

## Banking System and Confidentiality

### Banking Law

- Cyprus has established as a strong business centre, popular with international clients.
- Its banking law was largely inspired from the UK and gradually Cyprus put in place a very comprehensive legal framework to that effect.
- Competent supervision was enhanced by legislation and regulation and thereby Cypriot banking system is officially acknowledged as meeting fully the requirements established by the EU on the sector.
- In Cyprus, the banking sector is comprised of two types of institutions: (a) the commercial banks and (b) the cooperative credit institutions under the supervisory authority of the cooperative central bank; In particular, the 2/3 (two thirds) of the business is carried out by the commercial banks. The commercial banks and the cooperative credit institutions constitute the domestic banking system.
- The Cypriot banking system grants wide-ranging powers to the Central Bank of Cyprus (“**CBC**”) which acts as the supervisory authority, responsible among others for implementation of the recommendations of the EU Directives regarding the banking system.
- Under the Central Bank of Cyprus Law 38(I)/2002 and the Banking Law 66(I)/1997, the Central Bank’s main objectives are to preserve the stability in the financial sector, maintain price stability, foster economic growth, minimize systemic risk and protect depositors.
- One of the main principles of the banking system in Cyprus is bank confidentiality.

### Bank Confidentiality

- Bank secrecy is the institutional duty of a bank and its employees not to disclose information regarding the financial transactions and the wealth of their customers.
- In Cyprus the purpose of the Law is on the one hand to protect the right of the customer and on the other hand to ensure that this right will not be abused so as to facilitate illegal transactions.
- The duty of confidentiality does not come to an end on termination of employment or other professional relationship, but continues indefinitely.

- The Banking Law provides only limited exceptions to this duty of confidentiality in cases where:

(a) written permission of disclosure is given by the customer or his personal representatives; or

(b) the customer is declared bankrupt or if the customer is a company, the company is being wound up; or

(c) in connection with civil proceedings between the bank and the customer or his guarantor relating to the account; or

(d) the information is given to the police under the provisions of any law or to a public officer who is duly authorised under that law to obtain that information or to a court in the investigation or prosecution of a criminal offence under any such law; this is only done upon the issue of a specific court order or

(e) the bank has been served with a garnishee order attaching funds in the account of the customer;

- The CBC Guidance Notes require banks to apply specified procedures before establishing a relationship with prospective clients and to put in place mechanisms to identify suspicious transactions initiated by prospective or existing clients. In practice it is basically the due diligence process carried out by the banks for new clients.

- Each bank has its own Compliance officer whose duty is the smooth application of central bank's directive and anti money laundering regulations.

## Money Laundering

- In 2008, “The Prevention and Suppression of Money Laundering Activities Law” (“**AML Law**”) came into force and the Cyprus Legislation has since been harmonised with the Third European Union Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (Directive 2005/60/EC).
- The AML Law places special responsibilities upon banks and financial institutions, which are obliged to adhere to prescribed procedures for customer identification, record keeping and internal recording as well as to ensure that employees handling financial business are aware of their obligations under the AML Law and receive adequate training designed to assist them in recognising money laundering transactions.
- The anti-money laundering measures taken in Cyprus have been repeatedly evaluated, in the last few years, by international organisations such as the Moneyval Committee of the Council of Europe and the Financial Action Task Force.
- All evaluation reports concluded that Cyprus has implemented in a generally sound and comprehensive manner measures against money laundering and terrorist financing in line with international standards and subsequently, Cyprus belongs today in the white group.
- The latest report assessed and rated Cyprus with very good results for its level of compliance against the 49 Recommendations of the Financial Action Task Force against money laundering and terrorist financing and is no longer in the black list.

### Anti-money laundering regulators:

- Central Bank
- The Authority for the Supervision and Development of Cooperative Societies
- The Securities and Exchange Commission
- The Insurance Commissioner
- The Council of the Cyprus Bar Association (for lawyers)
- The Council of the Institute of Certified Public Accountants of Cyprus (for accountants)
- The Unit for Combating Money Laundering (for estate agents and dealers in precious stones and metals)

Our law office falls under the supervisory authority of the Bar Association. Our anti-money laundering procedures were tested lately by the Association and we were delivered by a compliance certificate.

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