

Statement of the Advisory Authority for Combating Money Laundering and Terrorist Financing on the publication of the 5th Round Mutual Evaluation Report of Cyprus by MONEYVAL, the Committee of Experts of the Council of Europe on the Evaluation of Anti-Money Laundering Measures and the Counter Financing of Terrorism (AML/CFT)

The Advisory Authority welcomes the publication of the Mutual Evaluation Report (MER) of Cyprus, by the MONEYVAL Committee of the Council of Europe. The assessment, conducted on the basis of the robust FATF methodology by a team of international experts, reflects the measures adopted by Cyprus in the fight against money laundering and terrorist financing over the recent years and identifies areas where further enhancements and improvements are needed. All stakeholders engaged in combatting money laundering and terrorist financing have demonstrated to the assessors the commitment in implementing solid policies to reinforce the anti-money laundering and counter terrorist financing system of Cyprus.

The recommendations included in the MER by and large are aligned with the first National AML/CFT Risk Assessment¹ and the resulting Action Plan and Strategy that have been endorsed by the Council of Ministers in November 2018 and March 2019 respectively as well as by all stakeholders. The National AML/CFT Strategy is attached to this Statement.

The MER highlights the following positive attributes of Cyprus' anti money laundering and counter terrorist financing measures:

- There is good understanding of the most serious ML risks at the national and sectorial level and the National Strategy and Action Plan are in line with these risks.
- There is a good level of co-operation and co-ordination between the competent authorities both on policy issues, through the Advisory Authority, and at an operational level between the various competent authorities.
- The banking sector has become more effective in mitigating risks. This is largely due to the increasingly sound supervisory practices of the Central Bank of Cyprus.
- Administrative services providers (ASPs) have implemented important measures to minimise AML/CFT risks.
- Cyprus has been effective in executing requests in a timely and constructive manner in response to all types of formal requests from countries with which it cooperates most actively. The Financial Intelligence Unit – FIU ('MOKAS') has been instrumental in freezing and confiscating assets on behalf of foreign jurisdictions.
- The FIU has the ability to support the operational needs of competent authorities through its analysis and dissemination functions while it has been instrumental in the development of the system.

¹ <http://mof.gov.cy/en/press-office/announcements/national-risk-assessment-of-money-laundering-and-terrorist-financing-risks-cyprus>

- Cyprus has shown that it is vigilant regarding terrorism, with a strong counter terrorism infrastructure in place. Cyprus Police has carried out TF investigations where possible.

Some of the areas in need of improvements and further attention with relevant recommendations as identified in the MER are the following:

- Cyprus Police should continue in developing expertise to effectively handle complex analysis cases generated by the FIU and aggressively pursue ML cases especially those emanating from foreign criminal proceeds.
- Cyprus should increase financial investigations and subsequent freezing and confiscation of illegal proceeds
- Cyprus should conduct a formal and comprehensive assessment of risks posed by legal persons and arrangements.
- The Non for-Profit sector (NPO) has to be further risk assessed in order to identify potential vulnerabilities for terrorist financing or money laundering risks
- The supervision of the real estate sector should be significantly enhanced with more monitoring of the real estate transactions.
- Cyprus should ensure that ASPs take action to enhance their ML/TF risk understanding and apply preventive measures commensurate with the risks. Effective and dissuasive sanctions should be imposed for breaches of AML/CFT requirements.
- The risks emanating from the operation of the Integrated Casino Resort in the near future should be appropriately evaluated and mitigated.
- The risks relating to the Cyprus Investment Programme have not been assessed comprehensively.

It is noted that the 5th Round of evaluation by the FATF standards is a very demanding exercise with very few countries achieving high results. Cyprus is one of 25 countries out of 98 undergone this assessment which do not have a low evaluation grade in any of the 11 pillars composing the effectiveness assessment. Cyprus AML/CFT measures have been assessed as substantially effective in 3 out of the 11 effectiveness pillars and moderately effective in the remaining 8. On the technical compliance, Cyprus has achieved Compliant or Largely Compliant ratings in most of the 40 parameters with only 2 partially compliant ratings and none non-compliant rating. The Advisory Authority expresses its satisfaction that Cyprus' MER, reflects the efforts of the authorities and all stakeholders in the fight against money laundering and terrorist financing, within the international community.

The Advisory Authority wishes to thank the assessment team and MONEYVAL for their dedication and hard work in completing the evaluation and wishes to confirm that the competent Authorities remain fully committed in pursuing all the recommendations issued in the MER.

12 February 2020