

- 1. Could you please update us on the reforms announced by President Christodoulides during his State of the Union speech regarding legislative proposals to reform the Law Office and the Audit Office. [to be replied when more information becomes available]**

We will reply as soon as such information becomes available.

- 2. Could you please provide more information on the plans to establish a National Overall Independent Supervisory Authority for Anti - Money Laundering and Sanctions' Supervision. Could you please explain the motivation/objectives of the reform. [the representative of the MoF had a bad connection and promised to provide the reply in writing]**

The policy discussion that has been taking place regarding unified AML/CFT supervision, relates to the corporate services or otherwise known as administrative services/TCSP services (trust and company services), which are not covered by any legal privilege provisions. These are stipulated in detail in article 4 of the Law Regulating Companies Providing Administrative Services and Related Matters of 2012 (Administrative Services Law). As per the FATF standards and the latest EU legislation (now under the final stages of finalisation/publication) self-regulated bodies such as the Cyprus Bar Association and the Institute of Certified Public Accountants of Cyprus, should have a public body with an oversight function over them regarding their AML/CFT supervisory activities which relate to the provision of administrative services. Additionally, Cyprus has specific ML/TF risks emanating from the provision of these services, and the fostering of the AML/CFT oversight for this sector is of particular value for the Republic.

Within this framework, various models of supervision for these services are being assessed, with one option being for the Cyprus Securities and Exchange Commission, to be granted this oversight role with direct supervision rights for the most systemic/riskier Administrative Services Companies (ASPs) that might involve a law firm or an accounting/auditing firm, very much like AMLA will have direct supervisory powers on the systemic/riskier financial institutions for ML/TF purposes, enjoying joint assessment powers with the national competent authority.

Therefore, we see no substance in the perception of prospective violations of the legal privilege, coming about with future regulatory changes, regarding tighter/more coordinated supervision of the administrative services provided by lawyers. If this were the case, the relevant provisions of the latest EU package on AML/CFT were to be illegal. We also note that already in some member states, the supervision of

these entities is undertaken by a public body, such as in the case of Malta where this is undertaken by the MFSA <https://www.mfsa.mt/our-work/company-service-providers/> .

Anti-corruption

3. What is the result of the works initiated on developing a rotation programme of public servants, aimed at preventing corruptive activities?

According to Guidelines / Recommendations on preventing corruption decided by the Council of Ministers in 2021, the Head of Departments should encourage the rotation / mobility of civil servants who serve in areas of activity especially vulnerable to corruption, as an anti-corruption measure to prevent the formation of corrupt networks and collusive relationships. If rotation of duties is not possible, due to the special duties / knowledge that civil servants perform / have in some Departments, Heads of Departments should take other effective measures to prevent corruptive activities, such as to enhance supervision of the procedures vulnerable to corruption and team work development.

It is noted that some Services of the public service have informed the Public Administration and Personnel Department about the measures they take regarding the rotation of their employees to the extent possible, so as not to hinder the smooth operation of the Service.

4. Is there any deficiency or development concerning the organization and coordination of institutions and bodies (namely the Attorney-General, the Prosecution Service of the Republic Attorney General's Office, the Police) that are responsible for different levels and actions related to the fight of corruption?

The Attorney General of the Republic of Cyprus (Law Office) is an independent institution according to Article 112 of the Cyprus Constitution. Furthermore, according to Article 113 of the Constitution, the Attorney-General institutes, conducts, takes over and continues or discontinues any proceedings for an offence against any person in the Republic.

This power is exercised at his discretion in the public interest and may be exercised by him in person or by officers subordinate to him acting under and in accordance with his instructions.

The Police is responsible for the criminal investigation of crimes including corruption offences. During the investigation phase, the Police is guided by Counsel (prosecutors) of the Law Office of the Republic when legal issues arise.

The Anti-Corruption Task Force was established under the auspices of the Attorney General's Office in March 2022 within the Law Office. Its mandate is to supervise, guide and coordinate the investigation procedures of serious criminal cases of corruption or cases which partially involve corruption, and also ensure that there is no overlap between involved investigating authorities.

It is headed by the Attorney General or the Deputy Attorney General (or their representative), and consists of experienced legal Counsel of the Law Office of the Republic and representatives from the FIU and the Police.

Additionally, ad hoc representatives from other investigating authorities or governmental departments, such as the Tax Department and the Department of Customs and Excise may participate, where their cooperation or information in their possession is deemed necessary for the investigation of a specific case.

The Anti-Corruption Task Force conducts regular meetings and supervises the investigation and the prosecution of the corruption related cases. For this purpose, a very detailed electronic register is kept for all cases that are under investigation or pending trial. The register is updated on a weekly basis. For all cases under investigation there is direct communication with the police investigators and timelines are set for investigative actions that are needed to be taken in order to conclude the investigation efficiently and as quickly as possible. Furthermore, since 2023 the Anti-Corruption Task Force keeps records separately for cases related to sports corruption. These records include cases that were opened from 2021 onwards.

The Attorney General's Office also receives reports for possible corruption cases from the Independent Authority Against Corruption and the Sports Ethics Committee which have been established under Law 19(I)/2022 and Law 180(I)/2017, respectively. The reports are examined by experienced prosecutors and where there is reasonable suspicion for the commission of an offence they are sent to the Police for criminal investigation.

It is clear from the above that the Constitution and the relevant Laws define very well the distinctive roles of the Institutions involved and hence possible overlaps are avoided. The Anti-Corruption Task Force serves as the coordination mechanism for cases under criminal investigation or prosecution.

- 5. The 2023 Rule of Law Report contained a recommendation to Cyprus to “introduce rules on asset disclosure for elected officials to establish regular and comprehensive filing, combined with effective, regular and full verifications”.**

a. What are the legislative, organizational, or operational actions taken to respond and achieve the implementation of this recommendation?

As already stated in November during the technical meeting both pieces of legislation, namely the law on the asset declaration of the President, ministers and members of Parliament (Law 49(I)/2004), and the law on the asset declaration of the so-called publicly exposed persons (Law 50(I)/2004) are still pending before the Parliamentary Committee. Both texts were expected to be submitted to the Plenary for adoption in December, however, this was suspended since there are still some concerns by the members of the Committee that need to be addressed.

A considerable effort has been made so far in order to strengthen and enhance the financial reporting system on the one hand and address the concerns expressed in the recommendation as well as in the 4th and 5th Round of Evaluation Reports issued by Greco. Most significant amendments to the existing laws are:

1. Asset declarations will be submitted only electronically within 4 months of coming into office as well as within four months from the end of their term of office. Regarding the periodicity of filing, it is acknowledged that reporting every three years as the existing law provides is a rather long period, particularly if there has been a substantial variation of wealth in between. Thus, the Ministry of Justice and Public Order suggested a yearly basis reporting which seems to receive the consensus of the committee members.
2. The contents of the declaration will include also movable property.
3. The declaration will also include the assets, income and liabilities of the filers spouse, or civil partner, and dependent family members (this information will not be published). The term «dependent family member means» the underage children of the obligated person as well as any other person whose financial support and living expenses are undertaken by the obligated person by virtue of court order.
4. The Commissioner of Taxation is entrusted with the audit of asset declarations to determine the correctness and truth of the information contained therein. To that end, the Commissioner of Taxation may have access to all necessary governmental databases.

b. Can you give clarification on the possible approval of the draft bill on assets declaration of elected persons, expected to be tabled for January 2024?

As already mentioned a lot of effort has been made so far in order to amend the asset declaration regime, thus, we are very pleased that we have managed to address and incorporate in the revised texts the vast majority of the recommendations and the shortcomings identified.

We are very optimistic that the examination before the Parliamentary Committee will be concluded shortly and both texts will be submitted to the Plenary for adoption.

- c. **Is the draft including the obligation to submit declaration of all types of assets (including immovable property) by high-ranked officials, including members of the Parliament and the President of the Republic?**

Yes

- d. **Are other (non-elected) civil servants bound to declare assets?**

Apart from the officials (elected or appointed) who are bound by the Law 50(I)/2004 as it stands to declare assets, the new amended Law will include also the deputy spokesperson, the director of the Press Office of the President, and the advisors to the President and CPTAs hired at the discretion of central government to give advice to PTEFs.

The Certain Publicly Exposed Persons and Certain Officials of the Republic of Cyprus (Declaration and Asset Control) Law of 2004 (Law 50(I)/2004), establishes the obligation to submit asset declarations for certain government high ranking officials and publicly exposed persons listed exhaustively in the annex of the law. Among the officials, subject to the declaration obligation, is the Secretary of the Council of Ministers, the Director - General of the House of Representatives, the Director – Generals of the Ministries, the Accountant-General and Deputy Accountant-General who are public officers.

- e. **Can you update on the current implementation of the asset disclosure mechanism, in terms of:**
- i. Declarations received, assessed and validated
 - ii. Number and type of violations
 - iii. Number and type of sanctions issued

The Specialist Parliamentary Committee provided by Law on the President, Ministers, and Members of Parliament (Declaration and Audit of Assets to ensure compliance with the obligation to submit asset declaration, no violations have been identified and thus, no sanctions issued.

The Asset Declaration Council established by Law 50(I)/2024 to ensure compliance with the obligation of publicly exposed persons to submit asset declarations, monitors the asset declarations of about 1 000 persons. For the year 2023 no violations have been identified.

For the year 2022, there have been 350 violations for failure to submit the declaration within the deadline provided by the Law. Respectively, a fine of €200 to €1000 was issued as well as a penalty of €5-€10 per day of further delay.

6. **Concerning measures on conflict of interests for public officials, we understand that some rules exist in different laws for all State officials:**

- a. **Is there a plan to combine the different rules for different official into a single piece of legislation?**

Even though some thoughts have been made in this respect, we believe that the institutional and legal framework constituting the system of preventing conflict of interest as it stands is comprehensive.

- b. Apart from the rules, what is the data on the implementation in practice of conflict-of-interest rules, including the number of declaration of activities filed; examination performed; number of authorization or rejection decided, or violation encountered?**

As far as the ad-hoc disclosure obligation on officials to notify the Anti-Corruption Authority, in writing, when such conflicts arise, whilst obliging them to abstain from a decision-making process when they (or the persons connected to them) have a personal interest in the outcome of the decision whenever situations of conflict between their private interests and their official duties arise, given the relatively recent establishment of the Anti-Corruption Authority, there is not practice so far in this respect.

7. On Political party financing:

We understand that Political party financing is regulated by the provisions of the Political Parties Law of 2012 (Law 175(I)/2012). and that a new proposal for a Law on Political Parties was presented in 2022, in order to prohibit contributions to political parties from legal and natural persons, with the exception of regular contributions from their members.

- a. Can you clarify the content of the proposal?**

The proposal prohibits the contributions from legal and natural persons to political parties, apart from regular contributions from their members. The proposal is at a preliminary stage and its goal is to ensure greater transparency in the financing of political parties.

- b. and the date it is expected to be approved in Parliament?**

The scrutiny of the legislative proposal is before the House Standing Committee on Institutions, Merit and the Commissioner for Administration (Ombudsman). The committee has not yet decided when it will be submitted for approval to the plenary of the House.

Checks and balances

8. Copy of the revised Guide for public consultation

<https://e-consultation.gov.cy/support>

I also attach the public consultation guide to the email.