THE GREAT BRITAIN - CYPRUS Business Gazette

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Sterling sparkles as UK business activity overtakes eurozone

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The preliminary S&P Global/CIPS UK Composite PMI, which spans services and manufacturing firms, rose to a seven-month high of 52.5 in January, up from December's 52.1 and above forecasts for a slightly smaller increase to 52.2. **(Page 14)**

Cyprus deposits rise by €346 million in December, total hits €52.2 billion

The value of deposits in the Cypriot banking system experienced a substantial monthly increase of €346 million in December 2023, reaching a total €52.2 billion, according to a report released on Friday by the Central Bank of Cyprus (CBC). **(Page 20)**

Nine major tax changes coming in 2024 you need to know – including a pay rise.

MILLIONS of people will see tax changes in 2024 that affect both their income and savings.

From an income boost to changes to ISA rules, there's a lot on the horizon Meanwhile, there was zero growth between April and June, after it was first calculated to have risen by 0.2%. **(Page 16)**

Lia Riris appointed Deputy Director General at Invest Cyprus

Lia Riris has been appointed Deputy Director General at Invest Cyprus, having previously worked at the Cyprus Chamber of Commerce and Industry for 20 years.

"Before joining this dynamic organisation, I worked as the Head of International Relations and Economic Diplomacy at Cyprus Chamber of Commerce and Industry where I spent 20 years of dedicated work, focusing on exploring commercial opportunities for the Cyprus business community abroad, as well as promoting Cyprus as a business hub to foreign investors," Riris said in a statement. **(Page 22)**

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EDITORIAL
5 key challenges for business owners in 2024

By Savvas Kyriakides, Founder & President, Great Britain-Cyprus Business Association

It's looking likely that 2024 will bring a new set of challenges for many organisations. With the cost-of-living squeeze still a prominent concern, high rates of inflation and sickness absences rates at a 10 year high, issues are likely to arise in relation to cashflow, profitability and people.

But with adaptability, empathy, and a strategic mindset, these challenges can be transformed into opportunities for growth and success for many directors.

1. People

People are central to the success of almost every business but managing them isn't always smooth sailing. In 2023 we saw the war for talent continue, but we believe this will tail off throughout 2024. More focus will be put on retaining and engaging employees, as they become more aware of their rights than ever before and continue to request more flexibility with a focus on health & wellbeing.

2. Inflation

Inflation is likely to remain a key challenge for businesses throughout 2024. Whilst the International Monetary Fund believe global inflation is expected to fall to 4.3% in 2024, this is still well above the Bank of England target. Whilst the slight fall is a positive prospect for directors, the beginning of 2024 will likely be a time to manage the backlash of the cost-of-living squeeze and inflation hikes.

3. Hybrid working tug of war

The future of work is being reshaped by the growing trend of hybrid work patterns, which is significantly reducing the demand for office space.

4. Making a success of customer success

In times of economic uncertainty and high inflation, it's likely that your customers will also be feeling the pinch and re-evaluating their spending habits. Whilst there are some products and services that may be the first to see reduced spending as they look for quality over not quantity, customer success will be the backbone of any retention strategy.

5. Artificial Intelligence (AI)

AI is here to stay and whilst some organisations are embracing it, it hasn't come without challenges. AI and automation have the potential to streamline processes, enhance decision-making, and optimise productivity. However, organisations must navigate legal frameworks and prioritise data privacy to protect both their workforce and customers.

Prioritising the well-being of employees, effectively managing inflation and embracing hybrid working will be key elements in navigating the corporate landscape this year.

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Limassol 9 May 2024

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AREAS OF DISCUSSION

1. Real Estate in London and the rest of the U.K.

2. Real Estate and other Investments Finance in the U.K.

3. Moving to the U.K.

4. Relocating your business in Cyprus – Updates based on the Government's action plan and Reforms for 2024

5. Cyprus Shipping

6. Real Estate: Investment Opportunities in Cyprus

7. Other Investment opportunities in Cyprus

For more information

www.gbcy.business/events
(Information will be available in August 2024)
Or send us an email to: info@gbcy.business
Tel: +44 (0) 78 509 44368

PROPOSED AGENDA

8.00 a.m. – 8.45 a.m.
Registrations

8.45 a.m.
Opening speech by Savvas Kyriakides, Founder and President of the Great Britain-Cyprus Business Association

8.50 a.m.
Welcome Speech by the Mayor of Limassol

8.55 a.m.
Welcome Remarks by the British High Commission in Cyprus

9.00 a.m.
Speech by the Main Speaker, the Shipping Deputy Minister of the Republic of Cyprus, Mrs Marina Hadjimanolis.

09.20 a.m. – 10.05 a.m.
Panel 1 Cyprus Shipping

10.05 a.m. – 10.30 a.m.
Coffee Break

PART B
10.30 a.m. – 11.15 a.m.
Panel 2 London Real Estate

11.15 a.m. – noon.
Panel 3 U.K. Real Estate and Other Investments' Finance

Noon – 12.30 p.m.
Coffee Break

PART C
12.30 a.m. – 1.15 a.m.
Panel 4: Cyprus Real Estate Investment Opportunities

1.15 a.m. – 2.00 p.m.
Panel 5: Relocation to Cyprus
- Investment Opportunities in several industries

2.00 p.m. – 5.00 p.m.
LUNCH AND NETWORKING OPPORTUNITIES

GBCY INTERNATIONAL INVESTMENT CONFERENCE 2024

Four Seasons Hotel, Limassol , 9 May 2024

MAIN SPEAKER

Marina Hadjimanolis

Shipping Deputy Minister of the Republic of Cyprus

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INVITATION

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Date: 8 February 2024 Time: 18.00

Venue: Hellenic, Centre

16-18 Paddington Street Marylebone, London W1U 5AS

Agenda:

18.00-18.30 Registration and Coffee Reception

18.30 Welcome Remarks by Savvas Kyriakides,
President of the Great Britain-Cyprus Business Association.

18.35 Cyprus: Great Opportunities for Investment
Opening Speech by Antonis Antoniou, GIOVANI HOMES

18.50 Investing in Cyprus: Legal, Tax, and Other Incentives
Speech by Giovanis Kouzalis, Director at G KOUZALIS LLC & Member of G K TAILORMADE SOLUTIONS LTD.

19.00 Real Estate Investment – GIOVANI HOMES
Main Speech by Antonis Antoniou, GIOVANI HOMES

19.30 – 20.30 Networking Cocktail and Drinks

Please **RSVP** to **savvas@gbcy.business** by **Tuesday 06/02/2024** to secure your place at the event.

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SATURDAY, 10 FEBRUARY 2024 FROM 16:00-18:00

"Moss & Love: Crafting the Magic of Valentine Together"

Hotel Indigo Larnaca (Adonidos Street 12 - 16, Larnaca, Cyprus)

Fun, Love, and Networking

💚 Join us at our upcoming workshop, "Moss & Love: Crafting the Magic of Valentine Together," on February 10th at 4 pm in the Indigo Hotel, Larnaca (Winnery Room).

💚 Immerse yourself in a delightful atmosphere with wine and chocolate, adding an extra touch of romance to your experience. Don't miss out on this chance to create a one-of-a-kind gift for your loved one, blending the magic of moss with your own hands.

💚 This event is open to teenagers too, offering a wonderful opportunity for families to share in the joy of love.

✅ Tickets are €50 for singles and €75 for couples. Seize this limited opportunity to reserve your spot by contacting 96665196 or DMing us directly.

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Sterling sparkles as UK business activity overtakes eurozone

The pound was one of the standout performers against the dollar last Wednesday after a survey showed business activity in the UK is outpacing that of major European economies, thereby adding to the case for British rates to stay higher for longer.

The preliminary S&P Global/CIPS UK Composite PMI, which spans services and manufacturing firms, rose to a seven-month high of 52.5 in January, up from December's 52.1 and above forecasts for a slightly smaller increase to 52.2.

Meanwhile, the flash reading for the euro zone showed business activity shrinking for an eighth month, albeit at a slightly slower pace.

The pound was last up 0.45% at $1.2743, narrowly behind the yen in terms of performance, as the Japanese currency logged a 0.6% gain on the day versus the dollar. Sterling rose by as much as 0.2% against the euro to its strongest since last September. It was last up 0.1% at 85.51 pence.

Francesco Pesole, FX strategist at ING, said the euro/sterling pair in particular had gained after the surveys.

"That's because the UK PMIs in the current environment look quite encouraging… I think when you compound what we saw in inflation lately, and you have better PMIs, they're probably offsetting the poor retail sales that we had in the UK for December," he said, referring to an unexpected drop in consumer spending last month.

"So ultimately with Fed pricing that continues to move towards the dovish side on easing, the market is not really comfortable pricing in more easing from the Bank of England," he said.

The Bank of England meets next week to discuss monetary policy. The expectation baked into markets right now is for UK rates to start to decline in June, with little chance of a drop before then.

This is in contrast to market-based expectations for the European Central Bank, which meets on Thursday, and the Federal Reserve, both of which are expected to have already cut at least once by June.

Higher interest rates means more incentive for non-UK based investors to own sterling, rather than another currency. Weekly futures data from the U.S. markets regulator shows speculators hold their largest bullish sterling position since last September.

At $2.44 billion, it has doubled in the space of three weeks, in particular as various readings of inflation continue to show price pressures across many parts of the economy.

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TAXING TIMES
Nine major tax changes coming in 2024 you need to know – including a pay rise.

MILLIONS of people will see tax changes in 2024 that affect both their income and savings.

From an income boost to changes to ISA rules, there's a lot on the horizon.

National Insurance cut - January 6

From January 6, the main 12% rate of employee National Insurance Class 1 contributions was cut to 10%.

The Chancellor first announced the change as part of the Autumn Statement.

The change will help 27million people and means that someone earning an average salary of £35,000 will save over £450.

The first cut won't be applied until your first pay packet after January 6 though.

Tax return deadline - January 31

Customers have just under two weeks left to submit their online tax return for the 2022 to 2023 tax year.

The deadline for filing paper-form tax returns was on October 31 2023 - but you can still file online until January 31.

Self-assessment customers face a penalty of £100 if their tax return is up to three months late.

Further fines of £10 a day are applied after three months, up to a maximum of £900.

For payments late by six months, you'll be fined 5% of the tax you owe or £300, whichever is greater.

You can calculate how much your fine will be on the Gov.uk website.

Income tax cuts announced - March 6

Experts are speculating there could be further tax cuts announced in the Spring Budget on March 6.

This is thought to be in preparation for a general election expected in the second half of the year.
It would likely be the last major tax decision before the general election.

Elsewhere the Chancellor has signalled that he would like to cut taxes further, but only when it is "affordable and responsible".

In other words, bear in mind that any income tax cuts are not yet confirmed but we'll know more on March 6 after the Spring Budget.

If these cuts are confirmed they likely won't kick right away though - but the Chancellor would likely give a timeline during his speech.

Inheritance tax abolition announced - March 6

There is also speculation that the Chancellor may announce the abolition of inheritance tax in the Budget.

It would be seen as a move to increase votes ahead of the election.

After the autumn statement in November, the government faced pressure from Tory MPs to go further and cut income tax or inheritance tax.

Mr Hunt, in an interview with the BBC last week, called inheritance tax "pernicious" but said he could not say "whether it is going to be affordable to reduce taxes" in 2024.

Nothing is for certain though, and the abolition of inheritance tax would only likely affect a small amount of the population.

Plus the move wouldn't happen straight away and could take a while to be implemented.

Some National Insurance contributions axed - April

The self-employed are also set to get an income boost of up to £350 thanks to the axing of some NICs.

The Chancellor announced in his Autumn Statement that he will cut one percentage point off the rate charged for Class 4 NICs.

The move will save two million self-employed workers £350 a year from April.

Class 2 and Class 4 NI are paid by self-employed Brits making a profit of £12,570 or more a year.

Class 2 NI is a flat rate compulsory charge, currently £3.45 a week, paid by self-employed people earning more than £12,570 which gives state pension entitlement.

But from April 2024, the government is abolishing Class 2 National Insurance altogether, saving the average self-employed person £192 a year.

The same workers pay Class 4 NI at 9% on all earnings between £12,570 and £50,270.

But that rate is being cut by one percentage point to 8% from April.

ISA rules will become simpler - April

You can save up to £20,000 a year in an ISA, where this money can grow completely tax-free.

Any interest you earn on savings outside an ISA can also be tax-free, as long as it doesn't exceed your personal savings allowance.

Under current rules, you can only pay into one of each type of ISA in a single tax year.

For example, if you open an instant-access cash ISA in 2023-24, you can't also open a fixed-rate cash ISA.

From April, the government is making changes to simplify ISAs and provide more choice.

It will be easier for people to choose the best ISA accounts for their needs and move money between them.

The government will allow multiple subscriptions to ISAs of the same type every year from April 2024.

It will also allow partial transfers of ISA funds in-year between providers from the same month.

The government will also raise the account opening age for any adult ISAs to 18 - up from 16.

However, it is freezing the ISA annual allowance at £20,000, Junior ISAs at £9,000 a year and Lifetime ISAs at £4,000 a year.

Capital gains and dividend allowances will be halved - April

Those of you who own investments outside an ISA or are planning to sell a second home or other valuable asset should be aware of upcoming cuts to tax-free allowances.

Under current rules, you can make gains of up to £6,000 before paying any tax - down from £12,300 in 2022-23.

From April though the capital gains tax allowance will be reduced again to just £3,000.

The dividend allowance was also halved from £2,000 in 2022-23 to £1,000 in 2023-24.

It will be further reduced to £500 in April.

Council tax rise - April 1

Council tax is once again expected to rise from April 1.

The payment is an annual fee you pay to your local council.

The cost is set by your council and goes towards funding local services.

The exact amount payments will rise by is set to be announced in February.

This year saw the majority of local authorities hike rates by 5% – though in some cases bills went up by 15%.

Households in six council areas across the UK may be forced to pay more in council tax from this April.

Alcohol duty - August 1

The government has said it will freeze alcohol duties until August 1, 2024.

It was a major win for The Sun's Save Our Sups campaign.

The freeze will come to an end at the beginning of August though.

The annual uprating decision will be announced in the Spring Budget.

Alcohol duty is a tax charged at the point of production or importation of drinks of alcoholic strength exceeding 1.2% alcohol by volume.

Duty rates differ for beers, ciders and perries, wines, spirits, and other fermented products.

The last time prices were increased was on August 1, 2023.

The price of some drinks crept up by as much as £1.29 while the cost of a bottle of wine climbed by 44p.

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Cyprus deposits rise by €346 million in December, total hits €52.2 billion

The value of deposits in the Cypriot banking system experienced a substantial monthly increase of €346 million in December 2023, reaching a total €52.2 billion, according to a report released on Friday by the Central Bank of Cyprus (CBC).

At the same time, the total value of loans in the final month of the year experienced a net increase of €284.2 million, excluding variations resulting from rearrangements, exchange rate fluctuations, and other adjustments.

The total outstanding balance of loans stood at €24.8 billion, contributing to a liquidity balance (the difference between deposits and loans) of €27.4 billion.

According to the CBC, December 2023 saw a net increase of €346 million in total deposits, compared to a €91.7 million increase in November 2023.

The annual growth rate settled at 0.4 per cent, down from 0.9 per cent in November 2023. The cumulative balance of total deposits in December 2023 reached €52.2 billion. Moreover, the report noted that residents of Cyprus recorded a significant uptick in deposits, with an increase of €388 million.

Additionally, household deposits surged by €461 million, while deposits from domestic non-financial corporations saw a decrease of €252 million.

Deposits across other domestic sectors, including investment organisations, intermediaries, financial subsidiaries, insurance enterprises, pension funds, and the general government, collectively increased by €179 million.

At the same time, the value of total loans in December 2023 exhibited a net increase of €284.2 million compared to a €15 million increase in November 2023. The annual growth rate was at 0.7 per cent, marking an improvement from the -0.2 per cent observed in the previous month.

Furthermore, the outstanding balance of total loans in December 2023 amounted to €24.8 billion. CBC data highlighted that loans to residents of Cyprus experienced a rise of €132.9 million.

Specifically, loans to households increased by €99 million, while loans to non-financial corporations rose by €54.5 million.

Conversely, loans to other domestic sectors experienced an overall decrease of €20.6 million.

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Lia Riris appointed Deputy Director General at Invest Cyprus

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"Before joining this dynamic organisation, I worked as the Head of International Relations and Economic Diplomacy at Cyprus Chamber of Commerce and Industry where I spent 20 years of dedicated work, focusing on exploring commercial opportunities for the Cyprus business community abroad, as well as promoting Cyprus as a business hub to foreign investors," Riris said in a statement. "With an academic background in International Relations, I have developed my knowledge by working in positions like EU projects management and Public Relations."

Riris has worked extensively in organising business delegations (led by high government officials, include the President of Cyprus), managing more than 40 bilateral and regional business associations, and drafting strategies for establishing Cyprus as a business hub.

"With a proven history of facilitating business interactions, strategic planning, I am committed to promoting Cyprus as an investment destination around the globe," Riris said.

At CCCI, from 2013 until 2023, Riris was responsible for the economic diplomacy of the Chamber by exploring commercial opportunities for the Cyprus business community abroad, as well as promoting Cyprus as a business hub to foreign investors. She was promoted from Senior Officer to Head of International Relations and Economic Diplomacy in 2021.

She was previously posted at the CCCI's Department of EU Programs, from 2003 until 2013, where she gained valuable experience in EU Funded projects with a budget of more than €1 million. She also drafted proposals including the budget and was responsible for the implementation of projects. Riris also worked on INTERREG funded projects and UNDP projects promoting cooperation between the two communities of Cyprus.

Prior to the CCCI, Riris worked as a Public Relations Executive at DeLeMa Communications and an Officer at Action PR and Publications.

She holds an LLM International Law from the University of Westminster, UK, as well as a BA in International Relations. Lia Riris has also worked as a Trainer in Economic Diplomacy at Clingendael Academy, and serves as a member of the Board of Directors of BPW Cyprus and an Inaugural Board Member of ICC Cyprus Women's Network.

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Republic of Cyprus
Shipping Deputy Ministry

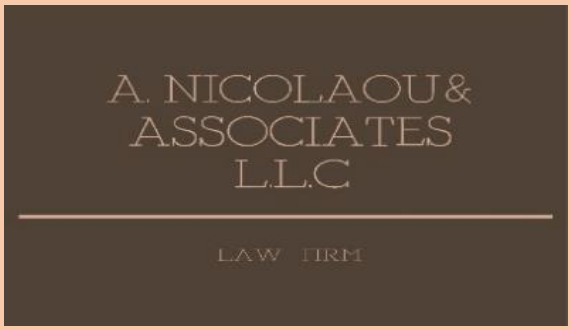
PRESS RELEASE

Visit of the Shipping Deputy Minister to Japan

The Shipping Deputy Minister to the President, Ms. Marina Hadjimanolis, paid an official visit to Japan from 9 to 12 January as part of the continuous and targeted promotion of Cyprus shipping, aiming to attract companies to Cyprus and encourage the registration of ships in the Register of Cyprus Ships. During her stay in Japan, the Shipping Deputy Minister met with shipowners, executives of shipping companies, shipbrokers, financial institutions and shipyards, and had an opportunity to present the competitive framework of benefits and services offered by the registration of ships under the Cyprus flag as well as the advantages of establishing a shipping company in Cyprus.

Furthermore, at a meeting held with Mitsui O.S.K. Lines (MOL), one of the world's leading companies in the transportation sector, the company affirmed its intention to enhance its fleet with Cyprus ships, demonstrating its confidence in the Cyprus Registry of Ships.

On January 11th, the Shipping Deputy Minister attended the naming ceremony of two newly built cargo ships owned by Safe Bulkers. The ships have been constructed by to the highest standards and modern environmental specifications and will be registered in the Register of Cyprus Ships, further enhancing the company's fleet with the Cyprus flag. The two ships have been named 'Ammoxostos' and 'Kerynia', in an important symbolic act of remembrance by the company, almost 50 years after Turkey's invasion of Cyprus. In her remarks, Ms. Hadjimanolis expressed her gratitude in particular to Mr. Polys Hajioannou, owner of Safe Bulkers, for his continued support to the Cyprus Registry and for the symbolic naming of the ships.



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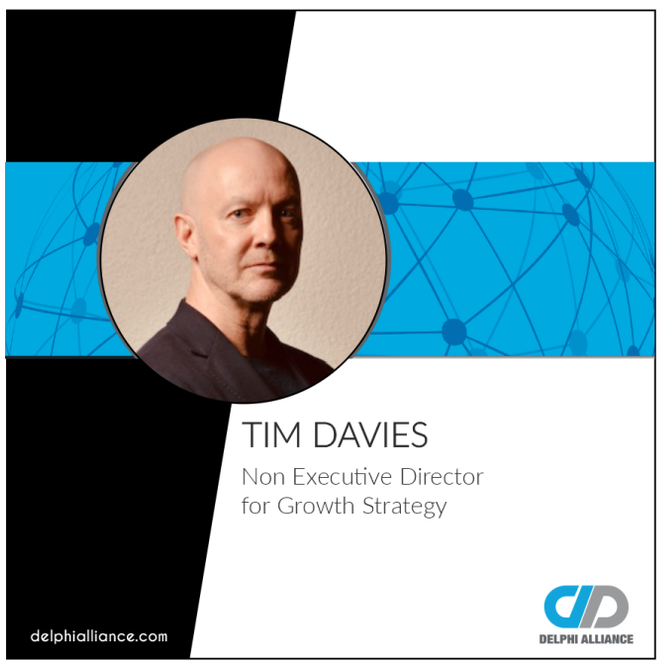

Delphi Alliance announces the appointment of Tim Davies as a Non-Executive Director, responsible for the Alliance's Growth Strategy to become a Global multi-practice Association, providing synergies and opportunities to firms around the world.

Tim brings fifteen years of experience in Board and senior leadership roles at two UK accounting firms, including an Executive Board Membership in Mazars UK. Tim brings a unique skill set from his various leadership roles in complex, multi-matrix business structures, operating across services, industries, and geographies. Those experiences include market consolidation and practice mergers, international expansion, networks and alliances, business model improvements, governance and client engagement, and brand development.

Together, let's embrace this exciting new chapter in Delphi Alliance's journey! We look forward to achieving new heights with Tim Davies's valuable contributions.

You can find more about Tim Davies on Delphi Alliance website on this link:
https://www.delphialliance.com/about-team

About Delphi Alliance

Delphi Alliance takes immense pride in being the pioneering multi-practice global Association, uniting independent expert professional services firms across a spectrum of twelve distinct lines of services. Our membership framework with exclusivity both by country and line of service, positions us as an unparalleled platform for fostering collaboration and nurturing growth opportunities.

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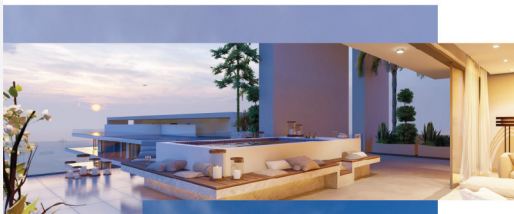

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PRESS RELEASE

Dextek Group, Property Developers, organised a Christmas Gala on 22.12.2023 in Larnaca to thank the whole team behind the company and especially its partners. More than 200 guests attended the event, alongside them, the Mayor of Larnaka, team members, associates, businessmen, bankers, real estate agents, customers, and friends of the company.

The Mayor of Larnaka, team members, associates, businessmen, bankers, real estate agents, customers, and friends of the company were. Mr. Marios Kereklass, addressing the guests, said: “We are proud that to date, our company has completed 60 residential projects in Larnaca and another 10 are on the way with the New Year”

He also stated that he is optimistic about Cyprus’ future, focusing on excellent investment opportunities. He thanked all those who cooperated in the success of the projects and thanked the Municipality and the local authorities of Larnaka for their continuous support.

Addressing the event, the Mayor of Larnaka, Mr. Andreas Vyras thanked Mr. Marios Kareklas for his trust in Larnaka and the promotion of Cyprus in general. He also stated that Marios is one of Larnaca’s biggest and most successful businessmen. All the guests had fun, were photographed, and enjoyed a Magical Night during their celebrations! (see pictures)

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Undivided co-ownership of immovable property

By Savvas Savvides, Partner at Michael Kyprianou & Co. LLC

A complex legal chapter that requires expertise and deep legal knowledge is Chapter 224 of the Immovable Property Law. The interpretation of this law requires authentic, substantial and scientific knowledge. Its application is not only useful simply in preparing a purchase and sale contract. The important thing is that one should be able to interpret all the consequences of the law, apply them to the facts of the case and, with the methodology of legal research, apply them either in court or in the practical procedures of the land registry.

In this article we will address one of the many issues in the law, that of shares of real estate with third parties: to the problem of co-ownership of real estate in undivided shares.

Many owners find themselves trapped in such situations either because they inherited a share or shares or made a voluntary share purchase without first obtaining proper legal advice. The worst thing is that if the problem is not resolved as soon as possible, things can get even worse, especially when the co- owners increase in number, as is usually the case in inheritance cases, that is from parents to children and then to grandchildren.

The Immovable Property (Tenure, Registration and Assessment) Law, Cap. 224, includes provisions for limiting co-ownership, such as amicable settlement/distribution.

Under this procedure, immovable property consisting of one or more properties owned by two or more owners may be divided/partitioned (provided that the minimum permitted square metres are not violated) by agreement of all the co-owners. But what happens if even one owner disagrees?

The provisions of the law include Forced Separation/Division: Where the co-owners do not agree to an amicable separation/distribution, then even one co-owner has the right to request the Director of the Land Registry to request the forced separation/distribution of the immovable property held in shares, with a view to abolishing the co-ownership, as well as the division into half plots, under which the co-owner has the right to request the separation of a plot of land which he owns with another person.

There is also a Right of Option, where the co-owner of real estate can agree to sell and transfer the share to any person. If the share is sold to a third person (non-co-owner), the transfer of the share is not registered in the name of the buyer before the registered co-owners are given the right to acquire it themselves at the agreed price.

Finally, there is also the auction of undistributed property, whereby in case the property is held in shares and is undistributed (i.e. cannot be divided according to its square meters), then, at the request of one of the co-owners, a certificate of undistributed property can be obtained from the Director of the Department of Lands and Surveying (DLS) and the property can be sold at a public auction.

From the above one can conclude that the separation process is not simple but feasible. It is advisable if you are in such a situation to start the process of separation as soon as possible before things become more complicated by adding further co-owners who may come into existence through inheritance or even by transferring the shares to other persons. Examination of the legislation and expert advice is essential.

For further information or advice, please contact Savvas Savvides, Managing Partner of Michael Kyprianou law firm, Paphos Office, Tel +357 26930800 or email savvas.savvides@kyprianou.com

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Supporting employees going through a divorce

By Nick Gova, Partner at Spector Constant & Williams

Separation and divorce are among the most disruptive and stressful experiences anyone can go through, so it is no surprise that they are likely to have an impact on an employee's performance at work.

As a family lawyer I see first-hand every day the repercussions that separation and divorce have on every aspect of someone's life. There is not a hard line separating someone's home and work lives, so employers must do more to support employees who are going through a family breakdown.

Good employers know that supporting employee wellbeing makes business sense, and is quite frankly the right thing to do. In a competitive recruitment market, employers that take a holistic approach and are more in tune with their employees have a competitive edge.

Providing support during periods of stress in an employee's life such as divorce or bereavement, may also help to head off longer-term stress-related absences and engender a sense of loyalty from employees, which supports employee retention.

THE SCALE OF THE ISSUE

Over 100,000 people in the UK get divorced each year. The latest figures from the Office for National Statistics show that there were 113,505 divorces granted in England and Wales in 2021. Add to that the employees who are separating from partners they are not married to, and it is easy to see that this is an issue that will affect most workplaces.

As well as the stress and emotional toll of divorce, it can be a time-consuming process as it requires people to attend appointments with lawyers, spend time unpicking joint finances, potentially selling homes and moving house, as well as agreeing on arrangements for children.

THE IMPACT OF DIVORCE ON THE WORKPLACE

The Positive Parenting Alliance is raising awareness of the impact of divorce and separation at work through its HR Initiative, and is encouraging employers to do more to support employees.

It recently carried out research into the impact of family breakdown on employee performance. According to its January 2023 survey, more than 90% of those who responded said that their work performance was impacted when they went through a divorce, and an even greater number – 95% – reported that their mental health at work suffered.

The survey also revealed that more than 70% of those surveyed felt that they were less efficient at work and over 40% admitted they had to take time off work because of their separation. For some people the impact of family breakdown was even greater, with 10% saying that they stopped work altogether.

SUPPORTING EMPLOYEES GOING THROUGH FAMILY BREAKDOWN

Most employers do not have any policies or procedures in place that outline what the organisation will do to support employees experiencing family breakdown. However, there are a lot of ways an employer can help.

The Positive Parenting Alliance recommends four changes that employers can introduce to support employees who are going through separation and divorce.

The first change is to recognise separation as a 'life event' in HR policy. This simple step will have a big impact, as it means that people who are experiencing separation feel recognised. This change will also help employees to realise that support is available if they need it.

When a family breaks down, routines often change, particularly when children are involved. This means that employees may need flexible working so that they can manage school and nursery pick-ups and drop-offs. Employers should be sympathetic to these requests and offer flexible working where possible. Further employees may be feeling the financial strain of having separated or divorce i.e. having to meet costs which they would otherwise rely on their partner to do so or the costs of lawyers and obtaining legal advice.

For some people divorce can cause significant mental health issues including anxiety and depression. It is prudent for employers to give divorcing employees access to emotional counselling or signpost them to organisations who offer counselling support.

There are also lots of organisations that provide guidance and support to help people separate in a compassionate and child-focused way. These include Relate, Only Mums and Dads and Citizens Advice, among others. Signposting employees to this type of support is also going to be an important step that employers can take.

Employers should be alive to the need for employees to share performance or remuneration documentation with their partner or within any proceedings. Such documentation relating to an employee should be prepared on this basis. Any confidential information (for example relating to clients) could be included in a confidential schedule, anonymised or pseudonymised, with redactions if necessary.

ORGANISATIONS MAKING POSITIVE CHANGES

An increasing number of employers are taking steps to support employees going through a family breakdown. One of the forerunners is groceries retailer Tesco, which was an early adopter of the Positive Parenting Alliance HR Initiative.

Getting divorced can leave people feeling lost and lonely. By showing empathy and understanding, and implementing some simple adjustments to HR policies and procedures employers can do a lot to help.

If you would like some assistance with any family law issue, please do not hesitate to contact us.

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AML | EU Council and Parliament reached a provisional agreement with stricter rules

The Council and Parliament found a provisional agreement on parts of the anti-money laundering package that aims to protect EU citizens and the EU's financial system against money laundering and terrorist financing.

With the new package, all rules applying to the private sector will be transferred to a new regulation, while the directive will deal with the organisation of institutional AML/CFT systems at national level in the member states.

The agreement on the directive will improve the organisation of national anti-money laundering systems.

Obliged Entities

The provisional agreement expands the list of obliged entities to new bodies. The new rules will cover most of the crypto sector, forcing all crypto-asset service providers (CASPs) to conduct due diligence on their customers when carrying out transactions amounting to **€1000 or more**. The provisional agreement adds measures to mitigate risks in relation to transactions with self-hosted wallets.

Traders of luxury goods such as precious metals, precious stones, jewellers, horologists, and goldsmiths as well as traders of luxury cars, airplanes and yachts and cultural goods (like artworks) will also become **obliged entities**.

Enhanced due diligence

The Council and Parliament also introduced specific enhanced due diligence measures for **cross-border correspondent relationships** for **CASPs**.

The credit and financial institutions will need to undertake enhanced due diligence measures when business relationships with HNWI involve the handling of a large amount of assets. The failure to do so will be considered an aggravating factor in the sanctioning regime.

Cash payments

An EU-wide maximum limit of €10.000 is set for cash payments, obliged entities will need to identify and verify the identity of a person who carries out an occasional transaction in cash between €3.000 and €10.000.

Beneficial ownership

The agreement clarifies that beneficial ownership is based on two components – ownership and control – which both need to be analysed to identify all the beneficial owners of that legal entity or across types of entities, including non-EU entities when they do business in the EU or purchase real estate in the EU. The ownership threshold is set at 25%.

The agreement provides for the registration of the beneficial ownership of all foreign entities that own real estate with retroactivity until 1 January 2014.

The agreement must now be formally adopted by the EU council and EU parliament before it can come into force.

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- Our database and expertise covers junior to c-suite. Our dominant sectors are all types of tech and all types of Finance for both candidates and clients.
- We routinely recruit and service single and multiple Family offices and we are fluent in the world and needs of the HNWI arena.

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European Union adopts its 12th package of financial sanctions against the Russian Federation

By Harris Kyriakides Law Firm

The European Union has implemented its 12th package of financial sanctions against the Russian Federation, effective immediately as of 18 December 2023. This latest set of measures significantly impacts businesses with ties to Russia and includes amendments to existing regulations (EU) 833/2014 and (EU) 269/2014 through Regulations (EU) 2023/2878 and (EU) 2023/2875.

Key components of the 12th EU Russia Sanctions Package encompass a range of measures and have a profound effect on companies maintaining a presence in Russia, including those in the process of divesting.

Key measures of the 12th EU Russia Sanctions package include the following:

Controlled business services expansion

- The prohibition on providing certain services to the Russian government or entities is expanded. This includes accounting, auditing, tax consulting, and services related to software for enterprise and industrial design.
- A new Annex XXXIX to Regulation (EU) 833/204 specifies software items covered by this prohibition, impacting areas like enterprise resource planning (ERP), customer relationship management (CRM), business intelligence (BI), and more.
-

Wind down of partner country exemption

- The EU plans to eliminate the exemption for providing controlled business services to Russian subsidiaries of companies headquartered in the EU or partner countries.
- A six-month wind-down period, ending on 20 June 2024, will precede the elimination, requiring authorisation for continued provision of such services.

Extension of divestment licensing grounds

- Deadlines for licensing grounds related to the sale, supply, licensing, import, or transfer of controlled items and the provision of controlled business services for divestment from Russia are extended to 30 June 2024, 31 July 31 2024, or 30 September 2024, depending on the relevant sanction.

Ban on Russian diamonds

- A new Article 3p introduces a phased import ban on diamonds and jewellery made from Russian diamonds starting 1 January 2024.
- Additional bans extend to Russian diamonds processed in third countries, with requirements for traceability-based evidence from importers.

Additional import and export bans

- Import bans on items generating significant revenues for Russia, including pig iron, spiegeleisen, copper wires, aluminium wires, foil, tubes and pipes.
- A new import ban on liquefied propane (LPG) with a 12-month transitional period.
- Export bans on items contributing to Russia's military and technological enhancement, with tighter restrictions on dual-use items.

Transit ban expansion

- The transit ban, initially on dual-use items exported from the EU to third countries via Russia, is extended to certain industrial items listed in Annex XXXVII to Regulation (EU) 833/2014.

Oil price cap enforcement measures

- Strengthened information sharing mechanism requiring businesses to share price information for ancillary costs throughout the supply chain of Russian oil trade.
- Notification rules for the sale of tankers to any third country to increase transparency, particularly for second-hand carriers.

"No Russia" clause

- Imposition of a requirement on EU exporters to insert contractual clauses prohibiting re- exports to Russia and re-exports for use in Russia of particularly sensitive items.
- The clause applies retrospectively to agreements concluded before 19 December 2023, with a transition period until 20 December 2024, or their expiry date.

Iron and steel measures

- Introduction of Annex XXXVI listing partner countries with equivalent import control measures on iron and steel.
- Extension of wind-down periods for the import of specific steel products.

Personal use exemption and crypto-asset measures

- Exemptions for personal use items and diplomatic vehicles.
- Ban on Russian nationals owning or controlling entities providing crypto-asset services.

Additional designations

- Designation of 61 individuals and 86 entities in various sectors, including defence, IT, and the direct listing of a Russian insurance company.

Final considerations

For businesses in Cyprus, the 12th EU Russia Sanctions Package holds particular importance due to the nation's economic ties and geopolitical considerations. As Cyprus maintains connections with both the EU and Russia, local businesses may experience challenges and disruptions in sectors impacted by the sanctions. It is crucial for Cypriot enterprises to assess the implications of these measures on their operations, trade relations, and financial transactions. Navigating through the complexities of the sanctions will require strategic adjustments and compliance measures to mitigate potential risks and ensure continued stability in the face of evolving geopolitical dynamics.

For more information please visit our website microsite on AML Compliance, Sanctions and Investigations or send your queries at Team11@harriskyriakides.law.

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Positioning Cyprus as a global technology hub

By Katerina Pillakouri, Associate at Elias Neocleous & Co. LLC

In recent years, Cyprus has emerged as a preferred destination for international and regional headquarters of tech multinationals. Its strategic location at the crossroads of Europe, Africa, and Asia, coupled with its European Union (EU) membership, positions Cyprus as an increasingly attractive choice for tech decision-makers looking to establish a foothold in a dynamic and strategic business environment.

We summarise below the key factors driving tech companies to choose Cyprus.

1. Geographic advantage

Cyprus, distinguished by its singular geographical location, emerges as a vital asset for businesses, affording convenient access to markets traversing three continents. This strategic positioning not only facilitates seamless trade and transportation but also establishes Cyprus as an optimal hub for technology companies aspiring to cultivate a global presence.

2. Strategic access to EU market

As a member of the EU and the Eurozone, Cyprus extends businesses strategic access to a substantial market comprising 500 million EU citizens and enjoys the advantages of over 40 EU trade agreements. This membership affords a steadfast economic and regulatory framework, cultivating an environment conducive to sustainable business expansion.

3. Robust regulatory framework

The regulatory framework in Cyprus conforms to established EU standards, and its legal system, founded on UK common law principles, delivers a sense of familiarity and consistency for international businesses. This harmonization serves to fortify a secure and predictable business environment within the jurisdiction.

4. Skilled talent

Cyprus boasts a diverse and exceptionally skilled workforce characterized by extensive experience, educational qualifications, and multilingual proficiency. This wealth of talent significantly bolsters the flourishing technology ecosystem, rendering Cyprus an appealing destination for enterprises in search of highly skilled professionals.

5. Cost competitiveness

One of the compelling factors for technology companies is the cost competitiveness associated with operating in Cyprus. The expenditures for technical and professional support in Cyprus are notably lower when juxtaposed with those in other European Union countries, thereby amplifying the overall cost- effectiveness of business operations.

6. High quality of life

Beyond business considerations, Cyprus presents an exceptional quality of life. With access to high- quality healthcare, private English-speaking schools, low crime rates, and an inviting Mediterranean lifestyle, the country establishes a holistic environment that positively influences the well-being of professionals and their families.

7. Personal tax incentives

Cyprus stands as an attractive destination for individuals seeking favorable tax treatment, offering a comprehensive set of income tax incentives. Tax residents benefit from exemptions on dividend and interest income, specific employment-related earnings, and lump-sum payments. Furthermore, Cyprus provides tax credit relief for income taxed abroad, with specialized tax modes designed for overseas pensions, enhancing its appeal for efficient and strategic tax planning.

8. Innovative corporate tax incentives

Cyprus stands out as an appealing destination for businesses due to its advantageous corporate tax regime. With a competitive tax rate of 12.5%, one of the lowest in the EU, it offers a compelling proposition for enterprises seeking favorable tax conditions. Notable features include exemptions from corporate tax on various income sources, such as dividend income, profits from securities sales, and non-business-related interest income. Additionally, businesses benefit from a notional interest deduction for investments and a robust network of double tax treaties covering around 60 countries, providing strategic advantages in international operations. Furthermore, the flexibility offered in dealing with tax losses, including carry-forward and surrender for group relief, enhances the overall tax benefits for corporations, solidifying Cyprus's position as an ideal choice for those seeking a tax-efficient business environment.

9. Tax efficient Intellectual Property (IP) regime

Cyprus's IP regime offers a strategic framework for businesses engaged in intellectual pursuits. Acknowledging various qualifying intangible assets, including patents and computer software, the regime, notably, excludes assets like trademarks and business names. Operating on a nexus approach, the IP regime correlates the eligibility for an 80% tax exemption to the level of research and development (R&D) expenditure, providing substantial tax advantages. Intangible assets, whether qualifying or not, can be tax-amortized over their useful economic life, with a maximum period of 20 years. The disposal of intellectual property follows specific tax treatments, granting businesses flexibility based on the transaction's nature. This nuanced and comprehensive IP regime solidifies Cyprus's standing as an attractive choice for enterprises managing and optimizing their intellectual property assets.

10. Cyprus tech ecosystem support

The Cyprus government is dedicated to positioning the country as a technology hub and has introduced initiatives to attract tech companies, implementing national strategies to support innovation and tech integration into the economy. Concurrently, amendments to immigration policies, notably the Blue Visa legislation, streamline staff relocation through expedited processes for acquiring relevant work permits. These measures underscore the government's commitment to facilitating the relocation of individuals and groups, enhancing Cyprus's appeal as a destination for those considering such a move.

To conclude, Cyprus offers a compelling package for tech companies and individuals seeking an advantageous environment for business expansion. Its strategic location, regulatory alignment, skilled workforce, cost competitiveness, and high quality of life position it as an ideal hub. The combination of personal and corporate tax incentives, along with the Intellectual Property (IP) regime, presents a strong proposition, establishing Cyprus as a premier destination for tech and business endeavors. The country's commitment to innovation, growth, and a favorable economic environment, backed by government initiatives, underscores its escalating prominence in the global business landscape. Cyprus stands as a strategic and resilient choice for those

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RESTRUCTURING & INSOLVENCY

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This country-specific Q&A provides an overview of restructuring & insolvency laws and regulations applicable in Cyprus.

For a full list of jurisdictional Q&As visit **legal500.com/guides**

CYPRUS
RESTRUCTURING & INSOLVENCY

1. What forms of security can be granted over immovable and movable property? What formalities are required and what is the impact if such formalities are not complied with?

Mortgages: The most common type of security over immovable property is the mortgage which gives the mortgagee the power of enforcement by way of sale, repossession, or foreclosure. A mortgage must be registered with the Department of Land and Surveys (Land Registry Office), failure of which will result in the mortgagee losing its priority rights over other creditors, including secured creditors. If the mortgagor is a legal entity, a mortgage must also be registered with the Cypriot Registrar of Companies, failure of which may result in a monetary fine on the mortgagor and its officers but will not affect the validity or priority of the mortgage provided it has been filed with the Land Office.

Pledges: A pledge of shares is a very common form of security in commercial transactions as it confirms not only possession over the pledged shares to the pledgee but also the right of sale. Subject to the conditions under the Financial Collateral Arrangements Law, L.43(I)/2004, as amended, being met, the pledgee has also a right of appropriation of shares and set off their value against the relevant financial obligations of the pledgor. Following reform of the Companies Law, Cap. 113, a pledge over shares which a Cypriot company owns in another Cypriot company has now been exempted from registration with the Cypriot Registrar of Companies. A pledge over shares in a foreign company must still be registered with the Cypriot Registrar of Companies pursuant to s. 90 of the Companies Law, Cap.113.

Charges: Charges may be fixed or floating. A fixed charge is a charge over specific assets where the chargee controls any dealing or disposal of the asset by the chargor. A floating charge is a charge taken over all or part of the assets of a company (including book debts), which allows the chargor to deal in the charged assets until a trigger (such as the occurrence of an event of default or if the company goes into insolvent liquidation), at which point the floating charge crystallises into a fixed charge and attaches to all relevant assets. A fixed charge ranks before a floating charge in the order of repayment on an insolvency. Charges must be filed for registration with the Cypriot Registrar of Companies within (i) twenty-one (21) days from execution of the agreement where execution took place in Cyprus, and (ii) forty-two days (42) if execution took place outside Cyprus. Failure to register a charge renders the charge void against the liquidator and any creditor of the company in question. Registration of the charge in the register of mortgages and charges of the company must also be effected.

Lien: A lien is a creditor's right to retain possession of its debtor's personal property until the debtor pays his/her debt. Assets subject to a lien cannot be seized by third parties claiming against their owner, nor can the owner's successors in title obtain possession without paying the debt. Unlike a mortgage, a lien confers no power of sale. Usually, all loan agreements expressly include a provision that the creditor has a general preferential lien over all assets of the borrower held by the creditor in relation to outstanding amounts owed by the borrower to the creditor.

Assignment: An assignment of insurance or an assignment over receivables is another type of security in commercial transactions. An assignment is registrable under the aforesaid section 90 of the Companies Law, Cap.113 and notice of the assignment may be given to the seller affected by the assignment.

2. What practical issues do secured creditors face in enforcing their security package (e.g. timing issues, requirement for court involvement) in out-of-court and/or insolvency proceedings?

Security agreements typically include provisions that entitle the security holder to appoint a receiver in the

event of a default for recovery of the secured creditor's debt, in which case there is no need to resort to court for the appointment of a receiver. However, hostile debtors may attempt to resist the appointment or delay the process by resorting to court for challenging the receiver's appointment on grounds for example, that no event of default has occurred.

Also, delays in the issuance of a court judgment on substantive proceedings may be taken advantage of by a hostile debtor. However, the Civil Procedure Rules are in the process of examination for the purposes of review and reform and certain measures are taken, or are in the process of being taken, with the aim of reducing delays.

Furthermore, a company may resist receivership by attempting to place itself in examinership (see below) to prevent a receiver appointed pursuant to a security agreement from continuing to act. By way of indication, an applicant to an application for examinership may seek, amongst others, the following orders from the court: (i) the receiver shall cease to act as such from a date specified by the court; (ii) the receiver shall deliver all books and other records which relate to the property or undertaking of the company in question to the examiner; and/or (iii) the receiver shall give the examiner full particulars of all his dealings with the property or undertaking of the company in question.

3. What restructuring and rescue procedures are available in the jurisdiction, what are the entry requirements and how is a restructuring plan approved and implemented? Does management continue to operate the business and / or is the debtor subject to supervision? What roles do the court and other stakeholders play?

Scheme of arrangement or compromise: A company may enter into an "arrangement" or a "compromise" to try and restructure its debts. Any scheme of arrangement or a compromise must be approved by a majority in value of the creditors or members present and voting at the meeting of creditors or members (as the case may be) and it must be sanctioned by the court. All creditors and/or members shall be bound by the scheme of arrangement or compromise (as the case may be) whether they consented to the same, or not.

The terms "compromise or arrangement" are not expressly defined in the pertinent companies legislation but they can encompass any form of internal reorganization of the company or its affairs as well as mergers and acquisitions, group re-organisations etc.

It is noted that there is no provision in the pertinent legislation imposing a moratorium against creditors from enforcing their rights against the assets of the company whilst it implements, or considers implementing, a scheme of arrangement. The lack of moratorium means that a scheme of arrangement may be undermined before its completion if a dissenting party initiate winding up proceedings against the company. The position is different, however, if the scheme of arrangement is proposed by the examiner whilst the company is placed in examinership.

Examinership: Amendments into the pertinent legislation in 2015 introduced the examinership procedure which is a rescue process modelled on the Irish law of examinership. The purpose of examinership is to save an insolvent company if, amongst others, there is a reasonable prospect of survival of both the company and all or part of its undertaking as a going concern. The process enables a company to continue to trade whilst having the benefit of court protection for up to a maximum period of six (6) calendar months. In particular, a moratorium is imposed for an initial period of four (4) calendar months from the date the application for examinership is presented. If an examiner is appointed, the examiner is required to put together proposals for a scheme of arrangement during the aforesaid timeframe. The examiner may however apply for a further 60 days to finish the report. After the presentation of the report, the court may extend the protection period further in order to make a decision (i.e. whether to approve a scheme of arrangement). For completeness, an examiner (or liquidator of an insolvent company) must be a licensed insolvency practitioner. Examinership is not available for credit institutions and insurance companies.

4. Can a debtor in restructuring proceedings obtain new financing and are any special priorities afforded to such financing (if available)?

Cypriot law does not impose restrictions on a company for obtaining new financing upon entering into a restructuring process. No special priorities are afforded to new financing however existing debt may be subordinated by way of negotiation and agreement between the company and its creditors.

5. Can a restructuring proceeding release claims against non-debtor parties (e.g. guarantees granted by parent entities,

claims against directors of the debtor), and, if so, in what circumstances?

Cypriot law does not stipulate for the release of claims against non-debtor parties. In particular in relation to guarantees (except where the contrary is provided in an agreement between the guarantor and the creditor), the guarantor's liability in relation to a debt is not affected by the fact that the debt is subject to a compromise or scheme of arrangement which has been confirmed by the court. However, in the context of examinership, in certain circumstances a creditor cannot propose to take any future legal measures against a guarantor (where such guarantor is a company, or a natural person where the guarantee exceeds €500.000) unless the creditor has served a notice within the prescribed statutory period to the guarantor of the meeting of the creditors who are affected by the proposals for compromise or scheme of arrangement, so that the guarantor can also vote in relation to such proposals for compromise or scheme of arrangement.

Furthermore, in the context of examinership, where any person other than the company in examinership is liable to pay all or any part of the debts of the company, such as a guarantor, proceedings against that person cannot be initiated by any creditor during the moratorium period. Therefore, examinership may delay acceleration procedures.

6. How do creditors organize themselves in these proceedings? Are advisory fees covered by the debtor and to what extent?

Creditors are organised between secured and unsecured creditors. Within that subdivision, it is a mater of the secured and unsecured creditors to organise themselves but only in the absence of a judicial determination of this matter.

7. What is the test for insolvency? Is there any obligation on directors or officers of the debtor to open insolvency proceedings upon the debtor becoming distressed or insolvent? Are there any consequences for failure to do so?

A company may be wound up on the basis of insolvency if it is unable to pay its debts. A company is treated as unable to pay its debts if: (a) the company fails to satisfy a statutory demand for a sum exceeding €5.000 within three (3) weeks from service of the same upon the company; (b) execution on a court judgment in favour of a creditor of the company is returned wholly or partly unsatisfied; (c) the company is unable to pay its debts at the time they fall due (including contingent and prospective liabilities) (the "cash flow test"); and/or (d) the value of the company's assets is less than the amount of its liabilities (including contingent and prospective liabilities) (the "balance sheet test").

The directors or officers of the debtor company do not have an obligation to open insolvency procedures upon the debtor becoming distressed or insolvent. However, directors may be personally liable for misfeasance or for fraudulent trading (see below).

8. What insolvency proceedings are available in the jurisdiction? Does management continue to operate the business and / or is the debtor subject to supervision? What roles do the court and other stakeholders play? How long does the process usually take to complete?

There are three different types of winding up of a Cypriot company: (i) voluntary winding up (a) by the members (where the company is solvent); or (b) the creditors (where the company is insolvent; (ii) winding up by the court (usually instigated by creditors where the company is insolvent or by the members of just and equitable grounds; or (iii) winding up under the supervision of the court.

Voluntary winding up

The members of a company can voluntarily place the company into liquidation by passing a special resolution of members and appoint a liquidator. To this end the board of directors must make a statutory declaration that they have made a full inquiry into the company's affairs and have formed the opinion that the company will be able to pay its debts in full within a specified period not exceeding twelve (12) months from the commencement of the liquidation which is the time of passing of the resolution for voluntary winding up. If a liquidator who is appointed in the courts of a voluntary members' liquidation is of the opinion that the company shall not be able to pay its debts in full within the above-mentioned period, he or she shall summon a meeting of creditors in which he or she shall present a statement of the assets and liabilities of the company and the voluntary members liquidation shall be converted to a voluntary creditors liquidation.

Involuntary winding up

The most common grounds for placing a company into

involuntary liquidation are (a) insolvency (see above); or (b) where the court is of the opinion that it is just and equitable that a liquidator should be appointed (e.g. in cases of deadlock or a breakdown in the relationship of the parties in quasi-partnerships).

Once a winding up order has been made, the Official Receiver and Registrar (the "Official Receiver") shall, by virtue of his office, become the liquidator of the company unless another person in appointed pursuant to (i) a petition to the court by the Official Receiver; or (ii) separate meetings of creditors an contributories which are summoned for the purpose of appointing a liquidator in the place of the Official Receiver.

Upon the court making an order for the winding up of a company, the effective date of the winding up is deemed to relate back to the time of the presentation of the petition. All dispositions of the company's property between the date of the petition and the winding up order shall be void unless the court orders otherwise.

Under Cypriot law the appointment of the liquidator results in the ceasing of the powers of the board of directors of the company.

The timeframe that is required for the completion of liquidation depends largely on the nature and location of the assets, the number of creditors, the issuance of the tax clearance certificate by the relevant tax authorities and the degree of cooperation between the liquidator and the creditors as well as the officers of the company (e.g. timely provision of the statement of affairs).

Receivership

As mentioned above, depending on the terms of the security agreement a creditor may appoint a receiver to realise the assets subject to the security and discharge the debt out of the proceeds. Receivership ends the directors' powers of management over the assets encompassed by the receivership and places them in the hands of the receiver. However, the directors of a company in receivership maintain certain residual and administrative in nature powers. There is no moratorium in receivership. The timeframe for the completion of receivership depends on the nature and marketability of the charged assets. Where the appointment of a receiver exceeds one (1) year, the receiver is required to submit annual accounts of his or her receipts and payments to the appointer, the company, and the Registrar of Companies on an annual basis. Receivership does not bring about the end of the existence of the company, as does liquidation.

9. What form of stay or moratorium applies in insolvency proceedings against the continuation of legal proceedings or the enforcement of creditors' claims? Does that stay or moratorium have extraterritorial effect? In what circumstances may creditors benefit from any exceptions to such stay or moratorium?

Upon making a court order for the winding up of a company, unsecured creditors cannot commence or continue legal proceedings against the company without the permission of the court and rights of action against the company are converted into claims in the liquidation process. In voluntary liquidation, there is no automatic moratorium that prevents the commencement or continuation of legal proceedings against the company.

A scheme of arrangement does not offer a moratorium. However, a moratorium is imposed in cases where a company is placed in examinership, which is a rescue process under Cypriot law (see below). A moratorium in examinership does not purport to have extraterritorial effect and whether it is applicable in other jurisdictions is a matter of applicable national law (except where the Insolvency Regulation is applicable).

It is noted that the Insolvency Regulation extends its scope to all insolvency proceedings which are exclusively listed in Annex A thereto. Examinership under Cyprus law is not contained in Annex A, though its Irish equivalent is. It is therefore considered that the scope of the Insolvency Regulation should be extended to cover examinership under Cyprus law. This issue has not yet been addressed.

10. How do the creditors, and more generally any affected parties, proceed in such proceedings? What are the requirements and forms governing the adoption of any reorgnisation plan (if any)?

There is no single requirement or form governing adoption of reorganization. Creditors and any affected parties proceed according to the legislation and the form of winding up or reorganization as previously mentioned herein.

11. How do creditors and other stakeholders rank on an insolvency of a

debtor? Do any stakeholders enjoy particular priority (e.g. employees, pension liabilities, DIP financing)? Could the claims of any class of creditor be subordinated (e.g. recognition of subordination agreement)?

Once appointed, the liquidator's primary duty is to collect all of the company's assets and distribute them *pari passu* to the company's creditors in accordance with the statutory scheme of distribution. Secured creditors generally do not participate in the liquidation process and may continue to proceed with any enforcement action directly against their collateral pursuant to a valid security interest. The order of distribution of assets in a winding up is set out below in order of priority: (i) costs of the winding up; (ii) preferential debts such as government and local taxes due within twelve (12) months before the commencement of the winding up, sums due to employees including wages, up to one year's accrued holiday pay, provident fund contributions and compensation for injury; (iii) amounts secured by a floating charge; (iv) unsecured ordinary creditors; (v) deferred debts such as dividends declared but unpaid.

There is no concept of equitable subordination in Cypriot law. Indebtedness to shareholders or affiliate companies will rank pari passu with other unsecured creditors unless contractually subordinated (by way of a subordination agreement or an inter-creditor agreement).

12. Can a debtor's pre-insolvency transactions be challenged? If so, by whom, when and on what grounds? What is the effect of a successful challenge and how are the rights of third parties impacted?

A liquidator may apply to court to set aside transactions entered in the twilight period prior to insolvency where these constitute a fraudulent preference, or a voidable floating charge, or in cases of disclaimer of onerous contracts.

Fraudulent preference: A transaction (including any conveyance, charge, mortgage, delivery of goods, payment, execution or other act relating to property) made or done by or against a company within six (6) months before the commencement of its winding up may be voided as a fraudulent preference provided that: (a) the person preferred is a creditor (including a contingent creditor) when the transaction takes place; (b) in the event of the company going into liquidation, the transaction would place the person preferred in a better position than he would have been had the transaction not been entered into; and (c) the company was influenced by a 'desire to prefer' the person preferred. For a transaction to be voided under this heading, the company must have been unable to pay its debts at the relevant time, or the transaction caused it to become unable to pay its debts.

Voidable floating charge: A floating charge on the undertaking or property of the company which was created within twelve (12) months prior to the commencement of the winding up may also be set aside unless it can be proved that the company was solvent immediately after the creation of the charge.

Disclaimer of onerous contracts:

A liquidator has the power to disclaim onerous property or unprofitable or unsaleable contracts with the approval of the court at any time within twelve (12) months after the commencement of the winding up or within such extended period as may be allowed by the court. Any person who suffers a loss as a result of the disclaimer shall be deemed to be a creditor and may prove in the liquidation the amount of the debt.

Further, it is noted that there is no separate avoidance regime for setting aside transactions at undervalue. However, if transactions at undervalue purport to put assets beyond the reach of creditors, they may be declared void. Pursuant to the pertinent Cypriot legislation, any fraudulent transfer or alienation of assets may be rendered void by the court on the application of a judgment creditor.

13. How existing contracts are treated in restructuring and insolvency processes? Are the parties obliged to continue to perform their obligations? Will termination, retention of title and set-off provisions in these contracts remain enforceable? Is there any ability for either party to disclaim the contract?

Existing contracts are not automatically terminated on the commencement of restructuring or liquidation proceedings, subject to the liquidator's powers to avoid certain transactions entered into in the twilight period prior to insolvency and to disclaim onerous property including unprofitable or unsaleable contracts with the approval of the court (see above). Notwithstanding this, depending on the terms of the contract between the parties, the insolvency of one party may constitute an event of default entitling the other party to terminate.

Retention of title provisions remain enforceable. Furthermore, when a company goes into liquidation, mutual debts and mutual credits shall be set off against each other to arrive at a single sum to be paid or payable. These provisions apply respectively to the netting of debts.

14. What conditions apply to the sale of assets / the entire business in a restructuring or insolvency process? Does the purchaser acquire the assets "free and clear" of claims and liabilities? Can security be released without creditor consent? Is credit bidding permitted? Are pre-packaged sales possible?

Upon appointment, the liquidator takes into his or her custody or under his or her control all the property and rights in action which the company is entitled to for the purposes of asset realization and distribution in accordance with the statutory scheme (see above).

There are no statutory provisions that regulate the sale of assets in liquidation, however the liquidator has a common law duty to obtain the best price available in the circumstances. In practice, if creditors or members of the company have objected to a sale of assets, the liquidator will apply to the court for sanctioning such sale to protect himself or herself against any potential liability or claim.

A purchaser acquiring assets of a company in liquidation will take such assets "free and clear" of claims and liabilities provided they are not subject to any security or any security over them is discharged. Security cannot be released without a creditor's consent.

Pre-packaged sales are not common in Cyprus though they may be implemented through receivership.

15. What duties and liabilities should directors and officers be mindful of when managing a distressed debtor? What are the consequences of breach of duty? Is there any scope for other parties (e.g. director, partner, shareholder, lender) to incur liability for the debts of an insolvent debtor and if so can they be covered by insurances?

Directors (including shadow directors) owe fiduciary duties to the company having regard to the interests of the company's members as a whole. These duties include: (a) the duty to act bona fide in the best interest of the company; (b) the duty to exercise their powers for a proper purpose; and (c) to avoid placing themselves in a position of conflict between the interests of the company and their own interest (or the interests of the persons close to them). Directors (including shadow directors) also owe a common law duty to exercise reasonable care, skill, and diligence. When a company is insolvent, directors must exercise their powers in the best interests of the company having regard to the interests of its creditors rather than its members.

When managing a distressed company, directors must be mindful of not entering into antecedent transactions on behalf of the company which are susceptible to challenge (see above). Further, a liquidator can also pursue former and present directors (including shadow directors and de facto directors) for either breach of misfeasance or fraudulent trading. If it appears that any person has been carrying on the business of the company with an intent to defraud its creditors or for any other fraudulent purpose, a creditor, or the liquidator of the company may apply to the court for an order that such person contributes personally to the company's assets so as to enable the liquidator to make a distribution to creditors for their losses.

Liability for the debts of an insolvent debtor is not commonly covered by insurance.

16. Do restructuring or insolvency proceedings have the effect of releasing directors and other stakeholders from liability for previous actions and decisions? In which context could the liability of the directors be sought?

Restructuring or insolvency proceedings do not release directors and other stakeholders from liability for previous actions and decisions.

The Directors and other stakeholders can be held liable for actions and/or omissions occurred during their directorship or otherwise.

The liability of Directors can be sought in the breach of any of their duties owed to the company, which are: Fiduciary Duty, Duty to exercise reasonable skill and care and Statutory Duties.

17. Will a local court recognise foreign restructuring or insolvency proceedings over a local debtor? What is the process

and test for achieving such recognition? Does recognition depend on the COMI of the debtor and/or the governing law of the debt to be compromised? Has the UNCITRAL Model Law on Cross Border Insolvency or the UNCITRAL Model Law on Recognition and Enforcement of Insolvency-Related Judgments been adopted or is it under consideration in your country?

Cyprus is a party to the Recast EU Insolvency Regulation 2015/848 (the "**Insolvency Regulation**") pursuant to which all EU member states must recognize "main" insolvency proceedings by a competent court in an EU member state (provided that such proceedings are listed in Annex A of the Insolvency Regulation and on the condition that recognition would not be contrary to national public policy). Main proceedings must be opened in the EU member state where the company has its COMI, which is presumed to be the place of its registered office. For completeness, the said presumption does not apply in circumstances where the registered office has been transferred in the preceding three (3) months.

Under the Insolvency Regulation, where COMI is located in another member state, "secondary" insolvency proceedings can be opened in Cyprus against the same debtor if such debtor has an establishment in Cyprus. The effect of "secondary" insolvency proceedings would be limited to the assets situated in Cyprus.

In circumstances where the Insolvency Regulation is not applicable and in the absence of a bilateral treaty stating otherwise, Cypriot courts may recognise cross-border insolvencies and the appointment of a foreign liquidator on the basis of the common law principle of universalism.

Cyprus has not enacted legislation to adopt the UNCITRAL Mode Law on cross-border insolvency.

18. For EU countries only: Have there been any challenges to the recognition of English proceedings in your jurisdiction following the Brexit implementation date? If yes, please provide details.

Judgments obtained in England following the Brexit implementation date can be recognised pursuant to the Foreign Judgments (Reciprocal Enforcement) Law Cap.10, which is modeled on the English Foreign Judgments (Reciprocal Enforcement) Act 1933 given Cyprus' status as a former British colony.

Further, pursuant to the Hague Convention on Choice of Court Agreements (the "**Hague Convention**") to which the UK and Cyprus are parties, a judgment given by an English court (designated in an exclusive jurisdiction agreement within the meaning of the Hague Convention) can be recognised and enforced in Cyprus. Having said that, recognition under the Hague Convention does not extend to interim measures.

19. Can debtors incorporated elsewhere enter into restructuring or insolvency proceedings in the jurisdiction? What are the eligibility requirements? Are there any restrictions? Which country does your jurisdiction have the most cross-border problems with?

As mentioned above, main insolvency proceedings may be opened in Cyprus if the debtor's centre of main interests is in Cyprus. Where the debtor has only an "establishment" in Cyprus and "main" proceedings are pending in another EU member state, the Cypriot courts have jurisdiction to open "secondary" insolvency proceedings which would be restricted to the assets of the debtor that are located in Cyprus.

Further, in circumstances where the Insolvency Regulation is not applicable, the Cypriot courts may wind up a company incorporated outside Cyprus which is carrying on business in Cyprus, or, which having carried on business in Cyprus, ceases to do so, notwithstanding that the said company has been dissolved or ceased to exist in the country of its incorporation.

Cyprus does not have any particular cross-border problem with any particular jurisdiction.

20. How are groups of companies treated on the restructuring or insolvency of one or more members of that group? Is there scope for cooperation between office holders? For EU countries only: Have there been any changes in the consideration granted to groups of companies following the transposition of Directive 2019/1023?

Under Cypriot law each company within a corporate group is a separate legal entity with its own rights and liabilities. Directors are therefore required to consider the interests of creditors in relation to the company on

whose board they are sitting. Notwithstanding this, the Insolvency Regulation entails provisions which purport to facilitate cooperation between office holders.

Furthermore, examinership may be invoked to re-organise related companies and the same examiner may be appointed in this respect. In considering whether a related company must be placed under examinership (along with the company to which it relates), the court must be satisfied that examinership would likely facilitate the survival of, either of company or, both, and the whole or any part of its undertaking as a going concern.

There have been no applicable changes following the transposition of the Directive 2019/1023.

21. Is your country considering adoption of the UNCITRAL Model Law on Enterprise Group Insolvency?

Cyprus is not considering the adoption of the UNCITRAL Model Law on Enterprise Group Insolvency at this stage.

22. Are there any proposed or upcoming changes to the restructuring / insolvency regime in your country?

As mentioned above, the restructuring and insolvency regimes in Cyprus have undergone reforms in the last years.

Cyprus has also implemented the EU Directive 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency, and discharge of debt in the year 2022.

Cyprus is obliged to implement any applicable EU Directives in this respect.

23. Is your jurisdiction debtor or creditor friendly and was it always the case?

Historically, Cyprus has been perceived as a more debtor-friendly jurisdiction. However various reforms that have taken place have shifted the balance to facilitate debt recovery and modernise the liquidation regime. For example, recent legislative amendments introduced the rescue procedure of examinership allowing viable companies in financial distress to restructure and continue to trade and reduced the majority threshold required for scheme of arrangements (i.e. simple majority rather than special majority). Further, Cypriot courts are very quick in examining injunctions on a without notice basis (ex parte) which include, amongst others, asset freezing, discovery and tracing orders and where appropriate, the appointment of a receiver. By way of indication, an ex parte order can be issued within one (1) to two (2) days from the filing of the relevant application. Also, in the context of liquidations, creditors of the same class are treated equally irrespective of whether they are domiciled outside jurisdiction.

24. Do sociopolitical factors give additional influence to certain stakeholders in restructurings or insolvencies in the jurisdiction (e.g. pressure around employees or pensions)? What role does the State play in relation to a distressed business (e.g. availability of state support)?

There is generally no state support available to distressed businesses and sociopolitical factors do not normally influence restructurings or insolvencies. However, to mitigate any residual economic impact of the Covid-19 pandemic, the state has released and may continue to release support packages to preserve businesses and employment.

25. What are the greatest barriers to efficient and effective restructurings and insolvencies in the jurisdiction? Are there any proposals for reform to counter any such barriers?

The EU Directive 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency, and discharge of debt (the "**Directive**") has been implemented in the year 2022. The Directive introduces minimum standards for preventative insolvency proceedings across the EU so as to enable financially distressed debtors to address financial issues at an early stage and avoid formal insolvency proceedings. The examinership process under Cypriot law is a preventative tool which complies to an extent with the measures imposed by the Directive.

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About Michael Filiou

Michael is a forward thinking, strategic accountant with business focus, international tax expertise, and a real love for his clients. He started his career in 1987 working for a Big Four accounting firm, before becoming a partner of a smaller practice.

He set up Michael Filiou Ltd Chartered Certified Accountants in 2008 to help like-minded independent business owners have a smoother journey through life. Michael has a passion for his practice, his clients, his team and the profession, and is very proud of the firm he has built and that carries his name. He is a qualified Chartered Certified Accountant with significant expertise in advising on UK tax planning and compliance.

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The Doctrine of Capital Maintenance

By S. Constantinou & Associates LLC

1. Introduction

One of the most significant doctrines of company law and common law is the doctrine of capital maintenance which deals with the very essence of corporate financial operations and management. The aim of this doctrine is to safeguard the share capital of the company having due regard to the creditors' interests. It is a long-standing rule providing that a company is prohibited from returning capital to its shareholders save in one of the ways expressly permitted by statute.

The philosophy behind capital maintenance stems from the need to ensure that the company's capital is being utilized exclusively for the company's needs foreclosing the likelihood of returning this capital to its shareholders. The main reason justifying the doctrine is that the shareholders of a private company enjoy limited liability and provided that they paid in full for their shares, they cannot thereby be compelled to make any additional contributions and/or payments to assist the company in the discharge of its debts.

In the caselaw of Progress Property Co Ltd v Moore (2010), the court held that "the capital maintenance is understood as a mechanism of protection of creditors' interests from unfair actions of members of the legal entity or as a general prohibition to distribute the company's capital and/or investments of creditors." Any transaction that intends to offend the above principle is to be treated as **ultra vires and void**, as held in Rolled Steel Products (Holdings) Ltd v British Steel Corporation, 1986.

It is noted that a creditor has to be prepared for the risk that a company's capital may well be eroded due to unfavourable circumstances in the company's operation dealings, however, he is entitled to rest assured that the shareholder's shares will be fully paid for and that their respective capital contributions will not be returned except the legally permitted ways which are:

i) a reduction of capital,
ii) a capital redemption reserve fund, and
iii) purchase by a company of its own shares.

2. Reduction of Share Capital

A company may, for numerous reasons outlined in the Companies Law, CAP 113, proceed with a reduction of its capital provided that it has obtained a prior confirmation by the Court by means of a court order.

It is further noted, that the Articles of Association of the company must authorize a reduction of share capital, otherwise, the company must proceed with the alteration of its Articles in conformity with CAP 113, before applying to the Court for a reduction of the capital.

By applying to the Court, the key matter of concern is whether or not the company will be capable of repaying its debts and creditors. If there are creditors the Court will require the presence of creditors' consent to the proposed reduction of capital.

3. Capital redemption reserve fund

The doctrine of maintenance of capital is expressed in the rules on redemption of redeemable shares which are shares issued by a company on the understanding that these will be redeemed (bought back) by the company on a certain date.In other words, the shareholders of redeemable shares are being paid back the capital they previously contributed and there is no need to comply with the requirements of reduction of capital since these do not apply in case of redemption.

Also, according to CAP 113, the redeemable shares can be redeemed only out of the proceeds of a new issue of shares made for the purpose of effecting the redemption or of the distributable profits of the company available for the payment of dividends.

4. Purchase by a company of its own shares

Although the general rule states that the company is prohibited from acquiring its own shares, CAP 113 provides for some exceptional circumstances under which it is permissible for a company to acquire its own shares which are fully paid.

First of all, the company must be authorized by its Articles to do so and subject to the passing of a special resolution at a general meeting authorizing its Directors to purchase the company's own shares.

From the various court judgments over the years the following rules have been established to safeguard the capital of the company:

i) It is generally unlawful for a company to give any financial assistance for the acquisition by any person of its own shares or those of its holding company (some exceptions apply);
ii) Dividends must not be paid to the shareholders except out of the distributable profits;
iii) Where a public company suffers a serious loss of capital, a company meeting can be called to discuss the issue.

All kinds of distribution to the company's members, such as distribution of dividends, capital returns, and buy-backs, are permitted provided that relevant solvency tests are duly met because the doctrine of capital maintenance has been established principally for the protection of creditors.

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Demystifying Real Estate Agents: Unveiling Their Hidden Superpowers

By Androulla Poutziouris, Founder & CEO of European Legal Training Centre

The journey of buying or selling a property is an exciting, yet complex endeavor. For many individuals, the guidance and expertise of a real estate agent play a pivotal role in this process. The relationship between a consumer and their real estate agent is a unique and significant form of agency. In this article, we will delve into what this relationship entails and why it is so vital in the world of real estate.

Understanding Agency in Real Estate

In real estate, agency refers to the legal and ethical relationship between a real estate agent and their client, whether that client is a buyer or a seller. This relationship is built on trust, transparency, and a mutual understanding of roles and responsibilities. Here are key aspects of the consumer-real estate agent relationship:

1. Fiduciary Duty

Central to the consumer-agent relationship is the concept of fiduciary duty. Real estate agents owe their clients the highest standard of care, loyalty, and confidentiality. They are legally bound to act in their clients' best interests, ensuring that their needs and objectives are paramount throughout the transaction.

2. Expertise and Guidance

Real estate transactions involve intricate processes, legal documents, and negotiations. A qualified real estate agent brings a wealth of knowledge and experience to the table. They can help clients navigate the complexities of the market, providing guidance on pricing, market conditions, and property values.

3. Property Search and Evaluation

For buyers, real estate agents conduct property searches based on their clients' criteria. They also help evaluate properties, considering factors like location, condition, and potential for appreciation. This saves buyers time and ensures they make informed decisions.

4. Marketing and Negotiation

For sellers, real estate agents are responsible for marketing the property effectively. They use their expertise to negotiate offers on behalf of their clients, striving to secure the best possible terms and prices.

5. Legal and Ethical Compliance

Real estate agents are well-versed in local and national real estate laws and regulations. They ensure that all transactions adhere to legal and ethical standards, protecting their clients from potential pitfalls.

6. Building a Strong Relationship

A successful consumer-real estate agent relationship is built on communication and trust. Clients should feel comfortable discussing their preferences, concerns, and financial boundaries with their agent. Transparency on both sides fosters a healthy partnership.

In the world of real estate, the consumer-agent relationship is akin to a partnership. It's a collaboration where the agent's expertise and guidance empower the consumer to make informed decisions. The role of a real estate agent goes beyond transactions; it's about building relationships based on trust, integrity, and mutual benefit.

Whether you're buying your dream home or selling an investment property, having a skilled and dedicated real estate agent by your side can make all the difference. It's a relationship founded on professionalism, ethics, and the shared goal of achieving successful real estate transactions.

So, the next time you embark on a real estate journey, remember that your real estate agent isn't just a professional; they're your advocate, your advisor, and your partner in making real estate dreams a reality.*

European Legal Training Center offers a variety of courses in real estate law. Notably our course on Applied Real Estate Law: https://www.eltrc.com/courses/applied-real-estate-course

*Always remember to ensure that your real estate agent is properly licensed by asking for the real estate license ID card.

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NEW CRITERIA FOR NATURALISATION OF FOREIGN NATIONALS

On the 19th of December 2023, the approved amendments of the Civil Registry Law were published in the Official Gazette of the Republic of Cyprus aiming to modernise and improve the existing legal framework in relation to the criteria for the naturalization of foreign nationals.

The main provisions include the following:

- Applications can be submitted by persons that have completed at least 7years of physical stay within a period of 10 years plus a 12-month period of legal and continuous physical stay in Cyprus.
- Periods of absence of up to 90 days per year are not deducted from the total period of physical stay.
- Applicants must have a certificate of basic knowledge of the Greek language (Level B1) and basic knowledge of the country's history and current political/social status.
- Applicants must be of good character, financially self-sufficient and have a suitable place of residence.
- Applicants must have the intention to stay in Cyprus.

Special provisions for highly skilled foreign nationals working for companies of foreign interest as determined by the Council of Ministers:

- Application can be submitted by persons that have completed at least 4 or 3 years of physical stay within a period of 10 years preceding the application plus a 12-month period of legal and continuous physical stay in Cyprus.
- Periods of absence of up to 90 days per year are not deducted from the total period of physical stay.
- The 4-year route applies to applicants that have an A2 certificate of knowledge of the Greek language and the 3-year route to applicants that hold the B1 certificate of knowledge of the Greek language.
- Family members of the applicants are also eligible to apply under the same conditions.
- These applications will be examined through a fast-track process and shall be decided no later than 8 months.

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Top 25 Fraud Trends of 2023

By Infocredit Group Ltd

Fraud seems to be up by 30% and steady year over year, while fraudsters continue to adapt and evolve their tactics to stay ahead of detection and prevention measures. The fraud losses and the cost of cybercrime, like investments in advanced security systems, intellectual theft, restoration costs, reputational harm and so on, are in the range of trillions of dollars annually. Undoubtedly, for some is a great risk challenge but for others, and certainly for the bad actors, is a great profitable opportunity. Let's go over the major fraud trends in alphabetical order for 2023, responsible for the trillions of dollars in fraud costs, which were evidently laundered uninterruptedly; noted that billions of dollars are spent for AML to monitor and counter-attack through sanctions, compliance rules, audits, transaction monitoring, and KYC… however, with less than 2% recovery of Losses!

1. Account takeover

Supported by enhanced and customized AI Phishing tactics, and by the vast increase in Personal Identifiable Information (PII) data compromises, ATO fraud continues to grow exponentially year over year (30% to 40%) using synthetic IDs as a powerful weapon. Account takeovers are especially notable in online social platforms and online financial services.

2. AI Fraud

As technology evolves, giving rise to an exploding AI driven fraud, has provided a stream of new forms of fraud and cybersecurity threats. Attackers leverage AI to enhance the sophistication of their attacks, by automating and tailoring attacks. In addition, Generative AI which is a mutation of AI, is facilitated to create extremely convincing impersonation images, texts videos and audios, based on AI sophisticated models, applied to learn the patterns and structure of input behavioral data. The AI

technology utilized by bad actors, devotes considerable concentration on customized Social Engineering attacks, posing vast challenges to fraud prevention controls.

3.Authorized fraudulent payments

Social engineering, malware (keyloggers, spyware, rootkits, etc.), SIM card swaps and Deepfake technology are some of the combinations used for this tactic, that makes it so effective. Otherwise called Push Payments or Impersonation Fraud, it involves bad actors impersonating a service provider or a business associate or a CEO, that trick manipulated victim(s) into sending them money with proper authorization. Huge concerns are raised about this, given the unprecedented spread globally.

4.BNPL Credit Abuse

Through a credit agreement, where consumers can Buy Now and Pay Later (BNPL) with almost no interest and through an unregulated framework, offers convenience and tremendous growth in sales but also carries considerable risks in credit abuse. Once again, Application Fraud through Synthetic IDs or use of fraudulent documents or Account Takeover Fraud, are some of the means to considerably abuse BNPL.

5. Business email compromise – BEC Fraud

BEC is a detrimental threat to businesses and individuals alike, which leads to data compromises, ransomware, GDPR issues, fines, and reputational impact. Attackers manage to gain access to business email accounts and through these channels manage to spread malware infection to the network or to external associates. It can be combination of Phishing, Impersonation, man in the middle attacks and Social Engineering, with a high rate of success. BEC fraud has been reported in 2022 as responsible for the biggest financial fraud losses, larger than any other attack method.

6.Card testing

Fraudsters attempt to determine the validity and expiry of Stolen card credentials (obtained through Phishing or hacking) or Generated bank card information (Credit master attack), by conducting small online test purchases at compromised merchants, aiming to validate missing card data. Card testing has become prevalent in recent years while businesses are shifting their operations online. The consequences to Issuing Banks, cardholders and merchants can be severe with evident disputes, higher decline rates, additional fees, infrastructure strain, that damage the overall health and integrity of the payment ecosystems.

7. Crypto fraud

Crypto is well established in the rapidly advancing world of digital currencies. However, Cryptocurrency fraud exceeded 25% increase in 2023, with prevalent scams the fake wallets, impersonation, fake investment schemes, romance fraud, rug pull fraud, ransomware attacks, fake crypto exchanges, ponzi schemes, etc. It's therefore crucial for Crypto users to exercise extreme caution and monitoring throughout their crypto activities.

8. Deep fakes

A rising threat, consequence of the AI technology, where algorithms are trained on vast datasets of compromised images and videos for the purpose of streaming fake content that is almost realistic. Generative AI relative platforms are used in unimaginable ways to create a fearful reality in the cyber threat landscape, mainly adopted for identity theft and fake news. Exceptional use is noted towards impersonating CEOs and other business leaders like CFOs' for succeeding Authorized Fraudulent Payments. Major concerns are raised around the luck of regulations to address the misuse of deepfake technology.

9.Deposit Cheque Fraud

Surprise as it may sound, this old-fashioned fraud became once again a popular one. Consequently, has raised challenges to Banks that should fight back with more advanced processing technology, to address more effectively identity checks and fake accounts, which are the primary triggers. Deposit Cheque Fraud is conducted when a cheque with insufficient funds is deposited at a Bank, and where the Bank immediately allows the withdrawal of part of the deposited funds.

10.Exploitation of biometric data

Attacks targeting Biometric data can simply be performed through communication interception, while data is transmitted during verification, or by hacking the storage location. Once hacked, biometric information can be used to simulate and authenticate impersonations or to gain access to accounts or to Personal Identifiable Information data (PII). Other means of biometric data exploitation are skimmers placed at ID authentication devices or by spoofing through cloning (i.e. fingerprint or iris) to manipulate identity scanners. Hacking biometrics is the upcoming issue and will be a challenge to control since technology builds great trust and reliance on biometric integrity.

11. Fake job adverts

Attractive job ads can be fake and designed to lure applicants into providing personal information, to be exploited for activities like fraudulent bank applications, mule accounts and impersonation activities. The year 2023 was predicted to be the year of fake ads and indeed indicated a huge spike in sophistication and frequency.

12. Fraud as a service (FaaS)

A fraud service that gained great popularity, where fraudsters provide advice on how to carry out illicit activities effectively without getting caught. FaaS is particularly popular for ransomware attacks, unauthorized access to sensitive systems, financial fraud, and identity theft. This is a consequence of the unstoppable global economic recessions, caused by epidemics and the recent wars, where people have become more and more susceptible to collusive actions like participating in Inside Fraud involvement.

13. Fraudulent Applications

Fraudulent applications are specially focused on credit card fraud, fake loans, money laundering via mule account creations or insurance fraud. Given the vast available compromised PII data provided through the dark net, one can only imagine the easiness to succeed bank account openings via synthetic fake IDs. Hoping that Artificial intelligence will confront this issue, by effectively detect anomalies and suspicious patterns, allowing companies and banks to alleviate the problem of fraudulent applications.

14. Internal fraud

This type of fraud is mainly the cause of the unstable economic conditions, raised once again by the Pandemics and the recent wars, which scarred the earth with consequent recessions leading to peoples' financial despair. These conditions trigger the 'Triangle of Fraud', the framework that applies the reasons behind an individual's decision to commit fraud. It is comprised of three components, Opportunity, Motivation and Rationalization. Evident statistics indicate that nowadays 15% of employees are either committing fraud or at least thinking about it. Internal fraud for example, can be caused by an 'Opportunity' raised due to the luck of internal controls or from the existence of assets susceptible to fraud, by the 'Motivation' elevated from the employees' financial despair or greed, and by 'Rationalization' when individuals justify crime in their mind, like 'it's for a good purpose' or 'I will pay it back if I get caught'. Some consequences of Insider fraud are SIM Swaps, PII data theft, fraudulent refunds, and the tip off for access to networks. Another type of Internal Fraud, otherwise called 'Friendly Fraud', is when people intentionally dispute transactions, so they can receive the goods or services for free while funds are refunded, given provisions to chargeback rights.

15. Impersonating family members

Usually, it starts with a bad actor impersonating a family member, a friend, or a hospital representative, where via text or a 'spoofed' phone number requests funds from its victim 'for an urgent medical surgery' or any other request of sensitive matter. The pressure prompts immediate response since requests target people's emotions for their loved ones. The elderly people are targeted the most, since are considered weak in terms of security awareness and are generally more sensitive. In the UK, a 25% increase in impersonation fraud is noted by Banks, which prompted an urgent need for alert notification and awareness to customers and to the public.

16.Investment fraud

A particularly disturbing fraud type given the high fraud loss average per attack. It aims to deceive prospective investors into deposits with 'allegedly' high investment returns. Some of the investment fraud types include pyramid schemes, Ponzi schemes, pump-and-dump schemes. Recently, crypto assets joined the investment fraud categories, featuring high yield investments with initial coin offerings (ICOs), posing an exceptional number of reported victims. Investment fraud is also an issue to organizations in the financial services industry, with heavy losses. Investment fraud has increased in frequency due to rapid technological advancements and through the user-friendly online investment platforms.

17. Man in the middle attacks (MITM)

An attacker intercepts the communication of two parties, targeting a breach, malware injection, phishing, content injection, alteration, etc., to access and/or manipulate or steal sensitive data. The fraudster generally eavesdrops on or impersonates one of the two parties with the intention to steal personal information, such as login credentials, account details and credit card numbers. This is materially harmful for individuals with low security awareness, malware protection in place or adequate network security.

18. Merchant fraud - Mirroring company websites

A particularly tricky scam, where a customer can be fooled easily when awareness of circumstances, such as 'price too good to be true', is low. The lack of awareness is noted to be the major ingredient for the huge number of victims attracted by the fake merchant baits, which are usually escalated during 'sale' periods. Consequently, victims provide complete card credentials that are immediately used for fraudulent transactions. This fraud category is not newfound, however the lower the security awareness is the longer this fraud MO shall continue.

19. Mobile SIM swaps

Two factor authentication (via SMS) is not considered robust any longer. Phishing/Vishing techniques can succeed 'mobile account takeover' via breach of OTP verifications through SIM swaps. Mobile Providers operators can be swayed to provide a SIM copy to a fraudster that will control an incoming OTP. The fraudster takes over the victim's phone, usually at times when the victim is sleeping, at rest and or unable to notice reception glitches. The fraudster will pursue authenticated card transactions with OTP verification, or money transfers, with the victim becoming fully liable and responsible for the losses. This fraud is particularly harmful, as the victim cannot defend its position or respond with a chargeback right.

20. Money Mules

They are individuals recruited by bad actors that will 'knowingly' create accounts for illicit deposits and conduct money transfers for a fee. They pose significant risk to financial society, like banking institutions and FinTech companies. Money mules facilitate money laundering, and their recruitment serves the movement of illicit funds around the world and back, until they become untraceable. Some of the trails that indicate the mule account phenomenon, is when accounts are linked to multiple IP addresses, when connected to high-risk countries, any out of the ordinary transfers, funds withdrawn immediately after deposit, unwillingness of customers to participate due diligence checks, and so on. This phenomenon is particularly widespread and is supported by many actors, either ones that do not understand the seriousness of their actions (i.e. students) or individuals suffering from poverty, despair, or intentional greed.

21. Phone scams

Phone scams are particularly harmful when numbers are masked or spoofed (altered to match a known number), or when they leave a missed call so can trigger the victim's curiosity to call back. This scam is global, with fake 'call centers' located in different continents. The targets are both individuals and businesses (i.e. impersonation fraud 'CEO Fraud', the 'call from Microsoft', in the pursue of 'technical support', or for Bank for Account verification). The anonymity of the callers and the high potential for easy profits are the grounds for its popularity. It is highly organized and with the support of the Dark Net. The Wangiri fraud is a perfect example of phone scams, which was originated in Japan but was spread worldwide with tremendous success and speed.

22. Ransomware attacks

The accelerated rate of ransomware attacks and the doubling of remediation cost average has raised red alerts globally. Ransomware is mainly the effect of phishing, BEC, and brute force attacks, which

could be prompted by a malware on a device, computer, or database with the purpose to exploit vulnerabilities or gain access to sensitive system and network configurations. Consequently, the encryption of data or data removal from victim's database can trigger a request for ransom as a remediation. Noted that, no guarantee can be provided by the bad actors that the data will be recovered/returned in whole or partially or uncorrupted. These cyberattacks can be particularly damaging, resulting in major data loss, unavailability, and reputational harm. It is also recorded that over 50% of the victims do pay the ransom with only 70% recovery.

23. Romance scams

The Covid era and the notion of people to avoid social events amplified the isolation effects, which induced the seek for company through online dating sites. The shift of dating and socializing online has opened the door for romance scams. This is usually conducted when scammers start an online chat that will create a relationship through a fake social media profile. Ultimately, the aim is to convince the victim to send money. Usually the conversation starts by catfishing, using a fake identity and photos that can attract the victim's attention to succeed the victim's trust over a period. These scams result in financial losses but also in emotional effects to the victim. As one can suspect, most romance scams are not usually reported. These have been around for a long time, but cases have increased dramatically recently and especially with the rise of cryptocurrencies. A byproduct of this scan is called pig butchering or pig fattening, where the criminal attempts to build a relationship over time so can later introduce a bogus investment scheme, that promises great returns, for the purpose of cashing out the victim's investment funds.

24. Social Engineering

Possibly the worst, most effective and increasing fraud type of all. It can be summed up as a manipulation trick which exploits human psychology, aiming to succeed access to personal and confidential information, or to gain access to systems or to physical locations. Main types of social engineering are Phishing emails, Business email compromises (BEC), Vishing (voice solicitation) and Smishing (through SMS), via techniques such as emails, Baiting, Pretexting, Quizzes and surveys, impersonations, telephone communications, fake adverts, etc. The response to these attacks should be to increase peoples 'security awareness' to these tactics through security trainings, and by establishing policies and procedures to verify identities and validate the requests for sensitive information.

25. Synthetic IDs

Last, but not least, is the composure of synthetic IDs consequence of data compromises, for use at Fraudulent Application attacks (for credit cards, loans, bank accounts) and for 'mulling' for money laundering purposes. Criminals combine real and fake information to create a fraudulent identity, where the fresher the ID data is the better the effectiveness will be.

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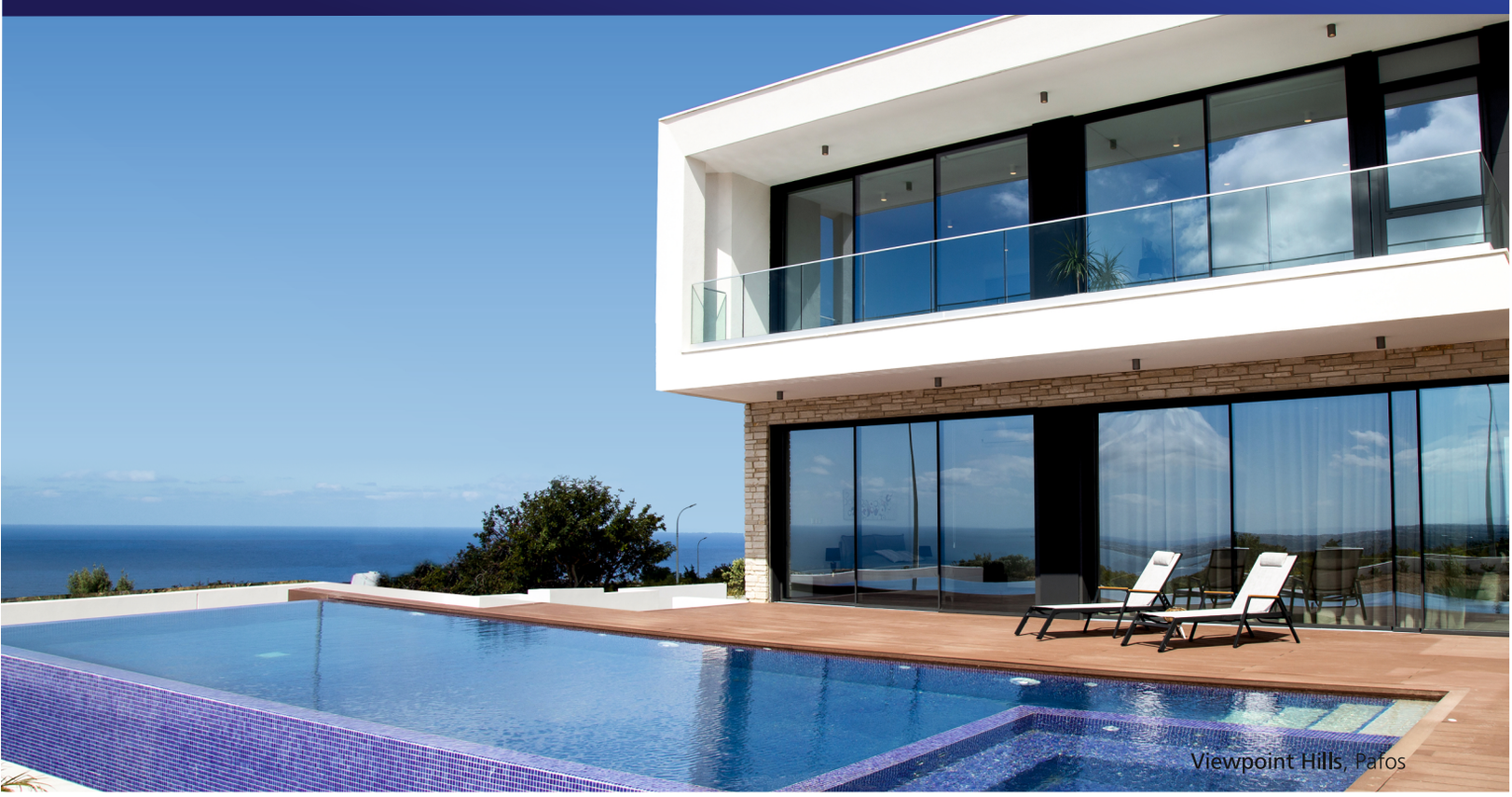

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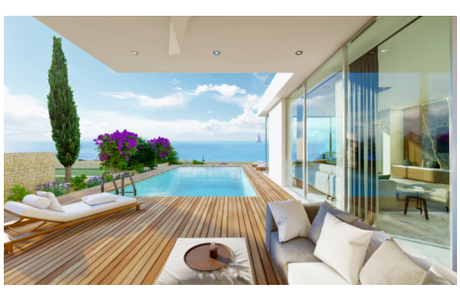

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BUSINESS STRATEGY

A Guide to ESG for SMES

By Lauren Kelly, Head of Marketing at GERALD EDELMAN

ESG stands for "environmental, social, and governance" and refers to a set of standards socially-conscious investors use to screen investments. The concept is becoming increasingly prominent as concerns about the environment, working conditions, and corporate decision-making reach new highs.

This guide explores ESG's elements in detail before discussing the challenges it poses, solutions, and practical guidance for firms looking to implement various practices associated with it.

Environmental Factors

The "E" in ESG stands for "environment" and relates to an organisation's sustainability. The lower their impact on the natural world, the higher their ESG score.

Sustainability is not the sole responsibility of multinational firms. SMEs comprise 99.9 per cent of the UK's private sector businesses, impacting society considerably.
Fortunately, SMEs can take numerous practical steps to reduce their environmental footprint, even if they don't have extensive access to capital and credit. Options include:

- Using more sustainable materials, such as recycled plastics.
- Sustainably sourcing raw inputs from trusted suppliers.
- Reducing waste by composting or recycling.
- Cutting water consumption by installing more efficient appliances and fixing leaks.
- Switching to energy-efficient appliances and lighting to cut electricity usage.

Various companies have been successful in implementing environmental initiatives. For instance, outdoor clothing brand Patagonia uses sustainable materials and practices in its production processes, while also promoting eco-activism for causes globally.

Meanwhile, UK-based retailer, The Body Shop, invests in sustainable and ethical supply chains to reduce the externalities of sourcing products. It also uses recycled plastics in some of its goods.

Social Factors

The second component of ESG is "S," which stands for "social responsibility." Companies that score highly on this metric care for their communities and implement fair labour practices.
Again, SMEs play a vital role in promoting social responsibility.

The benefits of doing so include:

- Improved brand reputation that fosters customer loyalty and stronger ties to the community.
- Enhanced employee morale via a workplace culture that promotes ethical conduct and employee wellbeing.
- Reduced turnover from happy and engaged employees.
- Boosted community relations by promoting local sustainability and supporting nearby voluntary work, charities, and organisations.

Online grocery retailer, Abel & Cole, is an excellent example of a company committed to ethical sourcing. The business works closely with suppliers to ensure favourable social and environmental practices.
Lush Cosmetics is another example, known for its commitment to animal welfare. It implements fair labour practices and disallows animal testing internally and for suppliers.

Governance Factors

The "G" in ESG stands for "governance" and relates to the quality of corporate leadership.
Companies scoring highly on this metric put various systems and policies in place to ensure they continue to operate ethically on behalf of all stakeholders in a transparent, fair, and accountable manner.

Good governance is essential for SMEs for the following reasons:

- It attracts investors looking for well-run companies to invest in, signalling excellence at the leadership level.
- It improves stakeholder relations, fostering trust among consumers and other businesses in the community, creating opportunities for cooperation and collaboration.

You can improve governance at your business by implementing the following steps:

1. **Define your governance structure**. Ensure your organisation has a policy encouraging accountability and transparency at all levels.
2. **Assess potential risks.** Review your organisation for vulnerabilities.

3. **Keep communication channels open.** Make it possible for low-ranking employees to come forward without fear of reprisals to report wrongdoing and put in processes to allow your employees to suggest ideas and initiatives.
4. **Embrace ethical decision-making.** Put a code of ethics in place to ensure workers, managers, and leaders know how to respond to various situations.

Challenges and Solutions

SMEs face various challenges in implementing ESG, including trouble integrating new practices within their business models, gaps in internal understanding of how to fulfil mandates and lack of resources to implement changes.

Fortunately, there are resources available to help. These include:

- UK Business Climate Hub – A government-funded organisation that provides SMEs with the resources they need on the journey to net zero.
- The Confederation of British Industry – An industry body that provides additional resources to smaller firms to meet ESG criteria.
-

Other practical strategies for overcoming ESG challenges include:

- Using ESG data collection and analysis technology to see where the firm is strong and where it is weak.
- Working with other SMEs to deliver ESG benefits at scale, such as working together to support communities.
- Placing employees on training programmes to understand the daily actions they can take to improve the firm's environmental responsibility and community engagement.

With the above in mind, you can start integrating ESG into your firm by:

- Exploring your existing ESG performance. Ask whether you are performing well against various ESG metrics and see whether you could improve.
- Creating an action plan. Get senior team members together in a room and thrash out the resources, timeline and strategies you need to develop your ESG credentials.
- Embedding ESG into your firm's operations. Ensure you provide employees with the training they need to carry out your ESG policies.
- Track your progress. Use solutions like Microsoft Power BI to track and monitor your ESG milestones. Leverage feedback to determine which approaches are working and which still require improvement.

Conclusion

Hopefully, you now understand the value of pursuing ESG – regardless of whether you're a microbusiness or a fast-growing SME.
However, you don't need to do everything at once. We suggest starting small and integrating ESG into your operations gradually. Slow and steady wins the race.

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Reduction of Defence tax on passive interest income from 30% to 17%

By TOTALSERVE Group

The Cyprus Parliament approved on 6 December 2023 an amendment to the Special Defence Contribution ('SDC') Law, through which the SDC rate on passive interest income earned by Cypriot tax residents (individuals and companies) is reduced from 30% to 17%.

The amendment was published in the official Cyprus Government Gazette on 20 December 2023 and comes into force on 1 January 2024.

It is being reminded that the SDC rate was increased from 15% to 30% during the year 2013, as part of several temporary economic measures at the time.

The amendment serves to rectify the discrepancy that existed on the taxability of passive interest compared to dividends (which are taxed under SDC at 17%).

This is a positive and welcome development that is expected to contribute to the reduction of the tax burden of Cypriot taxpayers.

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Pafilia CYPRUS AND GREECE PROPERTY DEVELOPERS

Cypriot Citizenship by virtue of years of residence: New legal requirements

By Esme Palas, Partner at Michael Kyprianou LLC

The Republic of Cyprus has introduced significant amendments to the law that govern naturalisation of foreign nationals based on years of residence in Cyprus. These changes, published on December 19, 2023 in the Official Government Gazette, have immediate effect and have raised the bar by including additional criteria and requirements that have to be met by applicants prior to being eligible to apply for Cypriot citizenship.

Criteria for naturalisation

Under the provisions of the Amending Law 149(1)/2023 which amends the Civil Registry Law of 2002 (Law 141(I)/2002) a new article 111B has been added which clearly outlines the criteria that have to be met for a foreign national to be eligible to apply for the status of Cypriot citizen by virtue of naturalisation.

Foreign nationals who apply for Cypriot citizenship may qualify for naturalisation provided that they are adults of full mental capacity and cumulatively meet the following criteria:s:

Residency in the Republic

i) Applicants need to prove that they have been legally and continuously residing in the Republic for the period of the immediately preceding twelve months from the date of submission of their application for naturalisation:

Provided that, unlike the previous regime, periods of absence from the Republic not exceeding in total 90 days within the period provided for in this paragraph, this shall not interrupt the above- mentioned required 12-month period; **and**

ii) During the ten years immediately preceding the twelve-month period provided for, they were either lawfully resident in the Republic or were in the civil service of the Republic, or partly in the one and partly in the other, for periods which, taken together, are not less than seven years.

Good character

Applicants need to be of Good Character. It is understood that, elements tending to demonstrate good character include, but are not limited to, the following:

(i) They are law abiding and have not demonstrated by deeds or words a lack of conformity with the laws or contempt for the Republic of Cyprus;

(ii) They have not acted in a manner that constitutes acceptance of the illegal administration/ occupancy in areas not controlled by the Republic of Cyprus, do not hold any office related thereto, and do not possess, have unlawfully entered, caused damage to, or interfered with immovable property located in such areas which belongs to another lawful owner;

(iii) They have not in the course of any war conducted by the Republic engaged in any transaction and have not communicated with the enemy or engaged in the conduct of an operation or participated in any operation in such a manner as to have assisted the enemy;

(iv) They have not been sentenced in the Republic or abroad to imprisonment for a serious criminal offence, which carries a penalty of five years or more in prison or for another serious offence or for an offence involving dishonour or immoral acts;

(v) They are not wanted at pan-European level by Europol or at international level by INTERPOL for a serious criminal offence, which constitutes an offence in the Republic and carries a penalty of imprisonment of five years or more or for another serious offence or for an offence which is dishonorable or involves moral deceit;

(vi) They are not subject to a sanction regime and their name is not on a sanctions list;

(vii) There is no criminal case pending against them in the Republic or abroad for an offence punishable by imprisonment of three years or more;

(viii) They have not entered into the Republic of Cyprus through an illegal point of entry or entered or stayed in the Republic in violation of any prohibition, condition, restriction or reservation under the laws of the Republic in force from time to time; and

(ix) They do not constitute a danger to public order and public security of the Republic: provided that, in the case of a conviction of a foreigner in another country, the conviction relates to an offence which also constitutes an offence in the Republic and which, as aforesaid, is punishable by imprisonment.

Language proficiency

Applicants need to have sufficient knowledge of the Greek language at the BI level, on the basis of the language proficiency certificates of that level specified in an Order of the Minister, which are issued upon submission of the foreigner to a written examination.

Knowledge of contemporary political and social reality in the Republic

Applicants need to have sufficient knowledge of basic elements of the contemporary political and social reality of the Republic, the procedure and method of evaluation of which are determined by a three-member evaluation committee, which is composed of representatives of the Ministry of Interior, the Ministry of Education, Sports and Youth and the Ministry of Justice.

Suitable accommodation and financial stability

Applicants need to have suitable accommodation and stable and regular financial resources sufficient for the maintenance of the individuals and their dependent family members and for this purpose the following shall be taken into account:

i) Income from full-time employment and/or income from other sources of a stable and lawful nature; and

ii) If they are or have been unemployed on a long-term basis during their stay in the Republic; and

iii) If, as a result of hardship or a difficult financial situation, they have received any financial assistance or financial benefit during their stay in the Republic.

Genuine intention to reside in the Republic

Applicants need to have a genuine intention to reside in the Republic if granted Cypriot Citizenship or to serve in the civil service of the Republic.

It is understood that residence for naturalization purposes means the physical presence of the foreigner in the Republic, on the basis of the immigration rules applicable on a case-by-case basis.

It is further understood that, in calculating the period of residence, the period during which the foreigner has resided in the Republic, as an asylum seeker or as a holder of international protection order or as a holder of a student permit, shall not be taken into account.

It is important to mention that the applicants need to meet all the above conditions and if one of conditions are not met this will lead to rejection of the application.

Furthermore, this law is implemented as of the day of its publication in the official gazette and has retrospective effect and, as a result, applications that are pending and are yet to be reviewed and which were submitted based on previous legislation will be reviewed in accordance with the Amending Law.

Highly skilled professionals

An exception has been made in the the provisions of the Amending Law 149(1)/2023 to provide for highly skilled professionals employed by companies of foreign interests designated by the Council of Ministers as part of the initiative to attract companies to operate and/or expand their activities in the Republic, to be able to be naturalized in a shorter period of time.

Specifically, In the case of foreigners who reside in the Republic for the purpose of highly skilled employment in companies of foreign interest and who have knowledge of the Greek language at A2 or BI level, the cumulative periods of time that they have to reside in Cyprus within the previous ten years of the twelve month period prior to their application are reduced and must not be less than four years if they possess an A2 certificate, or three years if they possess a B2 certificate, respectively, instead of seven years. The family members may also apply for naturalization simultaneously provided they meet the same criteria.

It is understood that periods of absence from the Republic not exceeding a total of 90 days per year shall not be counted as absence for the purposes of calculating the duration of residence and shall be included in the above periods.

Additionally, they will have to meet all the other criteria for naturalization mentioned above. Applications of highly skilled employees are fast tracked and will be reviewed within an 8-month maximum period.

It is evident that the Government has introduced additional safeguards in that the applicants must be physically present in Cyprus and thus have real ties to the island and speak the language and it has now become more demanding than before to meet the criteria needed in order to be eligible to become a Cypriot Citizen.

Becoming a Cypriot citizen is a privilege and the Cypriot government is granting this right to those who meet all criteria, have an impeccable record, speak the language and have real ties to the island. Furthermore, the government has introduced the criteria for naturalization of highly skilled employees working for companies of foreign interest in an attempt to draw talent to the island, attract qualified specialists in specific fields, and encourage such workers to remain on the island which should have a positive effect on the economy of Cyprus.

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OUR STORY

Papademetriou & Partners Ltd was established in 1972 by Demetrakis Papademetriou as a firm of Accountants and Auditors, based in Nicosia, the Capital of Cyprus. In the 1990s his sons, Charis Papademetriou and Loukis Papademetriou joined the firm as partners and on the 1st of January 1996, the firm joined INAA and grew from an originally small firm to the one you see today.

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Provisional Agreement on European Anti-Money Laundering Authority (AMLA)

By Angelina Alyabyeva, Legal Associate at Symeon Pogosian LLC

A significant milestone has been achieved as the Council and the Parliament reached a provisional agreement to establish a new European authority dedicated to countering money laundering and the financing of terrorism—AMLA. This agreement serves as the cornerstone of the broader anti- money laundering package, with the primary objective of safeguarding both EU citizens and the integrity of the EU's financial system against the threats posed by money laundering and terrorist financing.

Supervisory Powers and Obligations

AMLA will wield both direct and indirect supervisory powers over high-risk obliged entities within the financial sector. Notably, the agreement defers the decision regarding the agency's seat location, a matter still under active consideration through a separate track.

Given the cross-border nature of financial crimes, the new authority is poised to enhance the efficacy of the anti-money laundering and countering the financing of terrorism (AML/CFT) framework. This enhancement involves the creation of an integrated mechanism that collaborates with national supervisors. The objective is to ensure the compliance of obliged entities with AML/CFT-related obligations in the financial sector. Additionally, AMLA will play a supporting role in non-financial sectors and coordinate financial intelligence units across member states.

Targeted Financial Sanctions and Governance

Given the cross-border nature of financial crimes, the new authority is poised to enhance the efficacy of the anti-money laundering and countering the financing of terrorism (AML/CFT) framework. This enhancement involves the creation of an integrated mechanism that collaborates with national supervisors. The objective is to ensure the compliance of obliged entities with AML/CFT-related obligations in the financial sector. Additionally, AMLA will play a supporting role in non-financial sectors and coordinate financial intelligence units across member states.

Whistle blowing and Dispute Resolution

The provisional agreement introduces a reinforced whistleblowing mechanism. AMLA will handle reports only from the financial sector and may attend reports from employees of national authorities. AMLA is granted the authority to settle disagreements with a binding effect in the context of financial sector colleges and, upon the request of a financial supervisor, in any other case.

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YOO Limassol is the island's first of its kind, high-end branded residential project of the world-famous French designer Philippe Starck. It features 81 villas and 84 apartments with exclusive design and breathtaking sea views.

What makes this luxury project stand out is its concept of a 'city within a city,' featuring a plethora of amenities to ensure a rich and varied lifestyle for its residents, whether they are conducting business, playing sports, maintaining a healthy lifestyle or raising a family.

YOO residents will have exclusive access to the Residents Club, which offers more than 1,500 sq.m. of different types of recreation and entertainment and 400 sq.m. sandy beach.

Among the amenities available to residents are a spa, a gym, a cinema, a kids club and a business centre. Outdoor sports facilities include a tennis court, bocce area, mini golf, water sports, and yoga and pilates classes. The golden sandy bay offers a marina for yachts and a safe, secluded area for children to play in.

The International Property Awards were established in 1993 and are judged by an independent panel of 100 industry experts, through a series of criteria focusing on architectural design, service, originality, commitment to sustainability and environment.

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“Why Every Business Duo Needs a Shareholders’ Agreement: Avoiding Chaos, Embracing Harmony”

By Androulla Poutziouris, Founder & CEO of European Legal Training Centre

In the realm of business, particularly where two or more individuals come together to form a company, the question of whether a shareholders’ agreement is necessary becomes increasingly significant. While some may view such agreements as a mere formality, their role in ensuring the smooth operation and governance of a business cannot be overstated.

Understanding Shareholders‘ Agreements

A shareholders’ agreement is a pact between the shareholders of a company. It outlines the rights, responsibilities, and obligations of the shareholders and provides a framework for the management and administrative processes of the company. This agreement serves as a private contract that supplements the company’s constitution or articles of association.

Reasons for Implementing a Shareholders’ Agreement

1. One of the primary benefits of a shareholders’ agreement is that it provides clarity and certainty to the parties involved. It clearly lays out the rules and expectations for shareholders, reducing the potential for disputes.

2. Inevitably, disputes will arise. A well-drafted shareholders’ agreement can include dispute resolution mechanisms, making it easier to resolve conflicts without resorting to costly and time- consuming litigation.

3. Without an agreement, minority shareholders may find themselves at a disadvantage. A shareholders’ agreement can ensure that their rights are protected, and their voices are heard in the decision-making process.

4. Shareholders’ agreements can stipulate how decisions are made, who has authority in various situations, and how deadlocks are resolved. This clarity is invaluable in day-to-day operations.

5. What happens if a shareholder wants to exit the business? A shareholders’ agreement can set out the procedure for share transfers, including pre-emption rights, tag-along and drag-along provisions ensuring a smooth transition and stability for the company.

Potential Drawbacks

While the benefits are significant, there are potential drawbacks to consider. Drafting a shareholders’ agreement can be time-consuming and may require legal assistance, which incurs costs. Moreover, the process of negotiating and agreeing on terms can be complex, especially in businesses with a large number of shareholders.

In conclusion, the presence of a shareholders’ agreement in businesses with two or more shareholders is not just a formality but a necessity for the efficient and harmonious operation of a company. It provides a clear framework for the management and administration of the business, protects the interests of all shareholders, and helps prevent and resolve disputes. While there are costs associated with drafting such an agreement, the long-term benefits far outweigh these initial expenses, making it a prudent investment for any multi-shareholder business.

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Updated Double Tax Treaty between Cyprus and France

By Marios Yenagrites , Tax Manager, Tax Department, at Totalserve

An updated treaty for avoidance of double taxation (the "Treaty") between Cyprus and France was signed on 11 December 2023 and was published in the Official Gazette on 22 December 2023, replacing the previous Treaty that dated back to 1981. It will enter into force once the ratification instruments are exchanged and its provisions will enter into effect from 1 January of the year following its entry into force.

The revised Treaty was deemed necessary in order to be aligned with the latest international rules and developments on taxation, and to further enhance the conditions for economic collaboration between the two countries. It is based on the latest version of the OECD Model Convention for the avoidance of double taxation, incorporates the latest standards with regards to the exchange of information, mutual agreement procedure, arbitration, principal purpose test, and takes into full consideration the recommendations of the BEPS action plan.

The main provisions of the Treaty are as follows:

- **Dividends:** 0% withholding tax if the beneficial owner of the dividend is a company holding directly at least 5% of the capital of the dividend-paying company throughout a 365-day period that includes the day of the payment, and 10% in all other cases.

- **Interest:** 0% withholding tax
-
- **Royalties:** 5% withholding tax

Capital gains derived by a resident of a Contracting State from the alienation of shares (or comparable interests) in property-rich companies may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, such shares (or comparable interests) derive more than 50% of their value directly or indirectly from immovable property situated in that other State.

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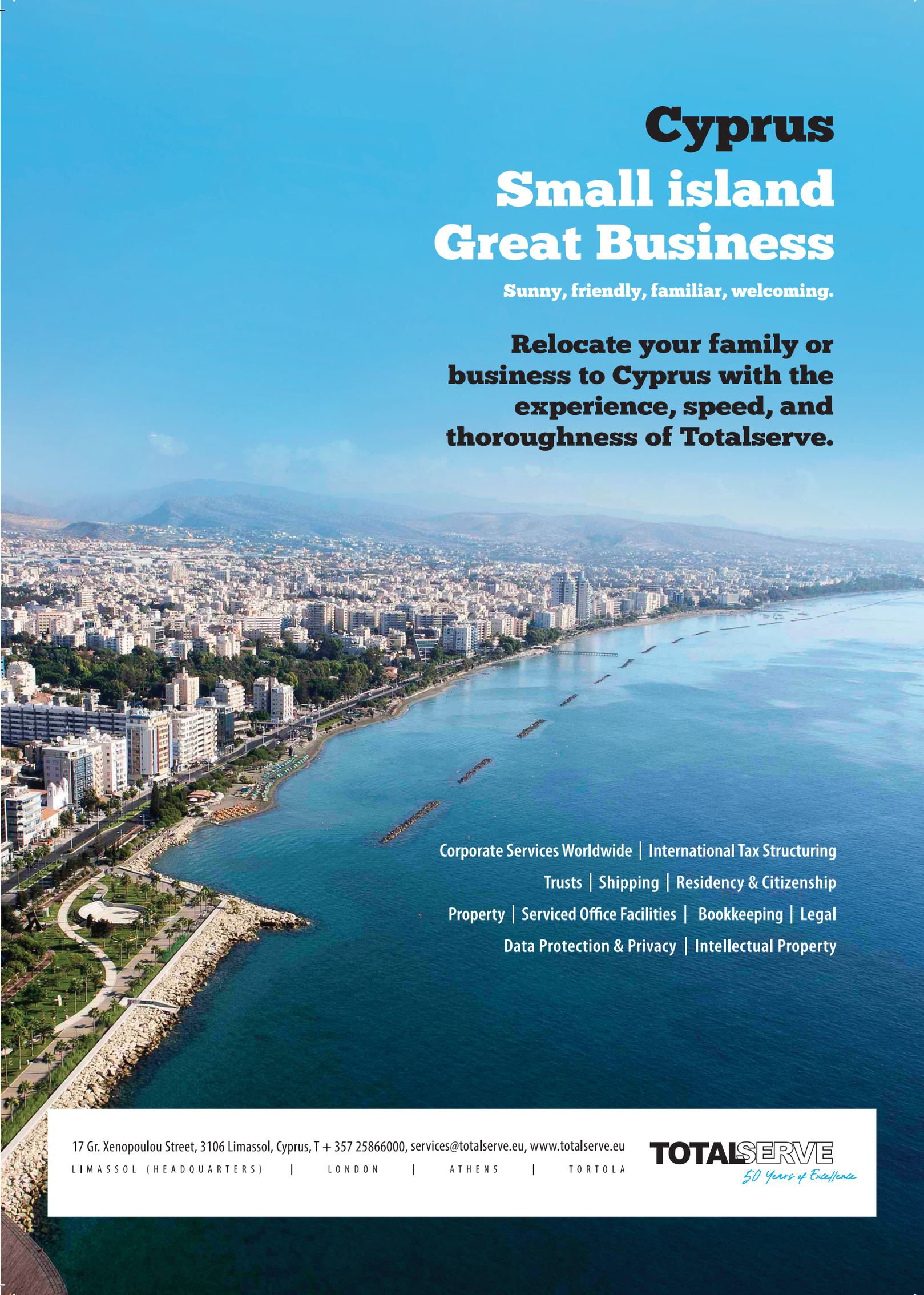
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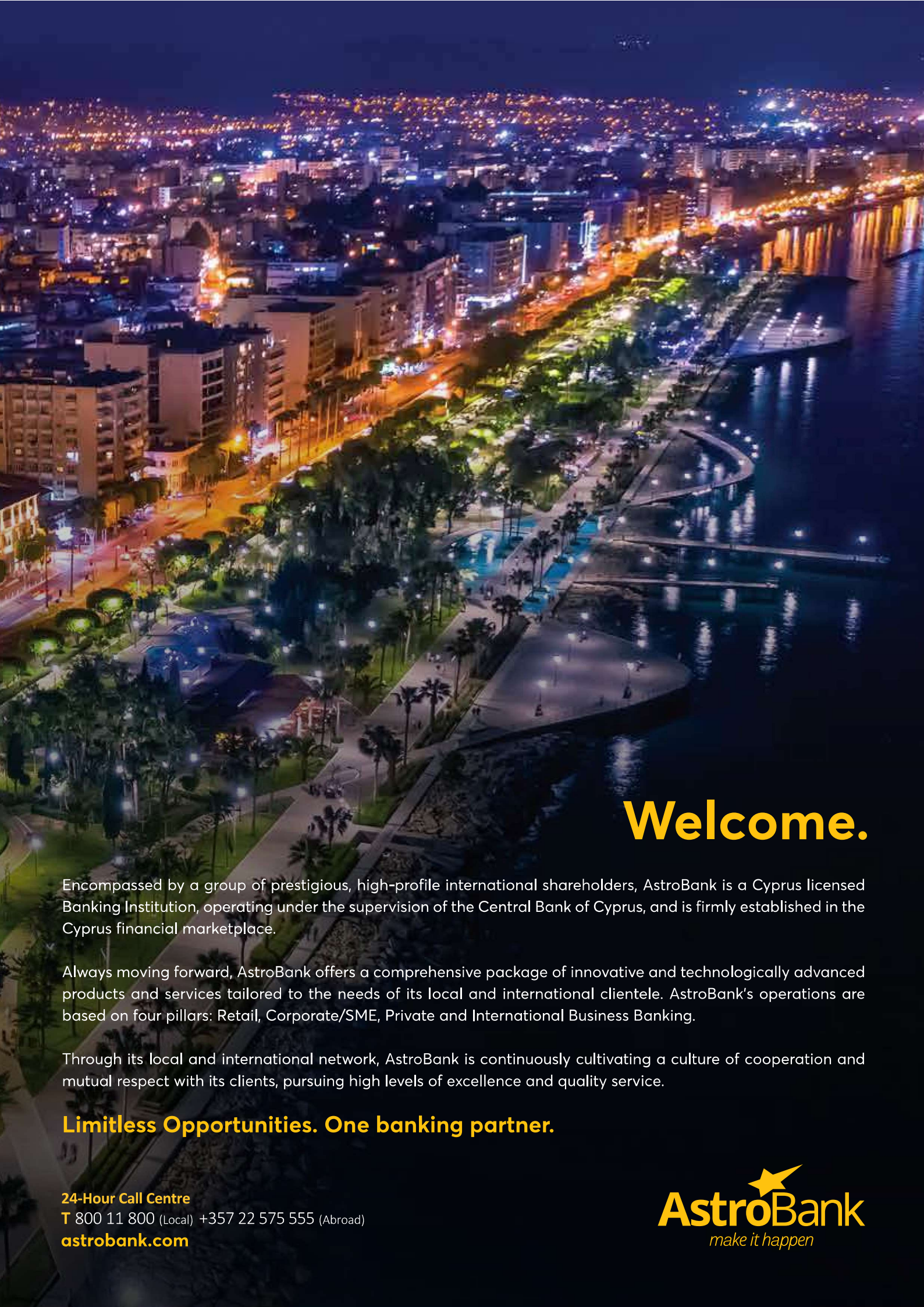

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Employment Law: Cyprus transposed into national law the EU Directive 2019/1152 on transparent and predictable working conditions

Cyprus transposed into national law the **EU Directive 2019/1152** on transparent and predictable working conditions ("**EU Directive**"). The EU Directive's aim is to improve and enforce more transparent and predictable employment conditions that will increase flexibility in the labour market. The national legislation that transposes the EU Directive, is called the **Transparent and Predictable Working Conditions Law of 2023 N.25(I)/2023** (the "**Working Conditions Law**"), which is enforceable as from 13 April 2023. The Working Conditions Law introduces new rights for employees and amend specific employers' obligations. Below we will outline the key provisions under this transposition.

The main areas that were affected from the transposition of the EU Directive are the following:

- Imposition of new rules for parallel job
- Probation period
- Imposition of rules for the training of employees
- Imposition of new rules on employers in relation to employees' responsibilities

Parallel Employment

Another important change in the legal framework is that the employers may not prohibit employees from working with another employer outside the employees' working hours. In this respect, the employers cannot change their relationship towards their employees should they become aware that they have another employment outside of their working hours.

Provisions that exclude parallel employment of employees are only permitted for certain objective grounds, such as health and safety, protection of business confidentiality, integrity of public service, or the avoidance of conflicts of interest.

Maximum Duration of Probationary Period

Before the EU Directive was transposed into national law, the existing legal framework allowed probationary periods of up to 104 weeks (i.e. 2 years) subject to an agreement in writing between the employer and the employee at the time of commencement of the employment relationship.

In accordance with the Working Conditions Law, the probationary period cannot exceed 6 (six) months, irrespective of any provisions applicable before the commencement of the Working Conditions Law.

It is important to note that the maximum period of 6 (six) months does not apply to individuals holding director and/or managerial position. If the employment agreement is for a specified period, the probationary period shall be proportionate.

Mandatory Training of Employees

In addition, the Working Conditions Law requires employers to provide employees with training for the tasks they are assigned, if required by relevant laws or collective agreements. Training should be provided free of charge to employees. Time spent by employees on compulsory training is counted as working hours and is carried out during working hours where possible.

Minimum Predictability of Work

Employees should be informed in writing of all the working conditions making specific reference to the below key aspects:

- probationary period
- basic rate of pay
- notice period required
- paid hours of work
- training entitlement
- payment for overtime

Protection against adverse treatment and dismissal

The Working Conditions Law prohibits employers from discriminating their employees when they file complaints under the provisions of the new Law. In addition, the new Law prohibits employers from dismissing or taking any steps against their employees who have exercised their rights under the new Law.

In this case, the employee, inter alia, reserves the right to request written notice of dismissal, which must fully justify and explain the reasons for such dismissal. The burden of proof against a lawsuit alleging unfair treatment or dismissal, lies with the employer.

Conclusion

The adoption of the Working Conditions Law in Cyprus introduces a number of new obligations for employers operating in Cyprus. Employers and employees are encouraged to be familiar with the changes introduced by the Working Conditions Law in order to fully understand their rights and obligations. The Working Conditions Law stipulates that employers found to be in violation of the relevant Law may be held liable and fined up to €5,500 in penalties.

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