

ANNOUNCEMENT

Announcement of Cyprus Securities and Exchange Commission on the publication of the Fifth Round Mutual Evaluation Report (MER) of Cyprus by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

NICOSIA, 14 February 2020 – The Cyprus Securities and Exchange Commission (CySEC) welcomes the publication of the Mutual Evaluation Report (MER) of Cyprus, by the MONEYVAL Committee of the Council of Europe. The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) has issued its Fifth (5th) Round Mutual Evaluation Report (MER) assessing the effectiveness of the anti-money laundering (AML) and combatting the financing of terrorism (CFT) regime in the Republic of Cyprus.

MONEYVAL assessed the effectiveness and levels of technical compliance of all Cypriot authorities, including the Cyprus Securities and Exchanges Commission (CySEC), in overseeing the AML/CFT regime.

A total of 98 countries have undergone this demanding assessment by MONEYVAL. The Republic of Cyprus is one of 25 countries assessed which has not recorded low evaluation grades 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. As it comes to technical compliance, Cyprus has achieved compliant or largely compliant ratings in most of the 40 parameters, with only 2 partially compliant ratings. There were zero non-compliant ratings recorded.

The MER's key findings demonstrate the progress the Republic of Cyprus has made in implementing an enhanced AML/CFT regime as it supports the international community's fight against money laundering and terrorist financing. Regarding CySEC, a summary of these key findings include:

- CySEC applies comprehensive controls in relation to licensing, thus ensuring that CySEC understands the varying business models of the applicants and seeks to ensure that only good quality businesses are authorised to enter the market. There is a convincing number of examples of withdrawn and refused applications demonstrating the robustness of CySEC's licensing approach;

- The risk-based approach framework used by CySEC for obliged entities is robust and sophisticated, although refinements are needed;
- CySEC's inspections are of very good quality and breaches are always required to be remediated, illustrating that there are strong elements of effective sanctions imposed by CySEC;
- CySEC has demonstrated that its supervisory actions have a positive impact on the level of compliance by regulated entities. The competent authorities, including CySEC, have promoted a clear understanding of the AML/CFT obligations by the obliged entities, with a greater emphasis on AML.
- CySEC has a multi-annual strategic plan to establish the Cyprus securities market as one of the most secure, reliable and attractive investment destinations. Within its strategic plan, there are objectives which include improvement of the regulatory framework underpinned by maintaining high levels of compliance by regulated entities.
- There is a good level of domestic co-operation and co-ordination between the competent authorities both on policy issues and at an operational level.
- CySEC cooperates effectively with its foreign counterparts through the Strategy, International Relations and Communications Department. Cooperation involves the exchange of information and mutual assistance between supervisory authorities to strengthen supervision and investigate potential violations of the legislation. The assistance provided by CySEC to foreign counterparts has been publicly acknowledged on numerous occasions, particularly in relation to assistance provided to further investigations of serious violations of securities laws.

There are several areas for improvement to strengthen the effectiveness of and technical compliance by all competent authorities, including CySEC. These areas include the following:

- Cyprus should ensure that the trust and corporate services providers (TCSPs) take action to enhance their ML/TF risk understanding and apply preventive measures commensurate with the risks, including by providing more guidance, training and feedback.
- Policies, supervision and monitoring processes of the TCSPs sector's supervisors should be sufficiently harmonised to ensure consistency in the implementation of preventive measures by the sector as a whole.
- Shortfalls in staff resources for financial institutions supervisors are limiting the efficiency of the licensing process (but not its quality beyond this), the volume of supervision, linked work on risk assessment, and sanctioning that can be undertaken.

The CySEC expresses its satisfaction that Cyprus' MER, reflects the efforts of CySEC and all obliged entities in the investment sector in the fight against money laundering and terrorist financing, within the international community.

Demetra Kalogerou, Chairman of CySEC, said: “The assessment’s findings should be seen as a vote of confidence in the progress that Cyprus has made in strengthening the country’s approach, supervision and enforcement of anti-money laundering and terrorist financing rules. There is more work to do, and CySEC remains committed in the national and international fight against illicit money flows.”

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