

Trusts, Central Registry and Real Beneficiary in Cyprus: Historical, Conceptual and Legislative Approach

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Abstract

The present study shows the numerous and varied legislative provisions and initiatives in Cyprus to reduce illegal movement of funds and money laundering through trusts. It is, therefore, crucial to analyse certain aspects of this legal arrangement, which mainly relate to the issue of transparency, in order to understand the entire chain structure behind the crime of money laundering through trusts and ultimate beneficial owner (UBO). Money laundering is inextricably linked with anonymity. The status of the trust is both related to and distinct from the issue of information exchange between countries regarding the battle against money laundering, as Cyprus, in recent years, tends to be pressed particularly to disclose bank secrecy data. Under the provisions voted since 2012 and afterwards, the Cyprus Parliament passed a supplementary to the Fiduciaries Law, which was the Central Registry of Trust. Cyprus must ensure that beneficial ownership information is stored in a central register located outside the company. Also, the greater transparency over the identity of the UBO, through the establishment of public registers, would act as a deterrent to misconduct. Evidence presented in this paper is important for national and super-national supervisory anti-money laundering bodies and compliance authorities to understand banking practices in Cyprus.

Keywords: trusts, Cyprus, money laundering, transparency, banking practices

Introduction

One of the key components of the global economic system is transnational capital flow as an expression of the globalized environment of the markets. Transnational cooperation is a cornerstone of today's economy, and the need for regulation of this relatively new type of economic interface becomes essential. Internationally, the fight against money laundering is one of the main priorities for countries, and governments try to face the task either independently or in cooperation with other countries, agencies and organizations.

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The legislative initiatives on the part of Cyprus and other supranational and international organizations are remarkable, especially in recent years. Money laundering in offshore destinations such as Cyprus, through foreign direct investments by the round-tripping method and through trust companies, is a particularly popular phenomenon for developing countries.

Cyprus' economy grew by 2.9% in 2016 and continued to grow in 2017. In particular, Cyprus' gross domestic product increased by 3.8% during the first quarter of 2017, by an impressive 4% in the second quarter, and by 3.9% in the third quarter. The main reasons for this growth are related to the overall strengthening of the economy, and this becomes an important point of interest for companies from around the world that are considering Cyprus as an attractive destination for foreign direct investments.

In addition to the secrecy that is characteristic of trust funds, the status of international trusts are important for Cyprus' legal arrangements, that attract many investors seeking additional anonymity, combined in every way with the double taxation agreement.⁴

Trusts: Historical, Conceptual and Legislative Approach

Money laundering is inextricably linked with anonymity. The international trusts regime plays a very important role in maintaining an investor's anonymity, which is accepted in Cyprus. Because of this, many investors seeking additional secrecy are attracted to Cyprus.⁵ It is, therefore, crucial to analyse certain aspects of this legal arrangement, which mainly relate to the issue of transparency, in order to understand the entire chain structure behind the crime of money laundering.

There is no accurate and comprehensive legal definition as to what a trust is (even the Trustee Law of 1955 (Cap. 193) in Part I § 3, wherein the Law 188(I)/2007 on money laundering references, does not give a clear and straightforward definition). Its meaning has been determined indirectly by legislative provisions and by domestic and international jurisprudence. The US Internal Revenue Service (IRS) gives the following definition: 'In general, a trust is a relationship in which one person holds title to property, subject to an obligation to keep or use the property for the benefit of another'.⁶ According to Article 2 of the International Trust Law (ITL) of Cyprus, an

4 E. Neocleous, 'The potential impact of Russian de-offshorization legislation on Cyprus holding and finance structures', *Trusts and Trustees*, Vol.21, No.6 (2015).

5 Ibid.

6 IRS, 'Definition of a Trust', IRS.gov., available at <https://www.irs.gov/charities-non-profits/definition-of-a-trust>.

International Trust has the following stipulations:⁷

(a) The settlor, being either a natural or legal person, is not a resident of the Republic during the calendar year immediately preceding the creation of the trust.

(b) At least one of the trustees, for the time being, is a resident of the Republic during the whole duration of the trust.

(c) No beneficiary, whether a natural or legal person, other than a charitable institution, is a resident of the Republic during the calendar year immediately preceding the year in which the trust was created.

Historically this arrangement was created in order to protect a person's relatives who could not manage their assets properly and to promote charity.⁸ The legislation for this structure was diverse and the main law was the Trustee Law of 1955 (Cap. 193), which was based on the UK Trustees Act 1925, and the 1992 International Trusts Law (Law 69(I)/1992), which, like many aspects of the legal system of Cyprus, is influenced by common law.⁹

In 2012, the Cyprus Parliament adopted a number of provisions under the Memorandum of Understanding that the Government signed with the troika (IMF, European Commission, European Central Bank), which attempted to make corporate activities taking place in Cyprus more transparent. In particular, the 1992 International Trusts Law was updated (20(I)), and the Government passed the Fiduciaries Law (Law 196(I)/2012), thus bringing much needed modernization to the legal framework of international trusts in Cyprus. Parallel to this is EU Directive 849/2015, also called the fourth Money Laundering Directive (4MLD),¹⁰ which covers the status of trusts.

The fifth Money Laundering Directive (or 5MLD) is an update to 4MLD, and it strengthens the application of the central register which has the information of the final beneficiary of a trust. These additions are scheduled to be implemented by 2020.¹¹ The completion of the main provisions was introduced by EU Directive 847/2015 to

7 Cyprus International Trust Law, available at [http://www.olc.gov.cy/olc/olc.nsf/all/AF600F7D0BB6F306C2258187001E13D0/\\$file/The%20International%20Trusts%20Laws%201992%20to%202013.doc?openelement](http://www.olc.gov.cy/olc/olc.nsf/all/AF600F7D0BB6F306C2258187001E13D0/$file/The%20International%20Trusts%20Laws%201992%20to%202013.doc?openelement).

8 J. Christensen, 'The hidden trillions: Secrecy, corruption, and the offshore interface', *Crime, Law and Social Change*, Vol. 57, No. 3 (2012).

9 Section 29 of the Courts of Justice Law (14 of 1960) prescribes, that there will be a commitment to English Law and the principles thereof, unless expressly prescribed something different in Cyprus Law.

10 Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

11 Ibid.

combat money laundering through bank transfers. All these initiatives are based on the FATF (Financial Action Task Force) guidelines and observations, which set the global standards for fighting money laundering and terrorist financing (AML/CFT).

However, the confidential nature of trusts has not changed compared to the first ITL in 1992. More specifically, Article 11 of the law states:

(1) Subject to the terms of the instrument creating an international trust and where the Court has not issued an order for the disclosure of information in accordance with the provisions of Subsection (2) the trustee, the protector, the enforcer of a trust or any other person included, shall not disclose to any person not legally entitled thereto any documents or information:

- (a) which disclose the name of the settlor or any of the beneficiaries;
- (b) which disclose the trustee's deliberations as to the manner in which a power or discretion was exercised or a duty conferred or imposed by law or by the terms of the international trust was performed;
- (c) which disclose the reasoning or the information upon which any specific exercise of such power or discretion or performance of duty had been or might have been based;
- (d) which relate to the exercise or proposed exercise of such power or discretion or the performance or proposed performance of such duty;
- (e) which relates to or form part of the accounts of the international trust;

Provided that, where a request is submitted by a beneficiary to the trustee for the disclosure of the accounts of an international trust or of any documents or information relating to the proceeds and payments made by the trustees, forming part of the said accounts, the trustee shall have the power to disclose such accounts, documents or information to the beneficiary, only if in his opinion such disclosure is necessary and secures the bona fide interests of the trust.

(2) Notwithstanding the provisions of any other law and subject to the provisions of Subsection (3) a Court in any civil or criminal proceedings may, by order, allow disclosure of documents or information referred to in Subsection (1) on the application of a party to the above civil or criminal proceedings, depending on the circumstances of the case.

(3) The Court shall issue an order in accordance with Subsection (2) only if it is satisfied that the disclosure of documents or information referred to in Subsection (1) is of paramount importance to the outcome of the case.

In accordance with Art. 11 Sub. 2 and 3 of the ITL, it is necessary to obtain a judicial decision in either a civil or criminal proceeding before this information can be disclosed, and the decision must always take into consideration the principle of proportionality with respect to the disclosed information and that the information is essential to the outcome of the current process.

This framework, of course, is attractive to many companies, including those that seek to exploit these provisions for anonymity in order to commit financial crimes.

Central Registry and Real Beneficiary: A First Step

Eventually, concerns about the serious problem of money laundering began to proliferate, particularly in Europe ever since the beginning of the world economic crisis in 2008.

Many governments (especially of countries which were often accused of allowing money laundering) showed their (apparent) willingness to address corporate transparency regarding trusts by committing to take similar measures. On 31 October 2013, David Cameron said that it is Great Britain's obligation to act to overcome the phenomenon of money laundering perpetrated by companies established in the country.¹² To this end, he invited the G8 and the EU to work together to promote transparency as required. After 4MLD was passed, all member states were required to ensure their own data complied with the provisions of this Directive. Great Britain, Malta, Luxembourg, Germany and other countries have begun to pass legislation (although not yet complete) that would comply with the Directive.

In September 2013, the Cyprus Parliament passed a supplementary to the Fiduciaries Law protocol, which extended the provisions in place since 2012 as well as the commitments Cyprus made to troika in the Memorandum of Understanding. With this additional protocol a Central Registry of Trusts was established, which was jointly maintained by Cyprus Securities and Exchange Commission (CySEC), the Cyprus Bar Association and the Cyprus Association of Certified Accountants (ICPAC), which were already the authorities supervising money laundering issues under Art. 59 of Law 188(I)/2007).

It is worth mentioning that the SEC sought primarily to maintain a balance between its regulatory and law abiding roles on one side and its desire not to obstruct the trust sector thus discouraging new trust companies and investors from coming to Cyprus.¹³ Whether this can be done is questionable and only time will tell if this strategy is feasible.

The creation of a central registry where trust companies would submit their basic information was the main change the Fiduciaries Law has had on the ITL.¹⁴ The Trust

12 D. Cameron, *PM speech at Open Government Partnership 2013*. Gov.uk (2013, October 13), available at <https://www.gov.uk/government/speeches/pm-speech-at-open-government-partnership-2013>.

13 Neocleous, 2015.

14 Additionally, it must be mentioned here that pursuant to Art. 27 of Law 188(I)/2007: (1) A person who: (a) knows or reasonably suspects that another person is engaged in laundering or financing of terrorism offences, and (b) the information on which that knowledge or reasonable suspicion is based, comes to his attention in the course of his trade, profession, business or employment, shall commit an offence if he does not disclose the said information to the Unit as soon as is reasonably practicable after it comes to his attention. (2) It shall not constitute an offence for an advocate to fail

Registers should contain the following information (Art. 25A Sub. 6b of Fiduciaries Law):

- (a) the name of the trust;
- (b) the name and full address of every trustee at all relevant times;
- (c) the date of establishment of the trust;
- (d) the date of any change in the law governing the trust;
- (e) the date of termination of the trust.

According to *Art. 31 of the 4MLD*:

Member States shall require that trustees of any express trust governed under their law obtain and hold adequate, accurate and up-to-date information on beneficial ownership regarding the trust. That information shall include the identity of:

- (a) the settlor;
- (b) the trustee(s);
- (c) the protector (if any);
- (d) the beneficiaries or class of beneficiaries;
- (e) any other natural person exercising effective control over the trust.

Until these provisions were enacted, international trusts did not have any obligation to be in any registry and particularly they did not have to share any private information before. Article 15 of the International Trusts Law states: ‘International trusts are exempt from the registration requirement under any law.’

The question that arises here is whether the privacy provisions of Art. 11 of ITL and the requirement of Art. 25^A of Fiduciaries Law to keep a registry contradict each other. The answer is negative at the moment, as the information to be entered in the Register is not in any of the five categories of confidential information of Art.11 ITL. We say ‘at the moment’ because the EU’s fifth MLD to tackle money laundering is expected, and it ratifies and strengthens the establishment of Central Registry of Real Beneficiaries of Trusts, permitting them to have the identification of the beneficial owner of a trust. The fifth Directive also prescribes when this information can be made available to the general public and various organizations and institutions.¹⁵ The Association of Certified Accountants has warned in a 2016 report that when this

to disclose any privileged information which has come to his attention. (3) No criminal proceedings shall be brought against a person for the commission of the offences referred to in Subsection (1), without the express approval of the Attorney General. (4) An offence under this section shall be punishable by imprisonment not exceeding five years or by a pecuniary penalty not exceeding five thousand euro or by both of these penalties.

15 European Parliament, Revision of the Fourth Anti-Money-Laundering Directive. Europarl. europa.eu (2018, April 12), available at [http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2017\)607260](http://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2017)607260).

Registry is established, the above-mentioned laws will be in conflict.¹⁶

The Explanatory memorandum of the ITL said that Article 11 ‘was largely inserted for psychological reasons, because it serves to remind settlors, trustees and beneficiaries that a trust relationship is a highly confidential one’.¹⁷ According to Art. 11 of ITL, the only two cases in which confidentiality can be waived remains therefore a judicial decision within a civil or criminal proceeding (if the court decides that this disclosure is a paramount issue for the outcome of the case) and the disclosure of information to the beneficiary.¹⁸

This also raises questions about the Foreign Account Tax Compliance Act (FATCA) and the CRS (Common Reporting Standard) and their obligation to register trustees with the Internal Revenue Service¹⁹ and whether this is compatible with the prohibitions of Art.11 ITL. Looking at the two exceptions mentioned above, we observe that Art. 25^A Fiduciaries Law does not require disclosing information about the recipient; on the other hand, it is important to research the matter of a judicial decision.

Article 12^E ITL prescribes that the commissioner must comply with and implement the provisions of the Prevention and Suppression of Money Laundering and Terrorist Financing Law with all its amendments. This means that neither case has any connection with FATCA and CRS.²⁰ Again, the question arises of what will happen if a foreign tax authority asks the commissioner for information on possible tax evasion. Firstly, Art.11 para. 2 of ITL reports that a court before which a civil or criminal proceeding is pending has the power to allow the documents and information described in the para. 1 of this Article to be disclosed upon request of one of the parties of the civil or criminal proceeding.

On the other hand, the ITL defines a Court as ‘the President of a District Court or Judge of the district where the trustees or the trustee of the international trust or anyone of them who is a resident of the Republic have their residence’. Therefore, the combination of these two provisions with the aforementioned 12^E of ITL suggests that, again, on this basis and on a foreign court’s request, a Cypriot court could not

16 Institute of Certified Public Accountants of Cyprus (ICPAC) (2016) *2016 Annual Report*, available at <https://www.icpac.org.cy/selk/en/annualreports.aspx>.

17 T. Graham, ‘Confidentiality and disclosure relating to international trusts after International Trusts (Amendment) Law 2012’, *Trust & Trustees*, Vol. 22, No. 4 (2016).

18 T. Graham, ‘Confidentiality and disclosure relating to international trusts after International Trusts (Amendment) Law 2012’ [PowerPoint presentation] Farrer & Co (2015, June 12), available at https://www.step.org/sites/default/files/Events/2015/Cyprus/Speaker_Notes/the-international-trusts-amendment-law-2012-a-giant-leap-forward-toby-graham-tep-slides.pdf.

19 Graham, ‘Confidentiality and disclosure’ (2016).

20 Ibid.

order the disclosure of such information of a trust, and it would be in contravention of Art.11 ITL. Perhaps this means that some changes to the legislation are necessary to prevent a trust from operating as a vehicle to commit economic crimes.

The subsequent 4MLD provides for the establishment of a register to record basic information of trust companies, which could give a higher degree of transparency to these entities to prevent them from being used as vehicles for criminal economic activities. In accordance with 4MLD (Sub. 14 of the Preamble of 4MLD), ‘with a view to enhancing transparency in order to combat the misuse of legal entities, Member States should ensure that *beneficial ownership information* is stored in a *central register* located outside the company, in full compliance with Union law’. Art. 68 of the Law 188(I)/2007 prescribes keeping the records of persons engaged in financial and other activities for at least five years. Records will contain information such as proof of the clients’ identities, evidence of all business relationships and transactions and related documents of correspondence with clients and other persons with whom a business relationship is maintained. Under 4MLD (Art. 30 of 4MLD), Member States may use a central database for collecting information on the beneficial owner, or the business register, or other central register.

Furthermore, according to 4MLD (Sub. 14 of the Preamble and Art. 30 of 4MLD), ‘Member States should make sure that in all cases that information is made available to competent authorities and Financial Intelligence Units (FIUs) and is provided to obliged entities when the latter take customer due diligence measures’. Also, Member States should ensure that access to information regarding the beneficial owner of trust companies is always in accordance with the rules on data protection, and that the information is only accessed by those who can show a legitimate interest regarding money laundering, terrorist financing and related predicate offenses – such as corruption, tax crimes and fraud. Persons who can demonstrate a legitimate interest should have access to information on the nature and proportion of the real property right.

According to the Directive Member States have to create the legal circumstances in order to identify and record the beneficial owner behind a trust:

The need for accurate and up-to-date information on the beneficial owner is a key factor in tracing criminals who might otherwise hide their identity behind a corporate structure. Member States should therefore ensure that entities incorporated within their territory in accordance with national law obtain and hold adequate, accurate and current information on their beneficial ownership, in addition to basic information such as the company name and address and proof of incorporation and legal ownership (Sub. 14 of the Preamble and Art. 30 of 4MLD).

It is very important that we quote here 4MLD’s definition of the beneficial owner

for cases of fiduciary management schemes (Trust) (Art. 3 Sub. 6 of 4MLD):

‘Beneficial owner’ means any natural person(s) who ultimately owns or controls the customer and/or the natural person(s) on whose behalf a transaction or activity is being conducted and includes at least:

(a) in the case of corporate entities:

(i) the natural person(s) who ultimately owns or controls a legal entity through direct or indirect ownership of a sufficient percentage of the shares or voting rights or ownership interest in that entity, including through bearer shareholdings, or through control via other means, other than a company listed on a regulated market that is subject to disclosure requirements consistent with Union law or subject to equivalent international standards which ensure adequate transparency of ownership information.

A shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a natural person shall be an indication of direct ownership. A shareholding of 25% plus one share or an ownership interest of more than 25% in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership. This applies without prejudice to the right of Member States to decide that a lower percentage may be an indication of ownership or control. Control through other means may be determined, inter alia, in accordance with the criteria in Article 22(1) to (5) of Directive 2013/34/EU of the European Parliament and of the Council (29);

(ii) if, after having exhausted all possible means and provided there are no grounds for suspicion, no person under point (i) is identified, or if there is any doubt that the person(s) identified are the beneficial owner(s), the natural person(s) who hold the position of senior managing official(s), the obliged entities shall keep records of the actions taken in order to identify the beneficial ownership under point (i) and this point;

(b) in the case of trusts:

(i) the settlor;

(ii) the trustee(s);

(iii) the protector, if any;

(iv) the beneficiaries, or where the individuals benefiting from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest the legal arrangement or entity is set up or operates;

(v) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means;

(c) in the case of legal entities such as foundations, and legal arrangements similar to trusts, the natural person(s) holding equivalent or similar positions to those referred to in point (b).

In addition to that, according to Law 188(I)/2007, a beneficial owner is considered the natural person/persons who ultimately owns or controls the customer and/or the natural person on whose behalf a transaction is conducted. For corporate entities, the beneficial owner is considered the one who owns a sufficient percentage of the shares or whose voting rights control a legal entity, including through bearer share holding a percentage of 10% plus one share (Art. 2 (1)(a)(i) of Law 188(I)/2007).

The exercise of due diligence (enhanced or simplified proportionally) and the determination of a client's identity are, according to Law 188(I)/2007, very important aspects in combating this crime. Art. 61 para. 1 of the above Law states:

'Customer identification procedures and customer due diligence measures shall comprise:

(a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;

(b) identifying the beneficial owner and taking risk-based and adequate measures to verify the identity on the basis of documents, data or information obtained from a reliable and independent source so that the person carrying on in financial or other business knows who the beneficial owner is; as regards legal persons, trusts and similar legal arrangements, taking risk based and adequate measures to understand the ownership and control structure of the customer;

(c) obtaining information on the purpose and intended nature of the business relationship;

(d) Conducting ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the information and data in the possession of the person engaged in financial or other business in relation to the customer, the business and risk profile, including where necessary, the source of funds and ensuring that the documents, data or information held are kept up-to-date'. In para. 3 of the latter provision it's prescribed that the proof of a person's identity is sufficient, if it is reasonably possible to establish, that the customer is the person he claims to be and there is a satisfactory number of identification certificates as evidence according to the examiner.'

This information must be available for five years (Sub. 44 of the Preamble of 4MLD, Art. 25A Sub. 9 of Fiduciaries Law) and it must be easy for the competent authorities and the FIU to access (Sub. 37 of the Preamble of 4MLD and Sub. 14 of the Preamble and Art. 30 of 4MLD). The issue of confidentiality is so important that Art. 39 4MLD states that it is prohibited to reveal the perpetration of money laundering to affected customer or to other third parties, except to the competent authorities (where this disclosure is obligatory).

The reason for this is because there is a great risk that, if the information was disclosed to the general public without any control, the final beneficiary could become

a victim of fraud, kidnapping, extortion, violence or threats.²¹ Also very important is that timely access to such information should be given without notifying the company under investigation, obviously to prevent the company from trying to conceal any evidence during the investigation (Sub. 16 of the Preamble and Art. 30 para. 6 of 4MLD).

How should organizations that are responsible for investigating the details of various companies conceptually decide what information needs to be collected in order to prevent economic criminal activities? The 4MLD suggests to use a risk-based approach. In short it seeks a holistic assessment of the individual risk in light of the evidence, e.g. when the monitoring procedures must be decided. According to 4MLD, a risk assessment should be made on the nature of the financial activity, i.e. if the company is particularly susceptible to being used or to becoming the subject of abuse in order to commit criminal economic activities. Furthermore the circumstances relating to customer groups, geographic regions and specific products, services, transactions or delivery channels for banking services are being examined. Key feature for this categorization is the exercise of due diligence.

In order to protect the orderly functioning of the EU's financial system, a separate approach should exist for third countries which 'have strategic deficiencies in national control of combating money laundering and the financing of terrorism ("high-risk third countries")'. In accordance with 4MLD (Art. 9, paras. 1, 2), 'the European Commission shall be empowered to adopt delegated acts', which identify high-risk third countries which do not have taken measures to combat money laundering activities, and which constitute a serious threat to European financial interests and the financial system in general.

After discovering certain irregularities regarding the creation of this list and how a country would be added to it, the Commission decided, at the end of 2018, to adopt a delegated regulation based on a new, more concise methodology.²² We expect, therefore, to see the developments in the near future in view also of the EU's fifth MLD on combating money laundering with an implementation horizon until 2022.

21 A. Cremona and A. Galea, 'Trusts Regulations on Central Register of Beneficial Owners'. Ganoadvocates.com (2017, December 22), available at <https://www.ganoadvocates.com/resources/publications/trusts-regulations-on-central-register-of-beneficial-owners/>.

22 See Delegated Regulation of the EU Committee of 27.10.2017, C (2017), 7136/17 final. For the problematic methodology, it is necessary to cite Barbados, which the OECD removed from its 'black list', whereas the Tax Justice Network gave Barbados a score of zero based on 12 transparency features in the Financial Secrecy Index.

Conclusion

The present study shows the numerous and varied legislative provisions and initiatives in Cyprus to reduce the illegal movement of funds and money laundering through trusts. The main crimes are laundering the proceeds of crime, tax evasion and terrorist financing. The ability to eliminate the phenomenon is often questioned if one considers the plethora of tools and options perpetrators have to commit money laundering, as well as the legal loopholes on AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) which exist worldwide.

Therefore, it is crucial to analyse certain aspects of this legal arrangement, which mainly relate to the issue of transparency, in order to understand the entire chain structure behind the crime of money laundering through trusts and ultimate beneficial owner.

Money laundering is inextricably linked with anonymity. The status of trusts is related to and distinct from the issue of countries exchanging information in their battle against the above phenomena, as Cyprus in recent years tends to be pressed particularly to disclose bank secrecy data. Under the provisions voted since 2012 and afterwards, the Cyprus Parliament passed a supplementary to the Fiduciaries Law protocol, which was the Central Registry of Trust. Cyprus must ensure that beneficial ownership information is stored in a central register located outside the company. Also, the greater transparency over the identity of Ultimate Beneficial Owner through the establishment of public registers would act as a deterrent to misconduct.

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