

30 March 2022

Natasa Pilides
Minister of Energy, Commerce and Industry
Republic of Cyprus

Constantinos Petrides
Minister of Finance
Republic of Cyprus

Rescind decision to extend deadline for companies to submit data on beneficial owners and help end kleptocratic abuse of anonymous companies in Cyprus

Dear Ministers,

Along with much of the rest of the world, we have followed Russia's invasion of Ukraine with alarm. One thing that has become ever clearer is how the failure of the international community to close doors to Russian dirty money has enabled this assault.

For far too long, the European Union (EU) member states – including Cyprus – have allowed corrupt individuals from across the world to abuse the financial system to pay bribes, launder ill-gotten gains and escape justice. Russia is the most acute example of this. The vast amounts of dirty money Russia's kleptocrats have amassed – and still maintain – has helped President Vladimir Putin tighten his grip on power, exerting influence and military force over other nations.

Transparency International has been calling for an end to international flows of dirty money for many years. In the wake of Russia's invasion of Ukraine, we are calling for key anti-corruption reforms to be fast-tracked.¹ In particular, we believe that it is of paramount importance that all major financial centres urgently establish public, central registers of beneficial ownership with verified and up-to-date information on the individuals who ultimately own and control companies and other legal entities. Failure to do so will mean that authorities will be unable track down Russian kleptocrats' hidden wealth, EU and other targeted sanctions will be undermined, and dirty money will become even more embedded in our economies.

The EU recognised the need to put an end to anonymous companies across the EU with the adoption of the 4th and 5th Anti-Money Laundering Directives. Most notably, member states should have established a central beneficial ownership register by 2017 and have made the register available to the public by January 2021.

¹ Please see more about Transparency International's campaign to counter Russia's kleptocrats here: <https://www.transparency.org/en/campaigns/countering-russia-kleptocrats-after-ukraine>

As you very well know, Cyprus was more than four years late to transpose these rules and only established a private beneficial ownership register in 2021.²

And now, at a time when the majority of advanced economies and the EU institutions are targeting notorious Russian oligarchs and developing other measures to close the door to Russia's kleptocrats, we find it deeply troubling that the government of Cyprus has decided to further delay the deadline for companies to submit information on their beneficial owners to the register. This decision also *de facto* delays the implementation of Cyprus's public beneficial ownership register until at least 31 July 2022, in further non-compliance with the EU's 5th Anti-Money Laundering Directive.

More than two years after the transposition deadline, the public still does not have access to information on the beneficial owners of companies registered in Cyprus. And while the register is now in place, we remain doubtful about the extent to which authorities in Cyprus can access any relevant information on legal entities' beneficial owners, considering that the deadline for companies to submit the information is again postponed.

The revisions to the Cypriot Anti-Money Laundering Act that required legal persons to obtain and hold adequate, accurate and current beneficial ownership information were adopted in 2018. Legal entities had more than enough time to adapt to the new rules and to take the necessary steps to be able to disclose their beneficial owners. Moreover, given that legal entities are required to also disclose beneficial ownership information when engaging with banks and other reporting entities, it is expected that this information is already known and easily available to them.

As an important formation and administration centre for trusts and companies, Cyprus has a key role to play in ensuring that these entities do not serve as a cover for kleptocrats and criminals. It is well known that a significant share of the country's legal persons and arrangements are controlled by non-residents, particularly from Russia, increasing the risks of money laundering.³ In recent years, media investigations – such as the Russian and Azerbaijani laundromats – revealed the role of anonymous companies operating in Cyprus in cross-border corruption and money laundering schemes. As a consequence, the lack of beneficial ownership information in Cyprus has allowed dubious funds to be laundered and invested across the EU and other countries.

In this context, the extension of the deadline for companies to submit information to the register will significantly hamper the international community's, EU's and your own efforts to effectively trace assets connected to the individuals designated by the latest wave of sanctions. What's more, this delay creates a significant risk that Kremlin-linked individuals and political elites will take advantage of the newly created window of opportunity to sell or move assets to other secrecy jurisdictions.

² Transparency International, 2021. *Access Denied? Availability and accessibility of beneficial ownership information in the European Union*. Available at: <https://www.transparency.org/en/publications/access-denied-availability-accessibility-beneficial-ownership-registers-data-european-union>

³ FATF/MONEYVAL, 2019. *Cyprus: Fifth Round Mutual Evaluation Report, Anti-money laundering and counter-terrorist financing measures*. Available at: <https://www.fatf-gafi.org/countries/a-c/cyprus/documents/mutualevaluationreportofcyprus.html>

We ask that you urgently rescind the decision to delay the implementation of your public beneficial ownership register and require companies to submit their beneficial owners to the register immediately. Doing so would help prevent kleptocrats keeping their wealth out of the reach of EU and Cypriot law enforcement authorities.

We also urge that you make the beneficial ownership register available to the public without any fees or additional barriers. The easier it is for users to search on the register, analyse connections and cross-check the data with other relevant information, the more likely it is that authorities and other actors can identify red flags and potential wrongdoing.

To that end, we would like to draw your attention to a recent a statement by Transparency International and other 127 leading transparency, anti-corruption, open data and media organisations. It calls on EU institutions and member states to urgently open their company and beneficial ownership registers. We are convinced that this can help immensely the EU and international efforts to identify and freeze the assets of Russian kleptocrats hidden behind anonymous companies, luxurious real estate properties, yachts and jets, or invested in hedge funds, private equity and shares of large conglomerates.⁴

Our global movement urges you to do your part in ending the international community's complicity in enabling Russia's kleptocrats and cross-border corruption across the globe.

Thank you for your consideration. We will be looking forward to hearing from you.

Sincerely,

Daniel Eriksson

Chief Executive Officer
Transparency International Secretariat

Copied:

- Stalo Papaioannou, Deputy Registrar of Companies and Official Receiver
- Marios Panayides, Permanent Secretary of the Ministry of Energy, Commerce and Industry
- George Panteli, Permanent Secretary of the Ministry of Finance

⁴ Transparency International's petition on Change.org, *After Ukraine, no more safe haven for Russia's super-rich in the West*. Available at: <https://www.change.org/stopkleptocrats>