



# **GUIDANCE ON THE PROVISION OF SERVICES RELATED TO THE CYPRUS INVESTMENT PROGRAM**

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## **Introduction**

Investment citizenship programs carry inherent risks relating to money laundering, corruption and bribery and tax evasion, primarily due to the characteristics of the target group being addressed to, i.e., high net-worth individuals. Thus, particular attention should be placed, and care should be exercised in addressing all **money laundering and reputational risks** associated with the particular service.

The 5th Anti-Money Laundering Directive, which entered into force on 9 July 2018, introduced an amendment indicating as evidence of potentially higher customer risk, clients that are nationals from third-countries who apply “for residence rights or citizenship in the Member State in exchange of capital transfers, purchase of property or government bonds, or investment in corporate entities in that Member State”.

## **Purpose**

The purpose of the present Guidance is to assist in the uniform application of due diligence measures when providing services related to the Cyprus Investment Program to new or existing clients. It is also intended to assist ICPAC members to ensure that the application of the Anti-Money Laundering (AML/ CFT) legislation, directives and regulations are not circumvented under investor citizenship or residence schemes.

## **Scope of application**

The present Guidance applies to any ICPAC member that is registered in the Registry of Service Providers of the Cyprus Investment Program ([Registry of Service Providers](#)) and/ or provides any service that falls under the scope of the AML/CFT Law to a client that has been incorporated with the purpose of facilitating the naturalization of a person.

This guidance should be read in conjunction with the Ministry of Interior's Code of Conduct ([Code of Conduct](#)) governing the Cyprus Investment Program, the ICPAC AML/CFT Directive and the ICPAC Guidances and Circulars in relation to ML/TF risk assessment process.

## **Procedures for accepting the client**

Before establishing a business relationship and providing any service to the client, the firm should make certain that it has adequate, sufficient and appropriate resources and expertise to ensure full compliance with applicable laws, regulations and professional requirements. Such resources may be retained internally or externally, or both.

Prior to providing any service that relates to the Cyprus Investment Program, ICPAC members should consider the following non-exhaustive indicative list of criteria:

### **For existing clients:**

1. The relationship with the client did not present any concerns up to the point of the request of provision of services related to the CIP and the client has demonstrated that he fully acknowledges the firm's obligations under the AML/CFT Law and the ICPAC AML/CFT Directive;
2. There is a valid, legitimate and logical reason for the client wishing to obtain the Cypriot citizenship, e.g., business already established in the EU;
3. The Source of Wealth ( SoW) and Source of Funds (SoF) of the client have been fully verified and fully justified and support the potential investment required for the citizenship;
4. The potential investment would contribute towards the further enhancement of the Cyprus economy at large;
5. The risk profile of the existing client is unlikely to expose the licensed firm to unnecessary and/or unmanageable risks.

**For new clients:**

1. The reputation of the prospective client matches the risk appetite of the firm
2. There is a valid, legitimate and logical reason for the prospective client wishing to obtain the Cypriot citizenship;
3. The SoW and SoF of the prospective client have been provided to the regulated firm, have been fully verified and fully justified and support the potential investment required for the citizenship;
4. The potential investment would contribute towards the further enhancement of the Cyprus economy at large;
5. The prospective client understands and accepts that the regulated firm would need to carry out and complete its procedures regarding client acceptance prior to proceeding with the relevant engagement. As such, all KYC related information and documentation should be completed prior to providing any service.

**Approval process**

Acceptance for the provision of CIP related services, either to existing or new clients, should receive prior senior management approval, such as Board of Directors / Managing partners of the firm.

New and existing clients requiring the provision of services to apply for a citizenship through the CIP should automatically be classified as high risk by default as a direct result of the provision of the specific service (*service risk*). The firm should determine the depth and extent of EDD measures to be applied, in accordance with section 4.5 of ICPAC's AML/CFT Directive.

## **Due diligence procedure for accepting the client**

Prior to the approval for the commencement of a business relationship, ICPAC members should take into consideration the profile of the applicant and the possible risks that the firm is likely to be exposed to.

ICPAC members should proceed with establishing a business relationship only if they have completed their client acceptance procedures and concluded that they have sufficient resources and knowledge to take on the client and provide such services.

ICPAC members should conduct substantial initial screening of the prospective client prior to establishing a business relationship.

Screening may be conducted through a combination of the below resources:

1. UN & EU sanctions lists
2. Government issued PEP-lists
3. Commercial databases
4. Free search tools offered through AML specific websites
5. Internet and media searches

It should be noted that ICPAC members should place particular attention to the comprehensiveness and reliability of information retrieved through the resources listed in points 3, 4 and 5 above. ICPAC members should also consider the possibility a person having a PEP status although not being featured in any PEP list.

Any possible matches from screening should be examined as part of the overall assessment and matched to information collected for the client.

The firm should collect and assess, as a minimum, the following information and documents regarding the applicant:

- i. Full name of the applicant including any middle names/maiden names;
- ii. Date of Birth;
- iii. Place of birth;
- iv. The reasons and rational for the obtainment of a Cypriot citizenship;

- v. Information on the applicant's professional background;
- vi. The applicant's intended investment/plans/future intentions;
- vii. Other possible citizenships held by the applicant. In case of any other EU citizenships, the reason(s) for the obtainment of the Cypriot citizenship as well;
- viii. Information on whether the applicant has been denied the granting of citizenship by any other EU member state and the reasons of such refusal
- ix. Information on Source of Wealth and Source of funds to be invested as part of the Investment program.

The abovementioned information should be provided in a form of specifically designed questionnaire.

The above information should be verified through appropriate and sufficient documentation. The following documentation should be collected as a minimum, in accordance with the verification and certification requirements as stipulated in Annex III of ICPAC's AML/ CFT Directive:

- i. Passport and/ or National Identification documents
- ii. Confirmation of residence address
- iii. Detailed CV
- iv. Reference letters
- v. Non-criminal and non-bankruptcy certificates issued by authorities in countries where the client has resided for the past 5 years
- vi. Evidence on Source of Wealth and Source of funds. Refer also to ICPAC's AML Guidance on establishing Source of Funds (SOF) and Source of Wealth (SOW) for further details.

All information and documentation above should be provided in the English or Greek language. In cases where information and documents are provided in another language, official translation is required.

## **On-going monitoring of CIP related clients**

Following the attainment of the citizenship and in the event that the firm continues to maintain a business relationship with the client (through the provision of other services that fall within the scope of the AML/CFT Law), the firm should account for this in its risk assessment process and more specifically through allocating an element of higher *client risk*.

An element of higher *client risk* should also be allocated to clients for whom services related to the CIP have been provided by another professional or clients who have been denied citizenship through the CIP, but with whom the firm has a business relationship (through the provision of other services that fall within the scope of the AML/CFT Law). In the eventuality of refusal of the granting of citizenship, the reasons for the refusal must be documented and taken into consideration when implementing the risk-based approach.

It is highlighted that in cases where a client is of Cypriot nationality attained through the CIP, it is the origin of the client that should be taken into consideration when assessing the *country/geographical risk* during the risk assessment process and not the nationality of the client.

ICPAC members are also expected to take reasonable steps to identify whether clients or potential clients participated to citizenship by investment programs in other jurisdictions. In case where a client with the above characteristics is identified, the corresponding risk should be taken into consideration and mitigating controls must be applied.

## **Reporting and Retention period**

It is highlighted that all ICPAC members must follow the reporting obligations as requested by the Ministry of Interior for the corresponding timeframe after the successful completion of the application.



ICPAC members should also retain documentation related to CIP related clients for a period of five years after the end of the business relationship with the customer or after the date of an occasional transaction, in accordance to Article 68(1) of the Law.