined in the International Trust Law.

“trustee” or “commissioner” means a person to whom particular property has been transferred or has been granted according to the provisions of the trust deed or the trust agreement, who will hold it for the benefit of one or more of other persons/beneficiaries;

“settlor” means a person who transfers or in any other way provides, property to a trust;

“exempted person”, means:

42 of 1961

20 of 1963

46 of 1970

40 of 1975

55 of 1978

71 of 1981

92 of 1983

98 of 1984

17 of 1985

52 of 1985

9 of 1989

175 of 1991

212 of 1991

9(I) of 1993

56(I) of 1993  
83(I) of 1994  
76(I) of 1995  
103(I) of 1996  
79(I) of 2000  
31(I) of 2001  
41(I) of 2002  
180(I) of 2002  
117(I) of 2003  
130(I) of 2003  
199(I) of 2004  
264(I) of 2004  
21(I) of 2005  
65(I) of 2005  
124(I) of 2005  
158(I) of 2005  
175(I) of 2006  
117(I) of 2007  
103(I) of 2008  
109(I) of 2008  
11(I) of 2009  
130(I) of 2009  
4(I) of 2010  
65(I) of 2010  
14(I) of 2011  
144(I) of 2011  
116(I) of 2012

(a) (i) a lawyer and or a limited liability company (LLC) according to the Lawyers Law,

(ii) a general partnership or limited partnership whose general partners are lawyers or a limited liability company (LLC) and

(iii) a subsidiary company, owned directly or indirectly, by any of the above,

188(I) of 2007  
58(I) of 2010  
80(I) of 2012

which is regulated by the Board of the Cyprus Bar Association in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

(b) (i) a member of the Institute of Certified Public Accountants of Cyprus (ICPAC)

(ii) a general or limited partnership or a limited liability company whose majority of general partners and directors are members of ICPAC, and

(iii) a subsidiary company, owned directly or indirectly, by any of the above,

which is regulated by the Board of ICPAC in its capacity as Competent Authority in the framework of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

144(I) of 2007

106(I) of 2009

141(I) of 2012

154(I) of 2012

“investment services” means any of the services and activities, respectively, specified in Part I of the Third Appendix of the Investment Services and Activities and Regulated Markets Law, relating to any of the financial instruments listed in Part III of the Third Appendix of the said Law;

73(I) of 2009

5(I) of 2012

“Securities and Exchange Commission” or “Commission” means the legal entity of public law which is regulated by the Cyprus Securities and Exchange Commission Law;

"Investment Firm" or "IF" has the meaning attributed to this term by article 2 of the Investment Services and Activities and Regulated Markets Law;

“Competent Authorities” means the Authorities defined in article 59 of the Prevention and Suppression of Money Laundering and Terrorist Financing Law;

Cap. 113.  
9 of 1968  
76 of 1977  
17 of 1979  
105 of 1985  
198 of 1986  
19 of 1990  
46(  
I) of 1992  
96(I) of 1992  
41(I) of 1994  
15(I) of 1995  
21(I) of 1997  
82(I) of 1999  
149(I) of 1999  
2(I) of 2000  
135(I) of 2000  
151(I) of 2000  
76(I) of 2001  
70(I) of 2003  
167(I) of 2003  
92(I) of 2004  
24(I) of 2005  
129(I) of 2005  
130(I) of 2005  
98(I) of 2006  
124(I) of 2006  
70(I) of 2007  
71(I) of 2007

131(I) of 2007  
186(I) of 2007  
87(I) of 2008  
41(I) of 2009  
49(I) of 2009  
99(I) of 2009  
42(I) of 2010  
60(I) of 2010  
88(I) of 2010  
53(I) of 2011  
117(I) of 2011  
145(I) of 2011  
157(I) of 2011  
198(I) of 2011  
64(I) of 〱株恣  
2012  
98(I) of 2012

“company” means a company established under Company Law;

78(I) of 2012

“Management Company” has the meaning attributed to this term by article 2 of the Open Ended Undertakings of Collective Investments Law;

“Variable Capital Investment Company” has the meaning attributed to this term by article 6 of the Open Ended Undertakings of Collective Investments Law;

Cap 116

77 of 1977

54(I) of 2011

146(I) of 2011

“limited partnership” has the meaning attributed to this term by the Partnerships and Business Names Law;



“depository” has the meaning attributed to this term by article 2 of the Open Ended Undertakings in Collective Investments Law;

Official Journal of the EU: L 193, 18.7.1983, p.1

“subsidiary company” means a subsidiary company as defined in articles 2 and 148 of the Company Law, as well as having the meaning attributed to the term “subsidiary undertaking” by Articles 1 and 2 of Directive 83/349/EEC of the Council of 13th June 1983 based on Article 54 paragraph 3 point (f) of the treaty for consolidated accounts, and includes every subsidiary of a subsidiary undertaking of an ultimate parent undertaking;

“private company” has the meaning attributed to this term by article 29 of the Company Law;

“Cyprus Investment Firm” or “CIF” has the meaning attributed to this term by article 2 of the Investment Services and Activities and Related Matters Law;

Official Gazette Annex II(I): 25.2.2009

3.4.2009

“compliance officer” means a compliance officer as defined in paragraph (a) of paragraph (1) of article 69 of the Prevention and Suppression of Money Laundering and Terrorist Financing Law and paragraph 2 of Directive DI144-2007-08 of the Commission for the

## Prevention of Money Laundering and Terrorist Financing

"parent company" means the parent company within the meaning of articles 2 and 148 of Company Law, as well as having the meaning attributed to the term "parent undertaking" by Articles 1 and 2 of Directive 83/349/EEC on consolidated accounts;

"Register" means the Register established and upheld according to paragraphs (1) to (5) of article 25;

"Unit" means the Unit for the Prevention of Money Laundering established under the Prevention and Suppression of Money Laundering and Terrorist Financing Law;

"Law" means this Law and the Directives issued pursuant to this law;

"Directive DI144-2007-08" means the Directive of the Commission for the Prevention of Money Laundering and Terrorist Financing;

"Directives" mean the Commission's Directives of regulatory content, which are issued pursuant to this Law and are published in the Official Gazette of the Republic;

“general partnership” has the meaning attributed to this term by the Partnerships and Business Names Law;

“client” means every person to whom administrative services are provided;

“credit institution” means a bank and or a cooperative credit institution;

“beneficial owner” means the beneficial owner as defined in article 2 of the Prevention and Suppression of Money Laundering and Terrorist Financing Law;

"persons who effectively direct the business" mean the members of the licensed person's board of directors and its senior management;

“regulated market” means a regulated market as defined by article 2 of the Investment Services and Activities and Regulated Markets Law;

“director” means a person occupying the position of director in a company or who has the power to effectively exercise the same powers as those exercised by a director in a company, and includes a person on whose directions a director or directors usually act;

22 of 1985  
68 of 1987  
190 of 1989  
8 of 1992  
22(I) of 1992  
140(I) of 1999  
140(I) of 2000  
171(I) of 2000  
8(I) of 2001  
123(I) of 2003  
124(I) of 2003  
144(I) of 2003  
5(I) of 2004  
170(I) of 2004  
230(I) of 2004  
23(I) of 2005  
49(I) of 2005  
76(I) of 2005  
29(I) of 2007  
37(I) of 2007  
177(I) of 2007  
104(I) of 2009  
124(I) of 2009  
85(I) of 2010  
118(I) of 2011  
130(I) of 2012  
“cooperative society” has the meaning attributed  
d to the term by article 2 of the Cooperative Societies Law

66(I) of 1997  
74(I) of 1999  
94(I) of 2000  
119(I) of 2003  
4(I) of 2004  
151(I) of 2004  
231(I) of 2004  
235(I) of 2004  
20(I) of 2005  
80(I) of 2008  
100(I) of 2009

123(I) of 2009

27(I) of 2011

104(I) 景(→)□○

of 2011

107(I) of 2012

«bank» has the meaning attributed to this term by article 2 of the Banking Law;

“financial instruments” mean the instruments defined in article 2 of the Investment Services and Activities and Regulated Markets Law;

### Scope of Application

3. (1) This Law applies to persons providing administrative services to or from the Republic.

(2) The following are exempted from the scope of application of this Law-

(a) exempted persons and

(b) CIF and credit institutions who exercise administrative services in the framework of their business,

which are regulated by their respective Competent Authorities under the Prevention and Suppression of Money Laundering and Terrorist Financing Law:

Provided that natural persons employed by the above are exempted from the provisions of this Law only when they provide administrative services in the framework of exercising the activities assigned to them by their employer.

(3) The persons referred to in paragraph (2) may, if and they so wish, choose to submit an application for authorisation from the Commission; In such a case, these persons are regulated by the Commission and are obliged to abide by the provisions of this Law.

(4) Management Companies and Variable Capital Investment Companies who provide administrative services during the course of their business under the Open Ended Undertakings in Collective Investments Law, are also exempt from the scope of application of this Law.

(5) A legal person exclusively owned by a licensed person and not a person exempted from the scope of application of the Law, is not subject to the provisions of this Law; The responsibility for actions undertaken by the said legal person under this Law is borne by the licensed person; In such cases the licensed person should notify immediately, and without delay, the Commission the existence of such legal persons.

(6) The provision of administrative services, whether this is provided by an employee of a licensed person or by a third person following outsourcing under article 17 of this Law, is considered as provision of administrative services by the actual licensed person.

(7) Concerning the provision of trustee services by eligible persons and or persons who are exempted from the scope of application of this Law, including the persons referred to in paragraph (3) of article 4, any person providing these services must collect and have at all times available in the Republic of Cyprus for disclosure to the relevant Competent Authority the following information, where applicable:

- (1) the identity of all trustees,
- (2) the identity of the settler
- (3) the identity of all beneficiaries or information on the class of beneficiaries,
- (4) the identity of protector (if applicable)
- (5) the identity of the fund manager, accountant, tax official (if applicable),
- (6) the activities of the trust.

## PART II: REGULATION OF ADMINISTRATIVE SERVICES

### Administrative Services

4. (1) The services and activities described below are considered to be administrative services -

(a) The management or directing of trusts including, without limitation, the undertaking or provision of trustee (commissioner) or protector of trusts, wherever these are created or established, or the management or investment or marketing of assets of a trust:

Provided that where protector services are provided these are not deemed to be

administrative services, within the meaning this Law, in case the protector of a trust is one of the beneficiaries of the trust or the settlor or is a relative up to third degree of the settlor.

(b) The undertaking or provision of the service of managing companies, including, but not limited, to the management or the managing of companies, general or limited partnerships, or other organisations with or without separate legal personality anywhere these may be registered or established and the provision of the following services:-

(i) providing directors for legal persons;

(ii) secretary, or assistant secretary of legal persons;

(iii) holding the share capital of legal persons and registering the holder in the respective registers of shareholders on behalf of third persons;

(iv) provision of address of registered office and or the official mail and or electronic address of companies;

(v) provision of general or limited partners in partnerships;

(vi) provision of other similar services, or in conjunction with services described above,



in relation to other legal persons or organisations, with or without separate legal personality;

(vii) opening or managing bank accounts;

(viii) safe keeping of financial instruments on behalf of clients, including acting as depositary, as defined in Annex III, Part II, paragraph 1 of the Investments Services and Activities and Regulated Markets Law, and other related services, unless this is provided as an ancillary service by an IF in the framework of the Investment Services and Activities and Regulated Markets Law:

It is provided that the power to register companies, remains exclusively with lawyers as provided in the Lawyers Law.

(2) In case any of the administrative services are services that need a license according to the Investment Services and Activities and Regulated Markets or the Open Ended Undertakings in Collective Investments Law or other law, the provider of the these services is obliged to obtain a license according to the respective applicable law and not this Law.

(3) Subject to the provisions of paragraph (7) of article 3, paragraph (2) of article 5 and paragraph (2) of article 23, the provision of administrative services by natural persons in the following cases, provided that in no case the following administrative services will be advertised or used to attract clients, nor will they be offered or provided to other persons, does not fall within the scope of this Law, and are excluded from the scope of application:

(a) Undertaking director duties in a company-

(i) whose securities are admitted to trading on a regulated market;

(ii) who is subject to regulatory control by a Competent Authority and according to its regulatory framework is obliged to appoint independent non executive directors;

(iii) in which the Republic of Cyprus or any public body, authority or organisation holds the majority of shares;

(b) Undertaking director or secretary duties in a company in cases where-

(i) the company is rightfully owned by at least twenty five per cent (25%)-

(a) by the person providing the relevant services and/or his/her spouse and/or members of his/her family and/or the spouse's family, up to forth degree of relation or

(b) by a company or companies wholly owned by the person providing the relevant services and/or his/her spouse and/or members of his/her family up to forth degree of relation or

(c) by a trust, where, either the person providing the relevant services and/or his/her spouse and/or any person with whom the person providing the relevant services and/or his/her spouse has a family relationship up to forth degree of relation, are the sole beneficiaries;

(ii) the company is the sole employer of the person providing the services or a company who is a member of a group of companies where the employer is also a member;

(c) Undertaking director duties in a company which is a subsidiary of a company described in paragraph (a) above and the undertaking of director or secretary duties in a company who is a subsidiary of a company described in paragraph (b) above;

(d) The provision of trustee services when these are provided towards a trust where the person providing the administrative services is a settlor or where all the beneficiaries of the trust are himself and or his/her spouse and/or his/her family members and/or his/her spouse's family members, up to fourth degree of relation or

(e) The undertaking of trustee duties in a trust created under a will of a natural person;

(f) The undertaking of company director duties, in less than ten companies not counting companies referred to in paragraphs (a), (b) or (c) above and provided that the relevant person does not control the board of the relevant company.

Prohibition of exercising administrative services without authorisation

5. (1) Subject to any exemptions in the Law, only eligible persons may provide administrative services:

Provided that natural persons employed by eligible persons are exempted from the

provisions of this Law only when they provide administrative services in the framework of exercising the activities assigned to them by their employer.

(2) Regarding the services of trustee, the trustee is obliged to make sure that, at all times, a trust subject to Cyprus Law has at least one trustee who is a Cyprus resident:

Provided that in cases of trusts who operate at the date of entry into force of this Law, the trustee is required to comply with the provisions of this paragraph within six months.

### PART III - CONDITIONS FOR GRANTING AUTHORISATION

#### Chapter A - Conditions for the granting of authorisation

##### Head offices

6. The head offices of the licensed person must be located in the Republic:

It is provided that a license granted under this Law allows the licensed persons to provide administrative services, for which they have obtained a license, in the Republic and abroad, provided that the respective legislation abroad does not forbid them to do so.

##### Persons who effectively direct the business of the licensed person

7. (1) The persons who effectively direct the business of the applicant or the licensed person shall be of sufficiently good repute and sufficiently experienced, and hold sufficient academic or professional qualifications as to ensure the sound and prudent management of the licensed person.

(2) The management of the licensed person must be undertaken by at least two persons meeting the requirements laid down in paragraph (1).

(3) The Commission may reject an application for authorisation, if it is not satisfied that the persons who will effectively direct the business of the applicant are of sufficiently good repute and sufficiently experienced, or if there are grounds for believing that their presence in the management poses a threat to its sound and prudent management.

(4) The Commission retains the right, at any time following the authorisation, either to oppose any appointment, or change of appointment of a person who will effectively direct the business, or request from the licensed person additional documents or information or recommend amendments; The licensed person must comply with any demand and or recommendation by the Commission.

#### Licensed person shareholders

8.- (1) The Commission shall not authorise the provision of administrative services, until it has been informed of the identity of the shareholders, whether direct or indirect, and the beneficial owners of the applicant irrespective if they are natural or legal persons:

It is provided that in respect of legal persons, the applicant or the licensed person must provide information of the identity of the natural persons managing them as well as that of their shareholders, reaching up until the final natural persons.

(2) The Commission may reject the application to grant an authorisation if, taking into account the need to ensure the sound and prudent management of the company, it is not

satisfied as to the suitability of the direct and/or indirect shareholders and beneficial owners.

(3) The Commission retains the right, at any time following the authorisation, either to object to any participation, or change of shareholder, or request from the licensed person additional documents or information or recommend amendments if it has reasons to doubt the suitability of direct and or indirect shareholders and beneficial owners. The licensed person must comply with any demand and or recommendation by the Commission.

Persons employed by a licensed person

9. (1) The licensed person must make sure that the persons it employs, must be of sufficiently good repute and have the necessary skills, knowledge and expertise for performing their assigned responsibilities.

(2) The licensed person must employ an internal lawyer or maintain a regular business relation with an external lawyer on an annual basis.

(3) The licensed person must appoint a compliance officer.

(4) The appointment of the compliance officer must have the prior approval of the Commission taking into account his/her experience, skills and good repute.

Chapter B Application for granting an authorisation, application for the extension or amendment of an authorisation

Submission of application for the granting of authorisation

10. (1) A company wishing to obtain a license for the provision of administrative services submits a relevant application, duly completed, to the Commission.

(2) The relevant form for the application is issued by the Commission and is available on its website.

(3) The application is signed by the members of the board of the company and is accompanied by:-

(a) The specially formulated questionnaire, issued by the Commission and is available on its website, completed and submitted by the directors and the persons who effectively direct the company, if different from the directors, the shareholders and, if applicable, the beneficial owners and the compliance officer.

(b) Signed affirmation by the members of the board, by which they affirm that they have undertaken every possible diligence to ensure that the information contained in the application, as well as the accompanying documents, is true, correct and complete.

(c) Criminal record certificate and certificate or affirmation of non-bankruptcy, by any independent and reliable source, in case of natural persons:

It is provided that where the certificate of non-bankruptcy cannot be issued by a government body, an affirmation by a credit institution in the Republic or abroad may be provided; The said affirmation must certify that the person it refers to maintains a bank account in the credit institution and is consistent with his/her obligations.

For the purposes of this paragraph, “natural persons” are deemed to be the members of the board, the persons who effectively direct the company, the compliance officer, the shareholders and, where applicable, the beneficial owners.

(d) The memorandum and articles of association of the company as well as all the relevant documents disclosing the members of the board, the shareholders and the beneficial owners, if applicable, as well as the registered office and certificate of good standing.

It is provided that where the certificate of good standing cannot be issued by a government body, an affirmation by a credit institution in the Republic or abroad may be provided; In such a case, the said affirmation must certify that the company it refers to maintains a bank account in the credit institution and is consistent with its obligations.

(e) The submission fee for the application, as provided for in article 32.



(4) When receiving and examining the application and at any given time, the Commission may demand the submission of any additional information or any documents, deemed necessary and helpful in the evaluation of the application.

(5) The application is considered duly completed only if it includes all the information, as well as the relevant submission fee by the Commission under this Law.

(6) The Commission grants an authorisation only if satisfied that all the necessary fees, information, forms and documents prove that the applicant complies with the provisions of this Law.

(7) The responsibility for the correctness, completeness and accuracy of the application for the granting of an authorisation as well as for the information and documents that shall accompany the application, rests on the members of the board of directors of the applicant, who sign the application.

(8) The Commission may, by way of Directive define the content of the application and the information to be provided through it, as well as any other relevant matter.

Transitional provisions for persons providing administrative services

11. (1) Subject to the exemptions of this Law, a person who at the entry into force of this Law was providing administrative services, may continue to provide the said services in the Republic and enroll in the Register, provided that:

(a) Within two months from the entry into force of the Law the said person notifies to the Commission of:

the details, name, shareholders, directors and summary report of activities, the intention to submit, or not, an application for authorisation according to the Law.

(b) Within four months from the date of submission of the notification provided in paragraph (a), submits to the Commission an application, as defined in article 10, along with audited accounts of the immediate two previous years, where possible.

(c) Complies immediately with the provisions of this Law.

(2) The persons referred to in paragraph (1), may, in case they don't submit a notification as defined in paragraph (1), continue to exercise such functions for a period of six months following the entry into force of this Law; With the expiration of the six month deadline, the said persons cease to be entitled to provide administrative services.

(3) A person providing administrative services at the entry into force of the this Law and who has notified the Commission of its intention to submit an application as well as the subsequent filing of an application, according to this article, may continue to provide administrative services unless its application is rejected by the Commission in which case the provisions of paragraph (4) apply.

(4) In case the Commission rejects the application of a company for authorisation, the said company is not enrolled in the Register and must cease to provide administrative services within six months from the notification of the Commission's rejection; At the expiration of the six month period the company must settle its obligations resulting from the provision of the said services towards third persons.

#### Granting of authorisation

12. (1) The Commission while examining an application submitted according to article 10 has the power, within four months from the date of receiving a duly completed application to inform in writing the applicant company of its decision-

to forbid the provision of administrative services or  
to approve, with or without conditions, the application and grant an authorisation by registering it on the Register.

(2) The Commission while examining an application submitted according to article 11 has the power, within a time period not exceeding twenty four (24) months from receiving a duly completed application to inform in writing the applicant of its decision-

to forbid the continuation of provision of administrative services or  
approve, with or without conditions, the application and grant an authorisation by registering it on the Register.

(3) The Commission may, at its absolute discretion, extend the deadline for notifying its decision according to paragraphs (1) and (2), without the application to be considered approved.

(4) The Commission does not grant an authorisation if not fully convinced that the company, established in the Republic and applying for the authorisation, satisfies all the requirements provided in this Law and the Directives issued pursuant to this Law.

(5) The applicant company must provide all the information, as defined in the Law, which are necessary in order to convince the Commission that the applicant has taken, at the time of granting the authorisation, all the necessary measures to fulfill the Law's requirements.

(6) Subject to paragraph (5), the licensed person is allowed to provide only the administrative services recorded in the Register.

#### Application for extension or amendment of authorisation

13. (1) In case the licensed person wishes the extension of its license to additional administrative services not provided in the authorisation granted or wishes the amendment of its authorisation regarding any details or information, then it submits, in advance, a relevant notification to the Commission, accompanied by any relevant information, details and forms as provided in this Law.

(2) The Commission does not approve the cases referred to in paragraph (1) but retains the right, at any time, either to oppose any extension or amendment of the authorisation or request from the licensed person additional documents or information or indicate amendments. The licensed person must comply with any demand and/or indication made by the Commission.

(3) Notwithstanding the provisions of paragraph (2), the licensed person which at any stage offers, intends to offer or ceases to offer, the administrative service provided in

subparagraph (a) of paragraph (1) of article 4 must immediately and explicitly inform the Commission.

(4) The Commission must update the Register in respect of any amendments that take place according to this article, within five (5) working days from the date of notification of the amendments.

#### PART IV – WITHDRAWAL, SUSPENSION AND LAPSE OF AUTHORISATION

##### Withdrawal of authorisation

14. (1) The Commission may withdraw an authorisation, in case it ascertains that -

(a) the licensed person does not comply, or violates, any provision of this Law, or the Prevention and Suppression of Money Laundering and Terrorist Financing Law or Directive DI144-2007-08; and/or

(b) the licensed person has obtained the authorisation on the basis of false or misleading details or has submitted or notified or otherwise publicised in any way false or misleading information, details or documents; and/or

(c) the interests of the licensed person's clients are not met or are threatened in any way, following the way the licensed person provides the administrative services, or for any other reason.

(2) Where an authorisation is withdrawn, the Commission permanently deletes the licensed person from the Register.

(3) The company whose authorisation has been withdrawn, ceases immediately to provide administrative services and has to settle its obligations arising as a result of the services or/and the activities that is no longer allowed to provide or perform, within a period of three (3) months from the date the Commission's decision has been notified to it.

(4) A company, whose authorisation has been withdrawn, remains under the supervision of the Commission until the Commission is satisfied that the said company has completely complied with the provisions of this Law.

#### Suspension of authorisation

15. (1) The Commission may suspend a licensed person's authorisation in the following cases-

(a) Simultaneously and immediately, with the beginning of an authorisation withdrawal proceeding as laid down in article 14, if at its absolute discretion the continuation of operation by the licensed person, until the Commission has reached a decision as to whether to withdraw or not the authorisation, possibly endangers its clients' interests.

(b) When there are suspicions for an alleged violation of this Law or the Prevention and Suppression of Money Laundering and Terrorist Financing Law or Directive DII144-2007-08 that possibly endangers the client's interests and in case the charges or

annual fees according to article 32 of the Commission's Directive are not paid within the deadline; In this case, the decision to suspend the authorisation is immediate and without prior notification towards the licensed person and may be taken by the Chairman or/and the Vice-Chairman of the Commission, who shall inform the Commission at its next meeting.

(2) When the conditions of subparagraph (b) of paragraph (1) exist, the Commission may set a reasonable deadline, that may not exceed three (3) months from the date of notification of the suspension of the authorisation, for compliance with the provisions of this Law or the Prevention and Suppression of Money Laundering and Terrorist Financing Law or Directive DI144-2007-08.

(3) The licensed person must, within the deadline set by the Commission as stated in paragraph (2), inform the Commission of its compliance with the provisions of this Law or the Prevention and Suppression of Money Laundering and Terrorist Financing Law or Directive DI144-2007-08. Where the Commission-

(a) Is satisfied that the licensed person has complied with the above, it withdraws the suspension of the authorisation, and reinstates its registration on the Register, or

(b) is not satisfied that the licensed person has complied with the above, it automatically extends the suspension of the authorisation and commences proceedings to withdraw it; the licensed person authorisation will remain suspended until the Commission decides as to whether to withdraw or not the relevant authorisation.

(4) In case the licensed person does not inform the Commission within the set deadline as

stated in paragraph (2) with regards its compliance with the provisions of this Law, the Commission automatically applies the procedure laid down in subparagraph (b) of paragraph (3).

(5) In case of suspension of authorisation, the licensed person is not allowed to provide administrative services.

#### Actions leading to the automatic lapse of the authorisation

16. (1) An authorisation for the provision of administrative services lapses in cases where the licensed person expressly waives the authorisation for the provision of administrative services.

(2) In case the licensed person expressly waives the authorisation for the provision of administrative services, the Commission immediately lapses its authorisation and permanently deletes it, from the Register without prior notification to the licensed person.

(3) The company whose authorisation has lapsed, ceases immediately to provide administrative services and has to settle its obligations arising as a result of the services or/and the activities that it no longer provides, within a period of three (3) months from the date its decision for waiver has been notified to the Commission.

(4) A company, whose authorisation has lapsed, remains under the supervision of the Commission until the Commission is satisfied that the said company has completely complied with any of its outstanding obligations.



## PART V – ORGANISATIONAL REQUIREMENTS, GENERAL AND CONTINUOUS OBLIGATIONS

### Chapter A Organizational requirements

#### Outsourcing

17. (1) When the licensed person outsources to third parties the provision of administrative services, it must ensure the provision of a continuous and satisfactory service to its clients and the execution of administrative services in a continuous and satisfactory basis.

(2) Any sort of outsourcing may be assigned to persons in the Republic. Such delegation must take place in a way that it does not impede the Commission's ability to regulate the direct compliance of the licensed person with all its obligations.

(3) The licensed person outsourcing to external bodies or third persons the provision of administrative services, continues to bear full liability for the fulfillment of all the obligations borne according to this Law, the Prevention and Suppression of Money Laundering and Terrorist Financing Law and Directive DI144-2007-08.

(4) Notwithstanding the provisions of this Law, the liability of the compliance officer cannot be transferred.

#### Safekeeping of client's financial instruments

18. For the purpose of safekeeping the client's rights in relation to their financial instruments, the licensed person must maintain the necessary records and accounts, in order to be in a position, at all times and without delay, to separate the assets held in a

client's account from the assets held in any other client's account, as well as from its own assets.

#### Safekeeping of client's funds

19. (1) For the purpose of safekeeping the client's rights in relation to their funds, the licensed person must take all necessary measures to ensure that the client's funds deposited, according to article 20, are held in a separate account or accounts from other accounts used for the possession of the licensed person's funds.

(2) The licensed person must maintain the necessary records and accounts in order to be in a position, at all times and without delay, to separate the funds held on behalf of a client from the funds held on behalf of any other client.

#### Deposit of client's funds

20. As soon as it receives client's funds, a licensed person is obliged to immediately deposit them, without any delay, to one or more accounts named "client's money" and are opened in a credit institution licensed either in the Republic or abroad.

#### Use of client's financial instruments and funds

21. (1) In case the licensed person holds financial instruments of clients, it is obliged to take every possible measure to protect the ownership rights of the clients, especially in case of bankruptcy; It is forbidden for the licensed person to use the client's financial instruments for its own account.

(2) In case the licensed person, holds client's funds, is obliged to take every possible measure to protect the client's interests; It is forbidden for the licensed person to use in any way client's funds for its own account.

#### Maintenance of financial accounts

22. The licensed person is obliged to prepare within four (4) months from the end of the financial year, financial accounts that provide its true and fair picture and are in accordance with the applicable accounting standards and rules. The said financial accounts must be audited by an auditor and accompanied by a signed copy of its report; The said financial accounts are maintained at the head offices of the licensed person and are available to the Commission, upon request.

### Chapter B      General and continuous obligations

#### Continuous licensed person obligations

23. (1) The licensed persons registered on the Register, must at all times comply with the conditions under which authorisation was granted, this Law, the Prevention and Suppression of Money Laundering and Terrorist Financing Law and Directive DI144-2007-08.

(2) Persons providing administrative services according to the provisions of paragraph (3) of article 4 must at all times comply with the Prevention and Suppression of Money Laundering and Terrorist Financing Law when exercising the above services.

#### General obligations of licensed person

24. (1) Any person under an obligation pursuant to this Law and the Directives to submit or notify to the Commission, any information, data, documents or forms, must ensure their correctness, completeness and accuracy.

(2) The provision to the Commission of false, or misleading information or data or documents or forms, or the withholding of material information, in addition to

constituting a violation subject to an administrative fine as stated in article 27, it also constitutes a criminal offence punishable pursuant to article 26.

## PART VI – MAINTENANCE AND PUBLICATION OF REGISTER

### Maintenance and Publication of Register

25.- (1) The Commission establishes and maintains a Register that is freely accessible by the public, where those licensed persons are registered.

(2) When granting an authorisation, the Commission grants a Register number in every licensed person and registers its details, the administrative services it provides as well as any other information deemed necessary, to the Register maintained according to the provisions of this article.

(3) Subject to the provisions of paragraph (4), the Commission updates the Register.

(4) The Commission with regards to the Register, may determine by means of a Directive, every relevant matter regarding the procedure of maintaining, updating, registering or deleting licensed persons as well as any other relevant matter.

(5) The Commission publishes the Register on its website, or in any other way it decides.



#### Administrative sanctions

27. (1) In case of a violation of the provisions of this Law or and the Directives issued pursuant to this Law or the Prevention and Suppression of Money Laundering and Terrorist Financing Law and Directive DI144-2007-08, by any person, the Commission, irrespective of any criminal liability, may impose to the v violator an administrative fine not exceeding five hundred thousand euro (€500.000) and, in case of remission of the violation, an administrative fine not exceeding one million euro (€1.100.000), depending on the gravity of the violation.

(2) Where a 数獲湯隼

person has obtained a gain by violating this Law or the Prevention and Suppression of Money Laundering and Terrorist Financing Law and Directive DI144-2007-08, which gain exceeds the sum of the administrative fines provided in paragraph (1), the Commission may impose an administrative fine of up to double the amount the said person gained by the violation.

(3) Without prejudice to paragraphs (1) and (2), the Commission may impose an administrative fine-

(a) to a legal person; or and

(b) to a director, or a person who effectively directs the business or a compliance officer, in case that is established that the violation is due to its own fault, wilful omission or negligence.

Collection of administrative fine

28. (1) Administrative fines imposed in accordance with the provisions of this Law shall be calculated as revenue to the Treasury of the Republic.

(2) In case of failure to pay the administrative fine, measures shall be taken to collect the fine as provided in the Cyprus Securities and Exchange Commission Law.

#### Civil liability

29. (1) Any person who violates this Law or the Directives issued pursuant to this Law, must compensate any person who suffers damage or loss of profit or both, which has arisen due to his act or omission in violation of the obligations emanating from this Law or the Directives issued pursuant to this Law.

(2) Criminal liability or liability of administrative nature does not relieve the offender from any civil liability.

#### Competent authority and powers

30. (1) The Commission is responsible to ensure the supervision and application of the provisions of this Law, as well as imposing administrative sanctions, and exercised its powers-

(a) directly,

(b) in collaboration with other authorities or persons, or

(c) under its responsibility, through the assignment of powers to these persons.

(2) The Commission undertakes the investigation of administrative violations either on its own initiative or following a submitted complaint.

(3) The provisions of the Cyprus Securities and Exchange Commission Law, concerning the supervisory competency of the Commission, its power to collect information, conduct investigations and inspections, to impose administrative sanctions, cooperate with competent authorities in the Republic and abroad and generally all the competencies, powers, responsibilities and duties, apply mutatis mutandis.

(4) The Commission, while examining any applications filed, may demand orally or in writing any data and information.

(5) Irrespective of the provisions of any other law, any person to whom a notice by the Commission for collection of information, inspection or investigation is addressed, shall be bound to comply immediately and provide any requested information timely, fully and accurately.

(6) Notwithstanding the provisions of any other law, in case of refusal to provide access to information, records, books, accounts as well as other documents and data stored in computers, during an investigation or inspection, the Commission may proceed with the immediate confiscation of the relevant information, records, books, accounts and other documents and data and the electronic data storing and transfer medium.



It is provided that the Commission must return anything confiscated under the provisions of this paragraph to its holder, as soon as the purpose of its confiscation is fulfilled and in any case within forty-five days from the day of confiscation.

(7) In addition to the above, the Commission submits to the Unit any information or suspicion that may arise when exercising its competencies according to this Law, which may involve violations of the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

(8) (a) Whenever this Law states in any way the obligation of informing, submitting, notifying or filing of documents or information to the Commission, the Commission has the power and authority to accept these in electronic form.

(b) The Commission may determine by way of a Directive the documents / information it will accept in electronic form, or in electronic and printed form, as well as the procedure and the way of submission of these documents:

It is provided that, whenever the Commission requests the submission of documents in electronic and printed form, the responsibility for the compatibility and identicalness of the documents submitted lies with the person who, according to this Law, is obliged to submit the documents to the Commission.

(c) The Commission may determine, in the Directive provided in this paragraph, further details for the aforementioned procedure.

Power to issue Directives

31. (1) Regardless of the provisions of this Law which provide for the issue of Directives, the Commission may issue Directives for the regulation of any other matter in this Law, which needs, or is susceptible to, determination.

(2) The compliance with the Directives issued by the Commission pursuant to this Law is obligatory to those applied.

## PART VIII – CHARGES AND ANNUAL FEES

### Charges and fees

32. (1) For the purposes of application of this Law, charges and fees shall be paid, the amount of which shall be defined by way of Directive issued by the Commission.

(2) The charges and fees as defined in paragraph (1) shall be calculated as revenue of the Commission and in case of non-payment, court measures are taken for their collection, in addition to any other measures defined in this Law, in which case the amount due is collected as a civil debt.

O.G. Annex

O.G. Annex I(I)

L. 196(I)/2012

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The official text is in the Greek language.

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