

## COMPLIANCE

**T**HERE HAVE BEEN a number of scandals over the years where irresponsible and, in some cases, illegal behaviour by businesses has led to financial damage and worse for consumers. As business becomes increasingly globalised and influential, consumers and governments on their behalf are concerned to ensure that the companies they deal with behave responsibly and obey the law. This is even more important in certain sectors, such as financial services, to which people entrust their savings and financial security for their future. They want to know that the companies they deal with are honest and reliable, and will deliver their part of any bargain.

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“COMPLIANCE WITH NOT JUST THE LETTER,  
BUT THE SPIRIT OF OUR OBLIGATIONS IS  
CENTRAL TO EVERYTHING WE DO”

**Our Team**

**Y**ou might say that everyone in the firm is part of our compliance team. Compliance with not just the letter, but the spirit of our obligations is central to everything we do, and is part of our DNA. As a leading law firm and adviser to many businesses in Cyprus and abroad, we have specialist teams advising our clients on compliance with the regulatory regimes that apply to them. In some sectors, such as banking, insurance and other financial services, the regulatory requirements are very specialised and detailed. However, even where this is not the case, businesses are subject to a wide range of obligations regarding, for example, employment, tax and financial reporting. We advise our clients on all these issues. In addition, as a professional law firm we have our own regulatory and ethical obligations, for example regarding the prevention of money laundering, the safeguarding of clients' funds and the responsibility for acting in their best interests. As an ISO 9001 certified firm, we also have obligations to apply the highest standards of quality in our everyday procedures. One of the main challenges for any professional is keeping up with the ever-increasing volume of new requirements and developments. Unlike other law firms, we adopted a

policy of specialisation many years ago. Our people specialise in a particular field, which enables them to keep up with changes as they occur. We have a well-established knowledge management system that helps us pool our expertise effectively.

**Cyprus**

**F**or many years we have led the field in Cyprus in applying the highest international standards in every aspect of what we do, and in helping our clients do the same, and we have encouraged the authorities to weed out the people who do otherwise and harm Cyprus's reputation as an international financial centre. Great progress has been made, particularly in the past two or three years, but there is still some way to go.

**Additional Measures**

**T**here is no substitute for effective, consistent enforcement, with no exceptions. If people who breach the requirements know that they will be found out and punished, without fear or favour, they will be forced to clean up their act. If enforcement is inconsistent, people will be encouraged to believe that they can continue to get away with unacceptable behaviour.

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**T**HE PROCESS OF BUILDING UP a strong compliance culture in Cyprus in the last few years has been an important tool in the recovery from the reputational damage that the country suffered in 2013. The hard work in enhancing compliance, in particular the implementation of strict anti-money laundering legislation and a new law governing Administrative Service Providers, has brought us tangible benefits in boosting the confidence and trust of clients. This is good news for our sector and a real investment in the future of Cyprus as a credible financial centre but more still needs to be done.

## Our Team

**T**he key aims of our Compliance Department are, through constant improvements to its extensive system of checks and controls, to ensure full compliance with the law and our regulatory obligations and, at the same time, to contribute to the improvement in the quality of our professional services, thus building clients' confidence in our work and enhancing the organisation's competitiveness. The Compliance Department comprises myself plus another member of staff and we work closely with our fellow compliance professionals at our sister firm, Andreas Neocleous & Co LLC. Our role within the organisation is strategic: by enhancing compliance we reduce risk and at the same time we help raise quality. The Compliance Officer has unrestricted access to all company information and reports directly to the Board of Directors. In view of increasing regulation, our importance within the organisation is becoming more apparent and is set to increase even further. A major issue Compliance Officers face is educating clients, colleagues and company management about the constant need to

adapt to the demands of the new regulatory environment, which is here to stay. People need to understand that, while enhanced compliance means additional cost and effort by everybody, it also implies a better quality of service to the benefit of all.

## Cyprus

**S**ince 2013, as a result of the requirements of the Troika, Cyprus has upped its game in adopting and implementing international regulatory standards. The pace of change has been fast and clearly many are not ready yet but there is no doubt that overall standards are improving. In terms of transparency, integrity, and accountability, there have been improvements in this area and these have been noted internationally. However, many problems remain. For instance, corruption is still widely prevalent. There have undoubtedly been successes such as the improvement of government finances and the implementation of regulatory changes enforced by the Troika but we have squandered the chance to introduce reforms to tackle the country's chronic problems and



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decisively change it for the better.

## Additional Measures

**C**orporate governance in Cyprus may be improved by the adoption of strict controls to improve accountability and transparency. For instance the number and powers of non-executive directors within the Board could be increased, though currently there is no such requirement for ASPs as there is, for

instance, in the case of CIFs. Non-execs could be provided with the power to evaluate the performance of the CEO every year. There need to be improvements in the flow of information up to the Board level and in systematically assessing performance against plans. The ethical and professional standards of directors should be raised and scrutinized. The adoption of a common Code of Conduct by all three regulatory authorities will also help.

