

CYPRUS FIDUCIARY ASSOCIATION

CYFA 2022 Seminar #5: “AML & Economic Sanctions – Critical Considerations for 2022”



**18th & 25th May 2022 – Nicosia
20th & 27th May 2022 – Limassol**

Speaker: Mr Yiannis Pettemerides

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CYFA
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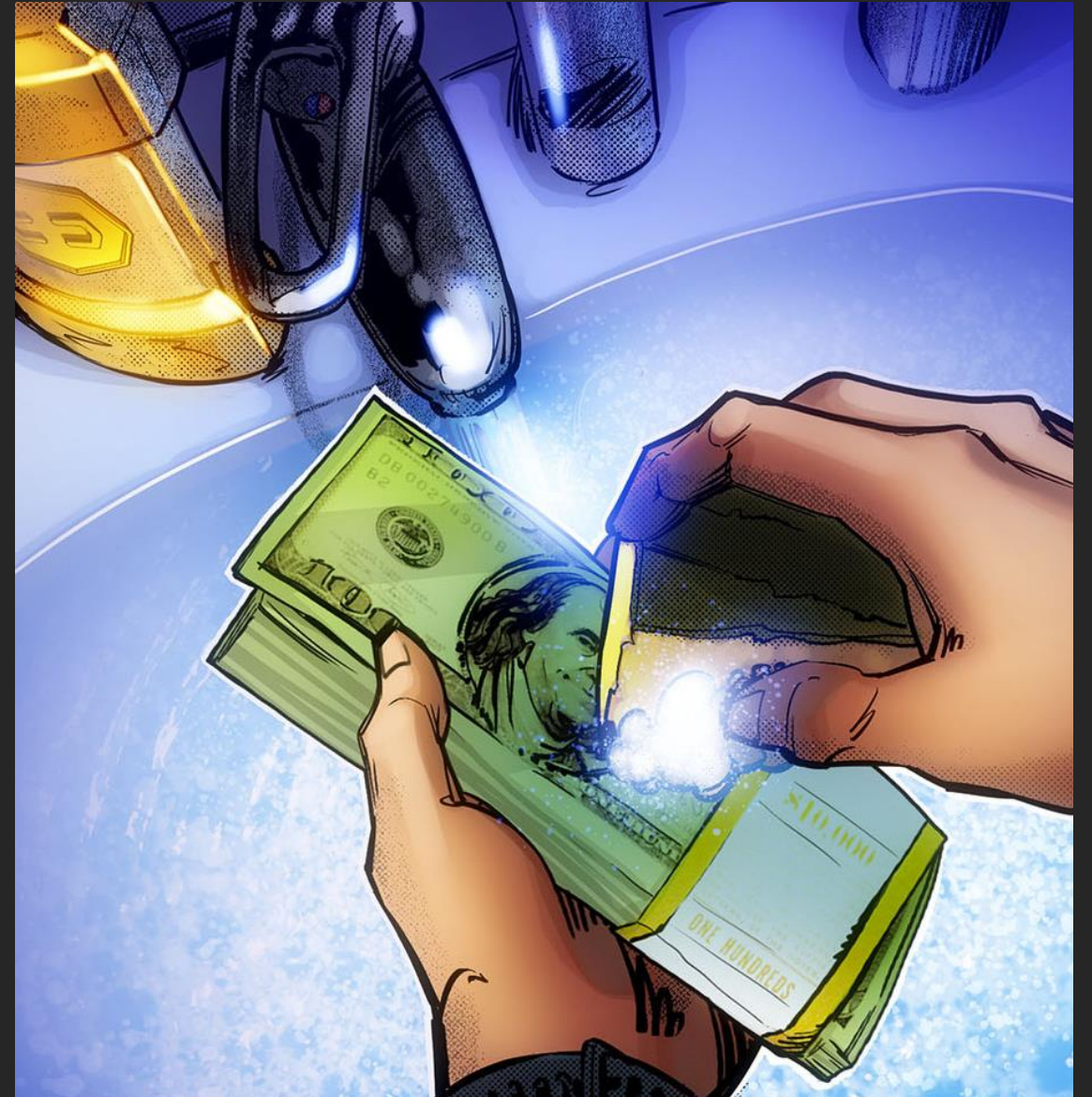
The background features a hand holding a glowing globe. Overlaid on the globe is a white icon of a gavel on a block, with the word 'COMPLIANCE' written in white capital letters below it. The entire scene is set against a dark blue background with intricate, glowing white and light blue circuit-like patterns and lines.

AML & Economic Sanctions – Critical Considerations for 2022

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CHAPTER 1 – THE FOUNDATIONS











Cost of Compliance



THE RISING COST OF COMPLIANCE



69% OF FIRMS are expecting regulators to publish even more regulatory information in the next year with **26%** expecting significantly more

MORE THAN 1/3 OF FIRMS

spend at least a whole day every week tracking and analyzing regulatory change.



52% of G-SIFIs are spending more than a day creating and amending reports for the board

60%

of respondents expect the **PERSONAL LIABILITY** of compliance professionals to increase in 2016



1/4 OF FIRMS outsource at least part of their compliance functionality



2 OUT OF 3

of firms are expecting senior skilled staff to cost more in 2016

THREE-QUARTERS

of firms are expecting the focus on managing regulatory risk to rise in 2016



ONLY HALF of compliance functions are spending

LESS THAN AN HOUR each week with internal audit



Cost of Non-Compliance

- Costs of compliance never exceed the costs of non-compliance
- Reputation
- Imprisonment
- Name and shame
- Heavy fines
- Going concern considerations



**CY Law - The Prevention and
Suppression of Money
Laundering and Terrorist
Financing Law of 2007
L188(I)/2007 as Amended in
2010, 2012, 2013, 2014,
2016, 2018, 2019 and 2021
by Laws 58(I)/2010,
80(I)/2012, 192(I)/2012,
101(I)/2013, 184(I)/2014,
18(I)/2016, 13(I)/2018,
158(I)/2018, 81(I)/2019,
13(I)/2021, 22(I)/2021, and
40(I)/2022.**

- (1) Every person who (a) knows or (b) ought to have known:
- (a) Knows: 14 years imprisonment or a fine of up to €500.000 or both of these penalties,
- (b) Ought to have Known: 5 years imprisonment or a fine of up to €50.000 or both of these penalties.

**CY Law - The
Implementation of the
Provisions of the
Resolutions or Decisions
of the United Nations
Security Council
(Sanctions) and the
Decisions and Regulations
of the Council of the
European Union
(Restrictive Measures)
Law of 2016 L58(I)/2016.**

- 4. (1) Any person who violates any of the provisions of the Resolutions or Decisions of the Security Council (Sanctions) and/or the Decisions and Regulations of the Council of the European Union (Restrictive Measures), is guilty of an offence and subject to the reservation of any other legal provision establishing higher penalty, in case of conviction is subject:
 - (a) if it is a natural person, to imprisonment not exceeding 2 years or a pecuniary penalty not exceeding €100,000 or both penalties,
 - (b) if it is a legal person, to a pecuniary penalty not exceeding €300,000.
- 4. (2) Criminal prosecution of any person in violation of this Section is carried out only with the approval of the Attorney General of the Republic.

**CY Law - The Combating
of Terrorism Law of 2019
L75(I)/2019.**

- 8. (1) Anyone that provides support, in any way, of persons, groups or entities involved in terrorism as identified from the Resolutions or Decisions of the United Nations Security Council (Sanctions) and the Decisions and Regulations of the Council of the European Union (Restrictive Measures), in case of conviction is subject, to imprisonment not exceeding 8 years or a pecuniary penalty not exceeding €150,000 or both penalties.

A wooden boat is positioned in the foreground on a calm body of water. The background features a sunset sky with soft, colorful clouds in shades of purple, pink, and orange. The water reflects the sky and the boat. A dark semi-transparent rectangular box is overlaid on the image, containing the quote in white text.

The biggest risk a person
can take is to do nothing.

Robert T. Kiyosaki









The 'good old times' – all
times when old are good.

Lord Byron

CHAPTER 2 – THE GOOD OLD TIMES – WHEN IT WAS JUST AML



AML RISK







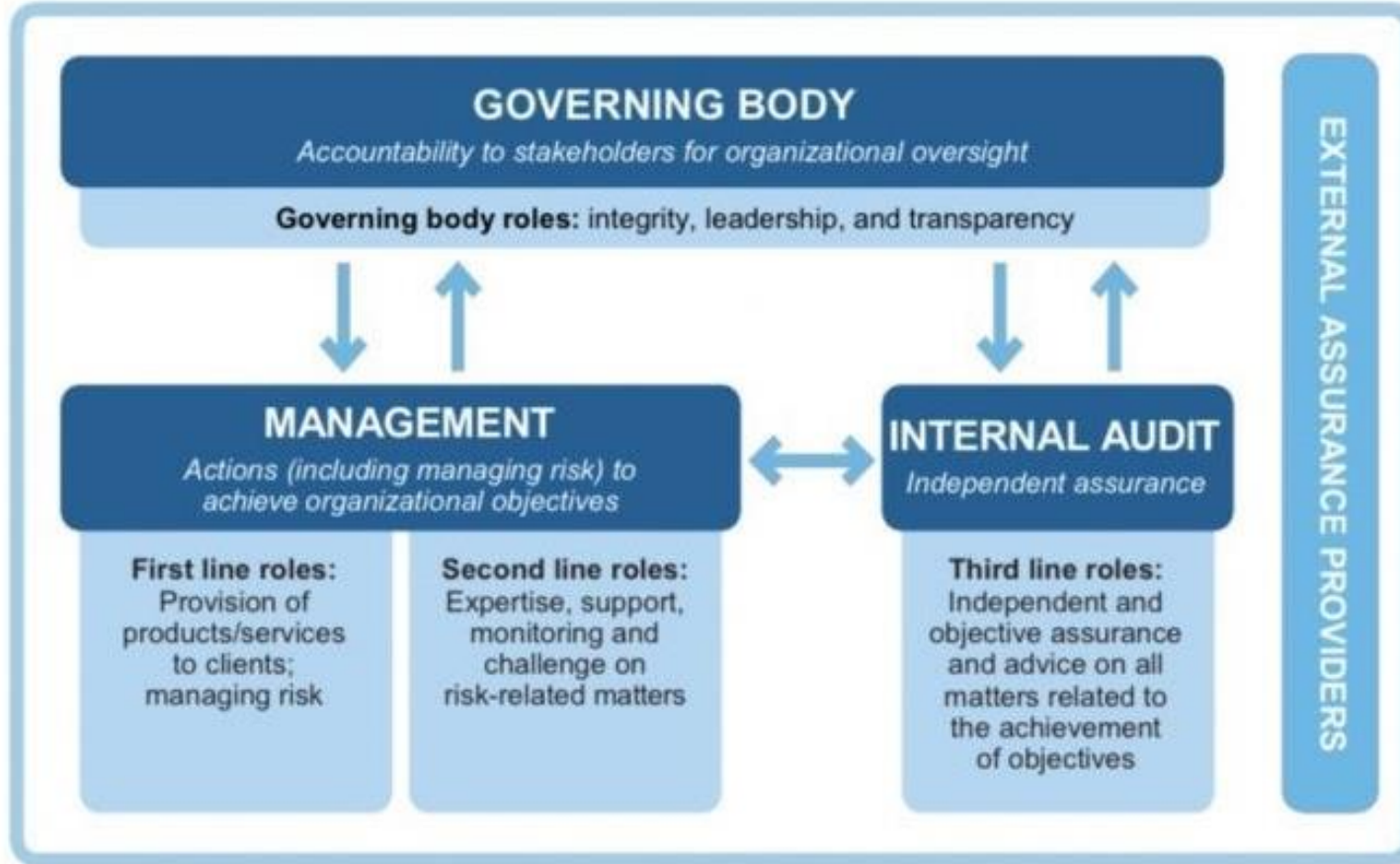
FOLLOW THE MONEY







The IIA's Three Lines Model



KEY: | ↑ Accountability, reporting | ↓ Delegation, direction, resources, oversight | ↔ Alignment, communication coordination, collaboration



Compliance Officer



what my friends think
I do



what society thinks I
do



what marketing thinks
I do



what senior management
thinks I do



what I think I do



what I really do

Internal Auditor



what my mom think I do



what my friends think I do



what My Colleagues think I do



what Management Think I do



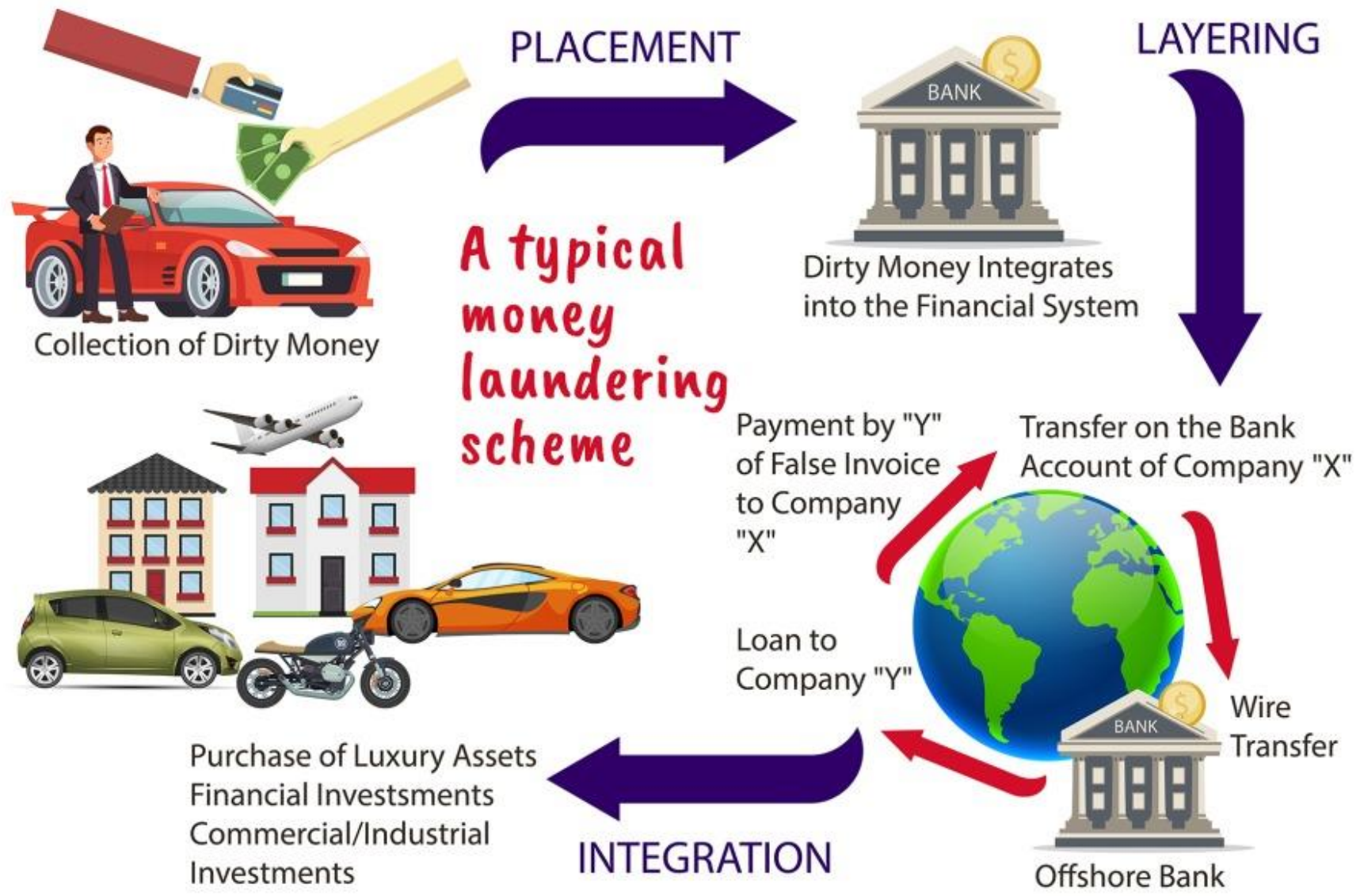
what I Think I do

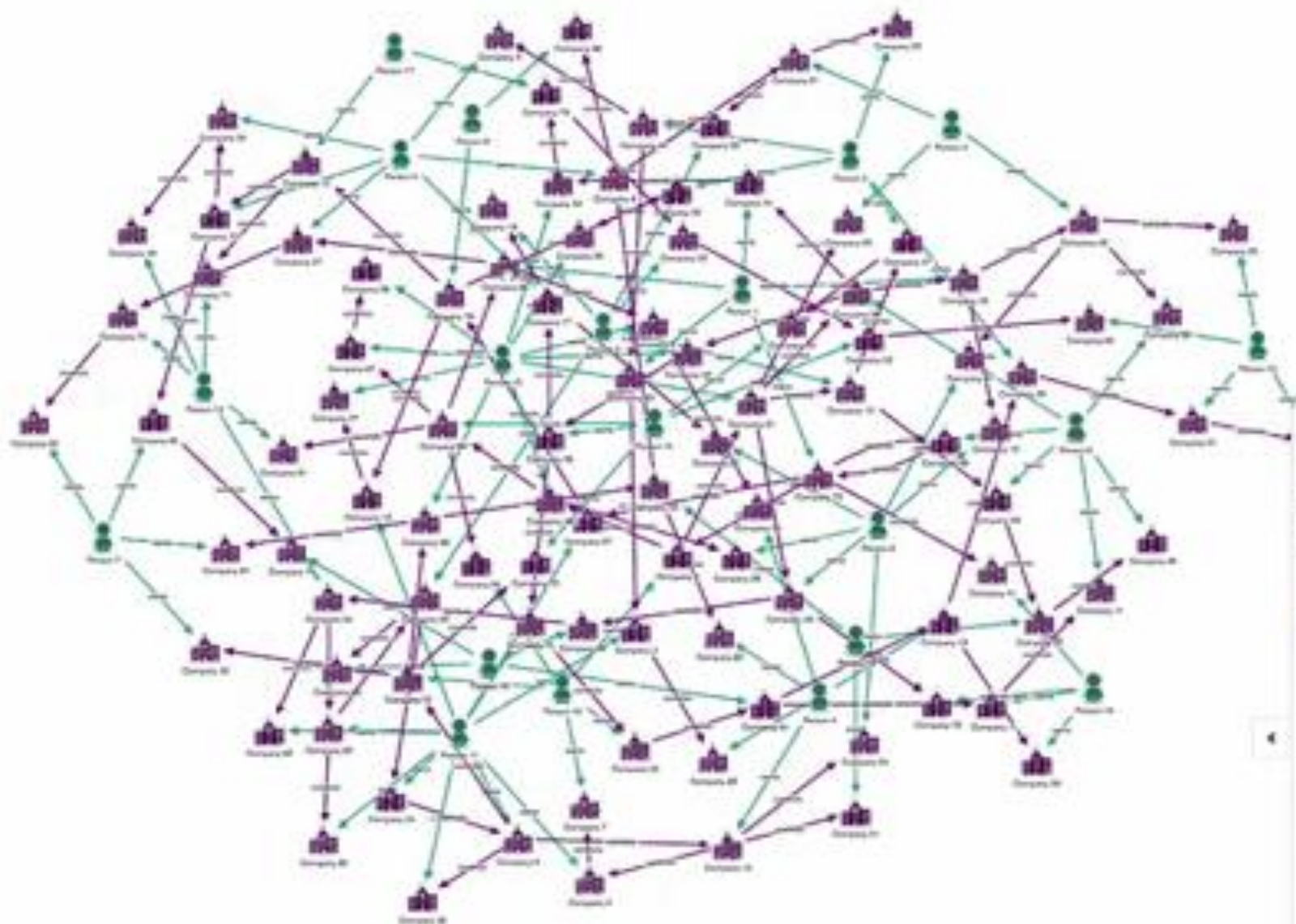


what I really do



Harry Potter
AND THE
CHAMBER
OF SECRETS





Find Hierarchies

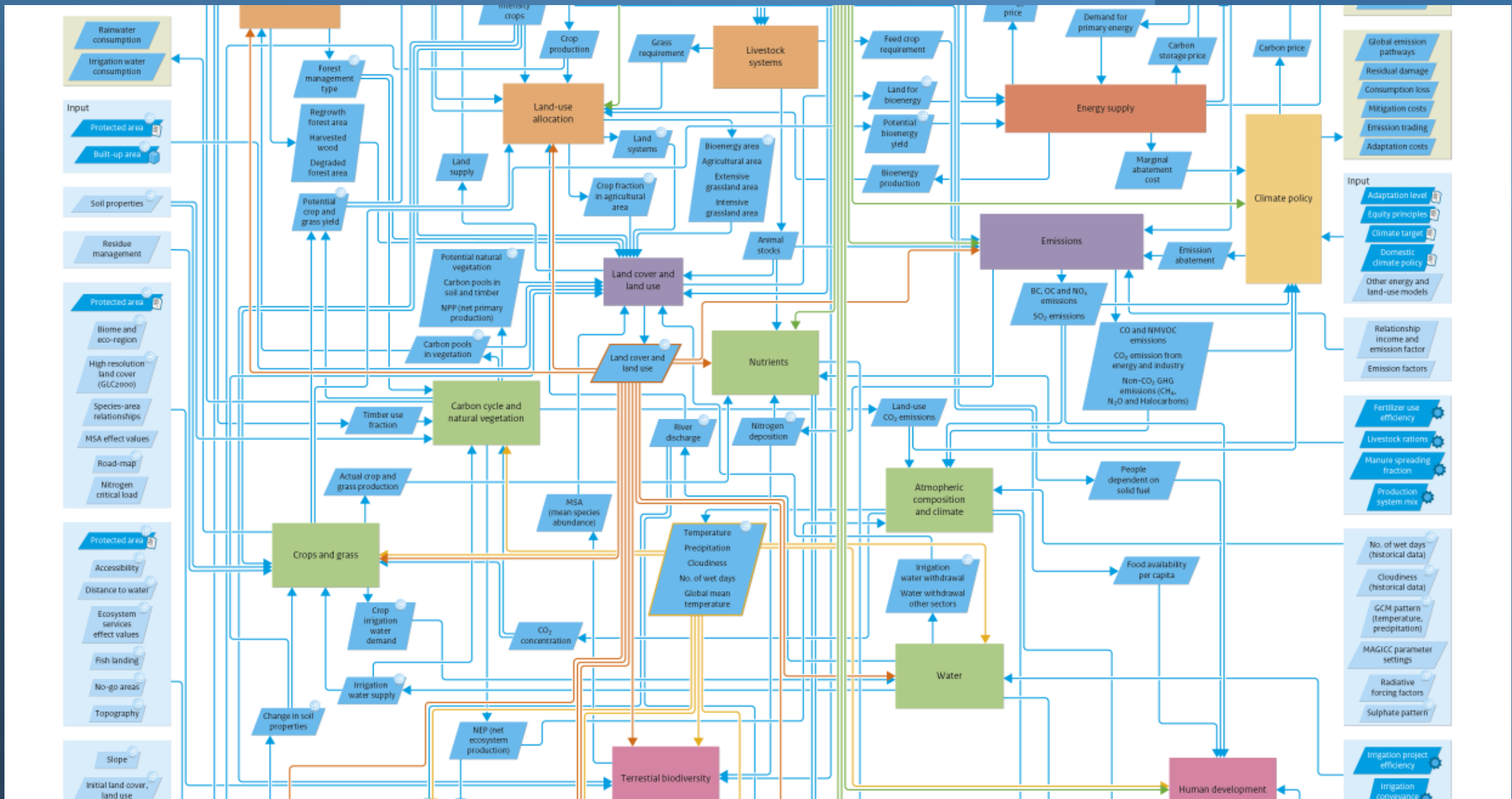
Find Hierarchies

Dependency analysis: who controls what?

Instructions

1. Click on a person to see what they control
2. Click a company to see who controls it

Reset graph









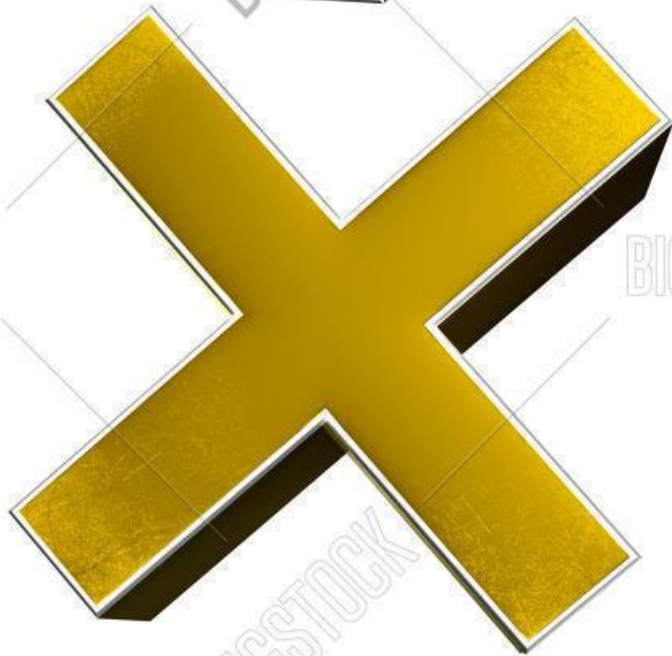
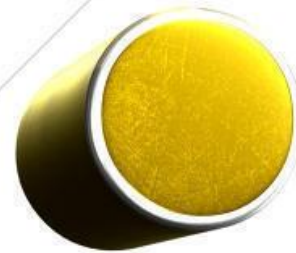


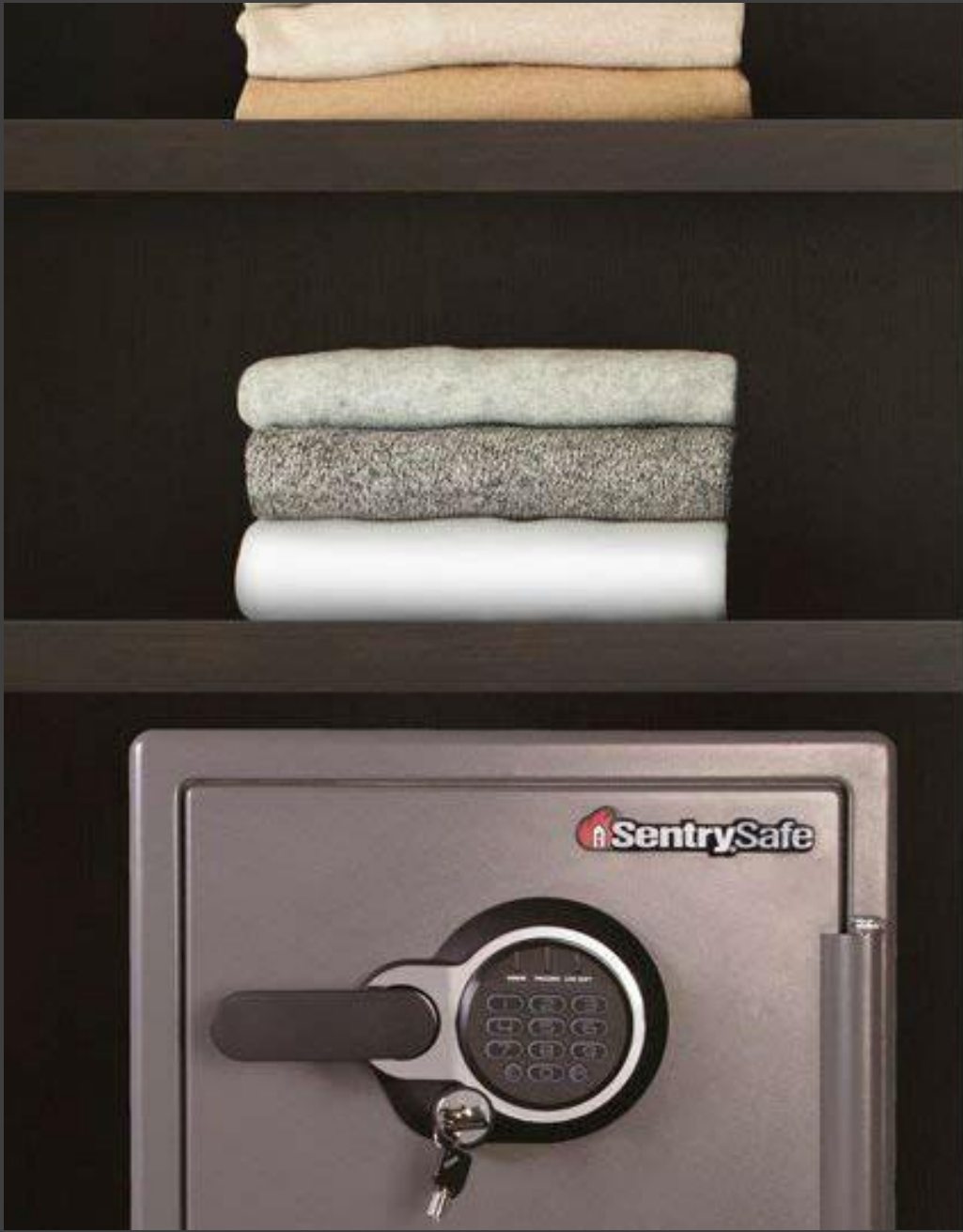




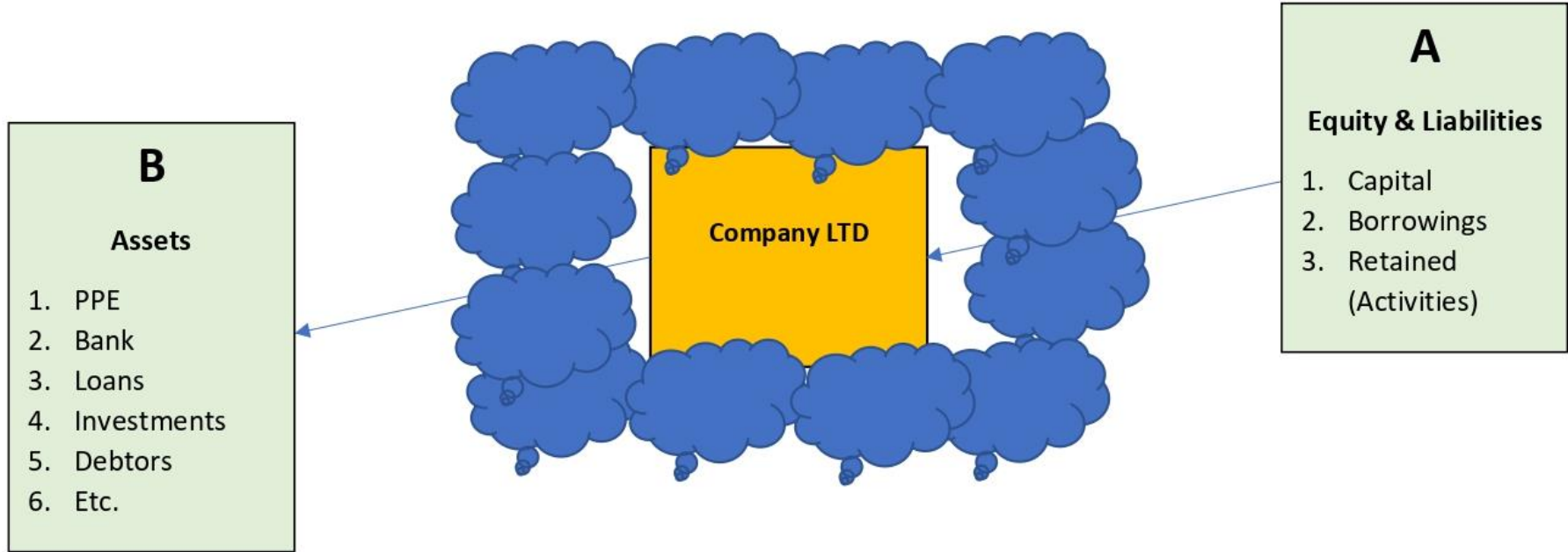


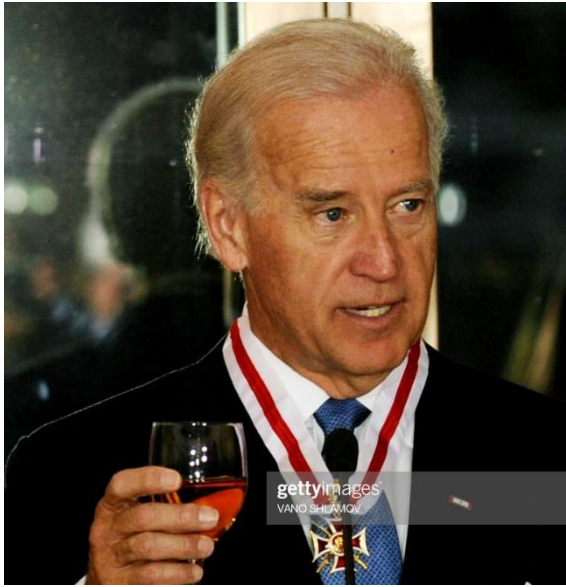












- **Politically exposed person'** means a natural person who is or who has been entrusted with prominent public functions and includes the following:
 - (a) heads of State, heads of government, ministers and deputy or assistant ministers;
 - (b) members of parliament or of similar legislative bodies;
 - (c) members of the governing bodies of political parties;
 - (d) members of Supreme courts, of constitutional courts or of other high-level judicial bodies, the decisions of which are not subject to further appeal, except in exceptional circumstances;
 - (e) members of courts of auditors or of the boards of central banks;
 - (f) ambassadors, chargés d'affaires and high ranking officers in the armed forces;
 - (g) members of the administrative, management or supervisory bodies of State-owned enterprises;
 - (h) directors, deputy directors and members of the board or equivalent function of an international organisation;
 - (i) Mayors.

- The 4th EU AML Directive provides a definition for both **family members** and close associates as follows: Paragraph 10 of Article 3: ‘family members’ includes the following:
 - (a) the spouse, or a person considered to be equivalent to a spouse, of a politically exposed person;
 - (b) the children and their spouses, or persons considered to be equivalent to a spouse, of a politically exposed person;
 - (c) the parents of a politically exposed person;
- The 4th EU AML Directive, Paragraph 11 of article 3: ‘**persons known to be close associates**’ means:
 - (a) natural persons who are known to have joint beneficial ownership of legal entities or legal arrangements, or any other close business relations, with a politically exposed person;
 - (b) natural persons who have sole beneficial ownership of a legal entity or legal arrangement which is known to have been set up for the de facto benefit of a politically exposed person.

- **Time limit** of PEP status:

- a) According to the 4th EU AML Directive, article 22, where a politically exposed person is no longer entrusted with a prominent public function by a Member State or a third country, or with a prominent public function by an international organisation, obliged entities shall, for at least 12 months, be required to take into account the continuing risk posed by that person and to apply appropriate and risk-sensitive measures until such time as that person is deemed to pose no further risk specific to politically exposed persons.



THE REPUBLIC OF PIRATES



BLACK BEARD

FEAR FACTOR	10
AUTHORITY	7
COSTUME	9
LEGACY	10
PIRATE HUNTING	0

FATF High Risk Countries

- Albania
- Barbados
- Burkina Faso
- Cambodia
- Cayman Islands
- Haiti
- Democratic People's Republic of Korea (DPRK)
- Iran
- Jamaica
- Jordan
- Mali
- Malta
- Morocco
- Myanmar
- Nicaragua
- Pakistan
- Panama
- Philippines
- Senegal
- South Sudan
- Syria
- Turkey
- Uganda
- United Arab Emirates (UAE)
- Yemen

EU High Risk Countries

- Afghanistan
- Barbados
- Burkina Faso
- Cambodia
- Cayman Islands
- Democratic People's Republic of Korea (DPRK)
- Haiti
- Iran
- Jamaica
- Jordan
- Mali
- Morocco
- Myanmar
- Nicaragua
- Pakistan
- Panama
- Philippines
- Senegal
- South Sudan
- Syria
- Trinidad and Tobago
- Uganda
- Vanuatu
- Yemen
- Zimbabwe

EU Non- Cooperative Tax Jurisdictions Countries

- American Samoa
- Fiji
- Guam
- Palau
- Panama

- Samoa
- Trinidad and Tobago
- US Virgin Islands
- Vanuatu





CIP clients:

- a) Citizenship by Investment Schemes may carry inherent risks related to money laundering, corruption and bribery, primarily due to the characteristics of the target group being addressed to. With a view to manage these risks, firms should apply mitigating measures. During the risk assessment process, firms may consider as a high client risk indication, among others, any new or existing client, who is applying for a citizenship through the CIP. In this case, as a direct result of the provision of the specific service (i.e. service risk), firms should determine the depth and extent of EDD measures to be applied.
- b) Following the attainment of the citizenship and in the event that the firm continues to maintain a business relationship with the client (through the provision of other services that fall within the scope of the AML/CFT Law), the firm should consider this in its continuous risk assessment process for the particular client.



Customer Risk Factors



- When identifying the risk associated with their customers, including their customers' beneficial owners, firms should consider the risk related to:
 - the customer's and the customer's beneficial owner's business or professional activity;
 - the customer's and the customer's beneficial owner's reputation; and
 - the customer's and the customer's beneficial owner's nature and behaviour, including whether this could point to increased TF risk.

Countries and Geographical Areas Risk Factors

- When identifying the risk associated with countries and geographical areas, firms should consider the risk related to:
 - the jurisdictions in which the customer is based or is resident, and beneficial owner is resident;
 - the jurisdictions that are the customer's and beneficial owner's main places of business; and
 - the jurisdictions to which the customer and beneficial owner have relevant personal or business links, or financial or legal interests.

Products, Services and Transactions Risk Factors

- When identifying the risk associated with their products, services or transactions, firms should consider the risk related to:
 - the level of transparency, or opaqueness, the product, service or transaction affords;
 - the complexity of the product, service or transaction; and
 - the value or size of the product, service or transaction.

Delivery Channel Risk Factors



- When identifying the risk associated with the way in which the customer obtains the products or services they require, firms should consider the risk related to:
 - the extent to which the business relationship is conducted on a non-face-to-face basis; and
 - any introducers or intermediaries the firm might use and the nature of their relationship with the firm.



Terrorist Financing (TF) and TF Criminalization

- After the terrorist attacks of September 11, 2001, the finance ministers of the Group of Seven (G-7) industrialized nations met on October 7, 2001, in Washington, D.C., and urged all nations to freeze the assets of known terrorists. The G-7 nations marshalled FATF to hold an “extraordinary plenary session” on October 29, 2001, in Washington to address TF. Recognising the vital importance of taking action to combat the financing of terrorism, the FATF has agreed to issue Special Recommendations, which, when combined with the FATF Forty Recommendations on ML, set out the basic framework to detect, prevent and suppress the financing of terrorism and terrorist acts.



CYPRUS POLICE

S/N: ΤΜΗΜΑ Γ-ΕΓΚΛΗΜΑΤΟΛΟΓΙΚΟ ΑΡΧΕΙΟ (C.R.O) - 32 / 20

**MINISTRY OF JUSTICE
& PUBLIC ORDER**

Receipt No: 0

Date of issue: (10 / 20)

CERTIFICATE OF CLEAR CRIMINAL RECORD

It is hereby certified that _____ of _____ has not had any previous criminal convictions up until the issuance day of this certificate.

The check carried out was based on the Records kept by the Criminal Record Office of the Cyprus Police.

IDENTITY CARD / PASSPORT DETAILS

NATIONALITY
(Only for Aliens)

I.C. No.:

IN

Passport No.:

Date of Issue: 10 / 20

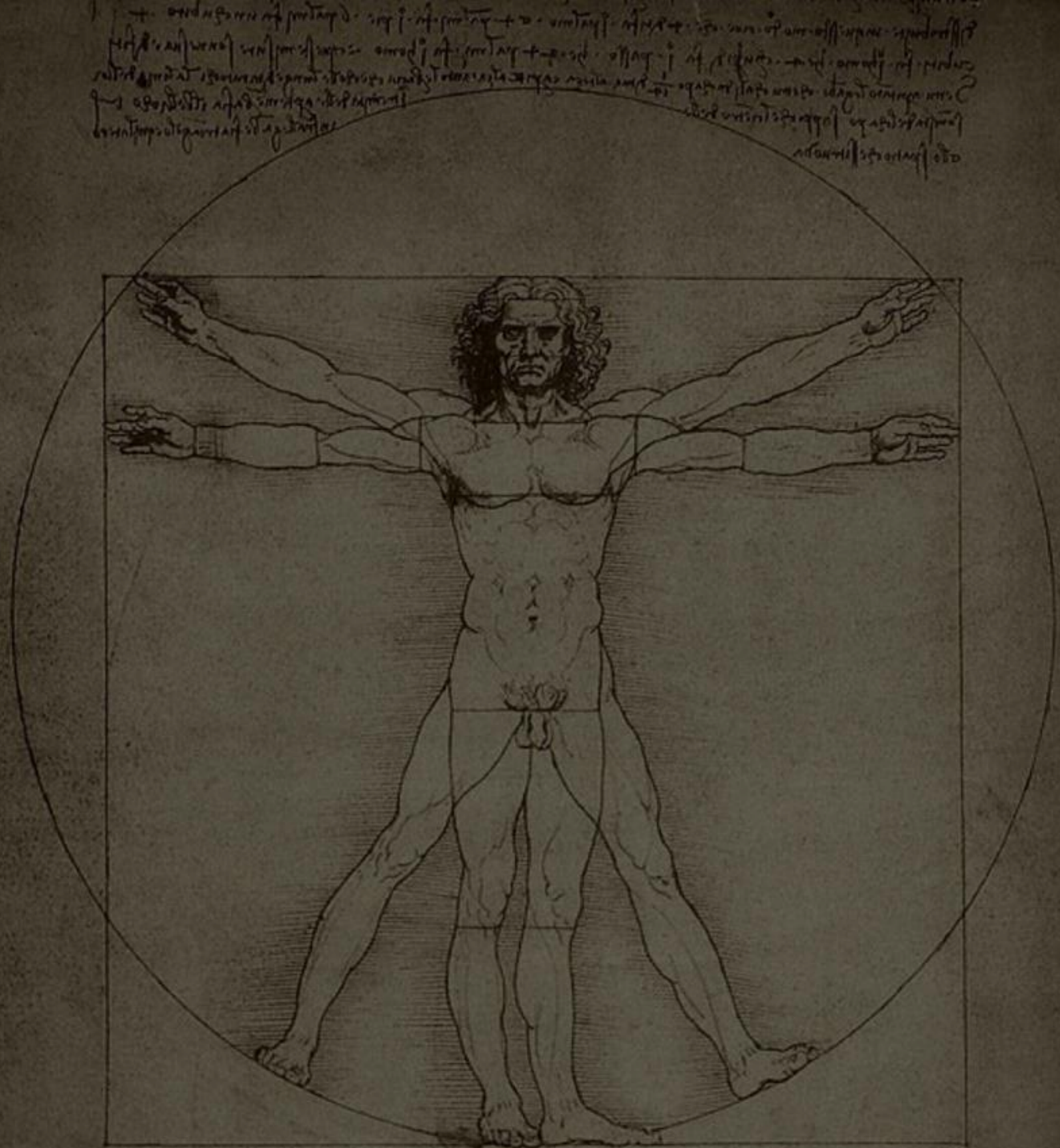
Place of issue:

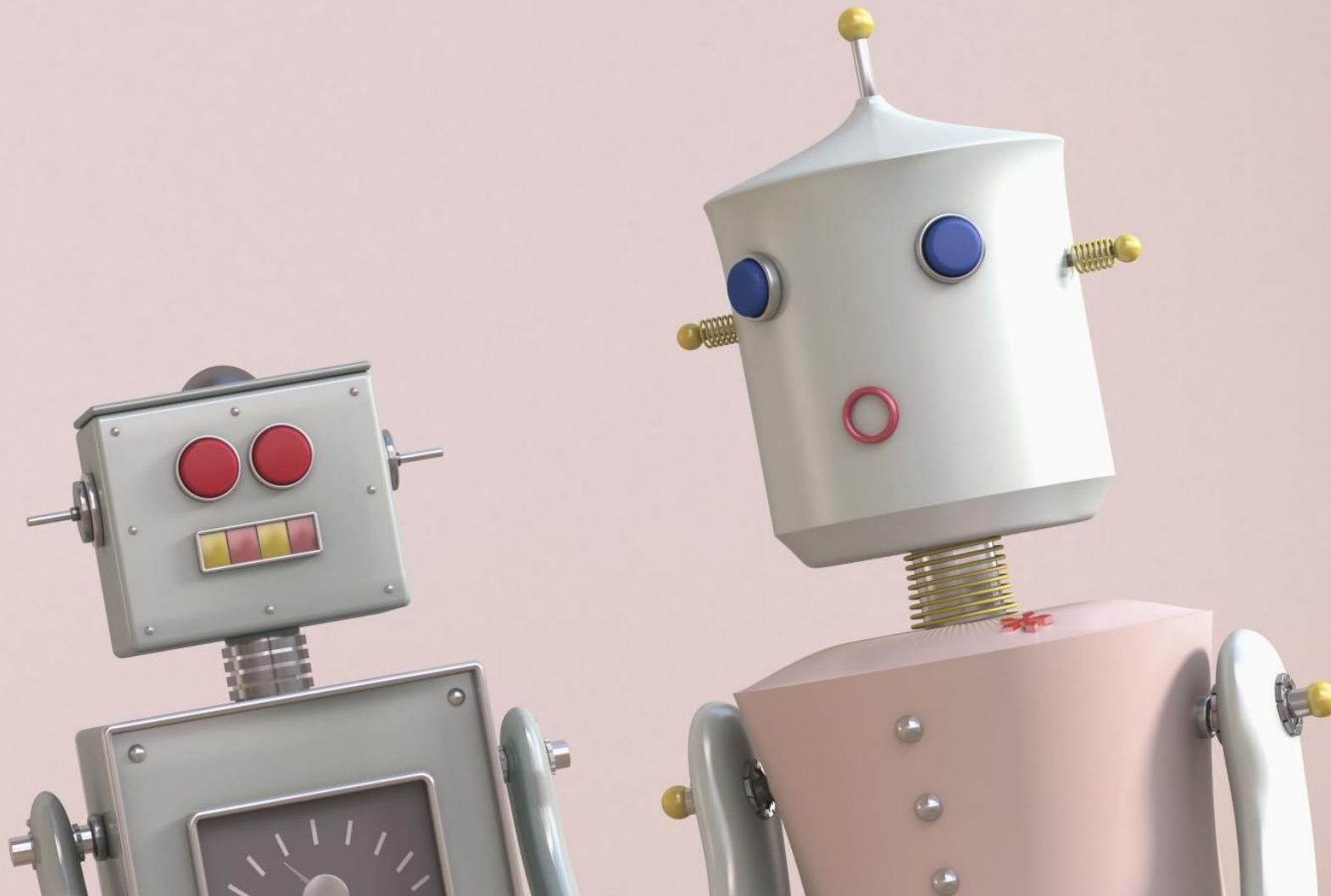


For the Chief of Police

MOKAS – Unit for Combating Money Laundering

- The Unit will protect the privacy of the information it possesses. Further there is a close cooperation between the credit and other Obligated Entities on the one hand, and the Unit on the other, with regards to the application of the AML/CFT Law.
- The Unit may upon a relevant application to the court secure an order for the disclosure of information, however when information is necessary for the purposes of analysis of suspicious transactions which might be related to predicate ML or TF offences or the identification of illegal proceeds or other related assets the Unit may request to obtain such information without the necessity to obtain a court disclosure order. This power is exercised also in case of requests submitted to the Unit by foreign competent Authorities.
- The Unit may request and obtain information and/or documents with regards to, the beneficial owners of legal persons and entities, including trusts, or the existence of a business relation and its nature and/or the beneficiaries of bank accounts, signatories of bank accounts and the balances of bank accounts, including information relevant to specific suspicious transactions, or other assets, which are in the possession of persons engaged in financial or other business activities or information/documents held in the possession of Departments of Civil Service.
- The Unit prepares and publishes an Annual Report relating to its activities.





Robots vs Humans

- Rule 1: Human Beings and not Robots always OWN and MANAGE Groups
- Rule 2: Human Beings choose to be CRIMINALS and not Robots; Groups are just the vehicles of a crime

Ultimate Beneficial Owners (UBOs)

- Controls shall mean – directly or indirectly (IFRSs):
 - Having 25% + 1 share of the share capital of a company
 - Having 25% +1 share of the voting rights of a company
 - Having 25% +1 share of the right on the returns of a company
- For Trusts – Settlor, Trustee, Protector, Beneficiary

**UBOs
Disclosure (EU
5th AML
Directive – CY
Law February
2021)**

- All members of general public will have unlimited access (Euros 3.50 charge) to the following UBOs info:
 - Name
 - Month and Year of birth
 - Country of residence
 - Nationality
 - The nature extent and the beneficial interest held

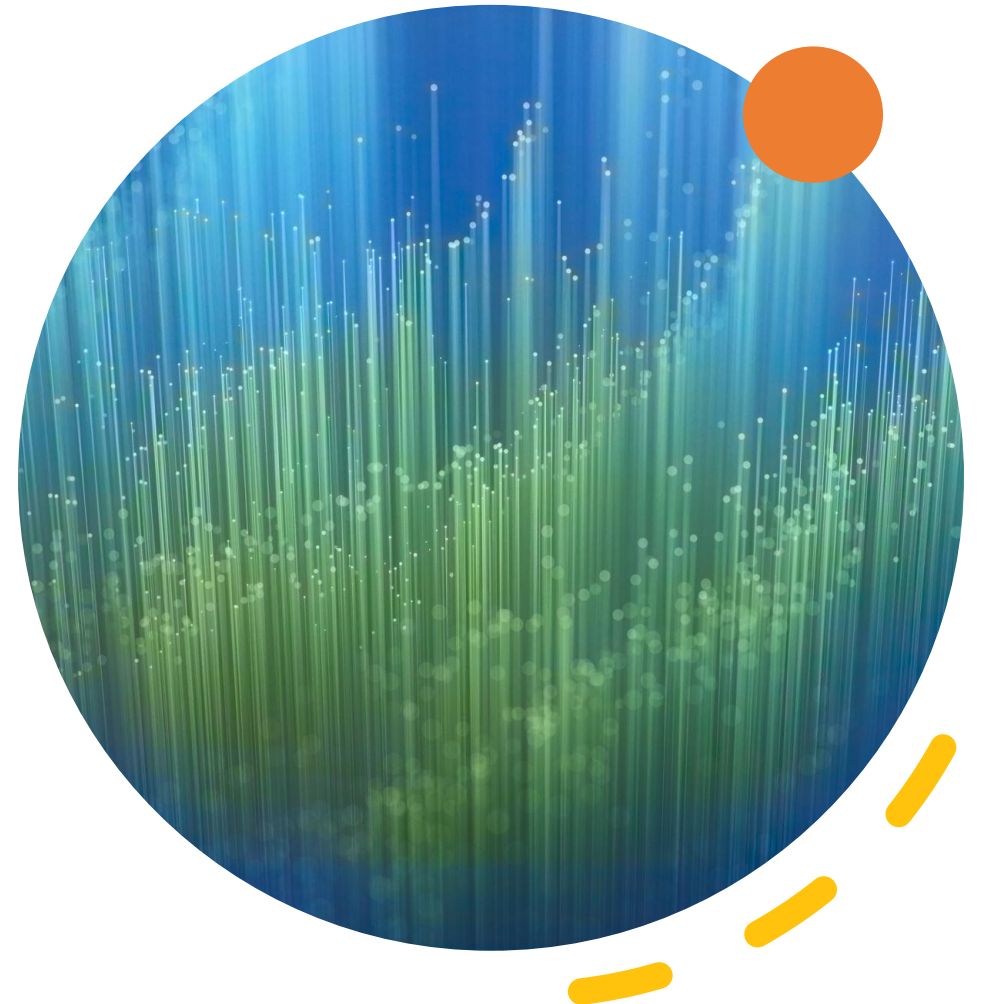
UBOs Disclosure (EU 5th AML Directive – CY Law February 2021)

- For Trusts, UBOs records will be kept by CySEC and only available for access to whoever has “Legitimate Interest”
- Commencement of the Cyprus Beneficial Ownership Register of Express Trusts and Similar Legal Arrangements (the ‘CyTBOR’) – Operational on the 17th May 2022

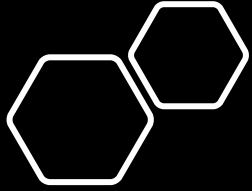
Cryptos (EU 5th AML Directive – CY Law February 2021)

Bitcoin, like other cryptocurrencies, has caused a bit of a problem for money laundering prevention. Some regulators have taken a fearful approach, worried it allows criminals to more easily transfer illicit cash around the world whereas others have welcomed its openness and transparency, particularly the opportunities in banking and finance presented by the new technology of blockchain.

Under the EU 5th AML Directive, virtual currencies such as Bitcoin will have a legal definition. Virtual currency platforms (Exchanges) and wallet providers will also become regulated entities under the scope of the directive (in Cyprus by CySEC). While many already conduct due diligence and report suspicious transactions, the EU 5th AML Directive has made it a legal requirement.



DECENTRALIZED
P2P
CRYPTOGRAPHY
PROFITABILITY
ONLINE MARKET
WWW
ELECTRONIC MONEY
CURRENCIES
EXCHANGE
TRADING
BANKING
DIGITAL
BITCOIN
DIGITAL CURRENCY
PEER-TO-PEER
VIRTUAL COINS
MONEY 2.0
ALTERNATIVE
CURRENCY
ELECTRONIC MONEY
CRYPTO
INTERNET
COINS
DIGITAL CURRENCY
BITCOIN
ELECTRONIC COINS
BUSINESS TRANSACTION
CRYPTO
INTERNET
COINS



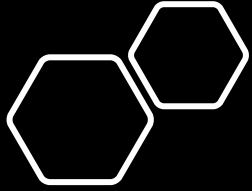
Technology – (EU 5th AML Directive – CY Law February 2021)

- Risk Assessment
- Transaction Monitoring
- Background checks
- Suspicious Transactions
- Identity verification
- Machine Learning



Technology – (EU 5th AML Directive – CY Law February 2021)

- There are four basic types of software addressing AML business requirements:
- 1. Transaction monitoring systems, which focus on identification of suspicious patterns of transactions which may result in the filing of suspicious activity reports (SARs) or Suspicious Transaction Reports (STRs). Identification of suspicious (as opposed to normal) transactions is part of the KYC requirements.
- 2. Currency transaction reporting (CTR) systems, which deal with large cash transaction reporting requirements.



Technology – (EU 5th AML Directive – CY Law February 2021)

- There are four basic types of software addressing AML business requirements:
- 3. Customer identity management systems which check various negative lists (such as Sanctions) and represent an initial and ongoing part of Know your customer (KYC) requirements. Electronic verification can also check against other databases to provide positive confirmation of ID such as (electoral roll; the "share" database used by banks and credit agencies; telephone lists; electricity supplier lists; post office delivery database).
- 4. Compliance software to help firms comply with AML regulatory requirements; retain the necessary evidence of compliance; and deliver and record appropriate training of relevant staff. In addition, it should have audit trails of compliance officers activities in particular pertaining to the handling of alerts raised against customer activity.



Technology – (EU 5th AML Directive – CY Law February 2021)

- Client is prompted to take a picture of a government-issued identification on their mobile device (Financial institutions can then automatically authenticate that identification)
- Client is prompted to take a selfie on their mobile device (Financial institutions can then automatically validate that the selfie matches the picture on the government-issued identification initially provided)
- Client connects social media account(s) (Financial institutions will be able to understand clients' interests, sentiments, personalities, social connections and interactions, and life events)

Identity Verification (EU 5th AML Directive – CY Law February 2021)

- **CySEC AML Directive March 2020 – Appendix IV (Proposed Amendment):**
- a. The use of such methods takes place on a risk-based approach as regards the relevant customers and the level of assets to be deposited and the size of transactions involved.

Identity Verification (EU 5th AML Directive – CY Law February 2021)


- **CySEC AML Directive March 2020 – Appendix IV (Proposed Amendment):**
- b. A detailed assessment of the risks emanating from the use of such methods and of the measures employed to mitigate such risks has taken place in advance in accordance with of Part IV, whereas such assessment is updated on an ongoing basis and it allows on a reasonable, consistent and demonstrable basis to conclude that the money laundering risks, including the risks of identity theft, impersonation and identity fraud, are sufficiently reduced .

Identity Verification (EU 5th AML Directive – CY Law February 2021)

- **CySEC AML Directive March 2020 – Appendix IV (Proposed Amendment):**
- c. The Obligated Entities intending to make use of such innovative methods have informed the Cyprus Securities and Exchange Commission in advance by defining the methods to be used and by submitting the standardized attestation duly completed and signed by all relevant persons specified for therein.



Identity Verification (EU 5th AML Directive – CY Law February 2021)

- **CySEC AML Directive March 2020 – Appendix IV (Proposed Amendment):**
- d. The use of such innovative methods takes place in accordance with the relevant best practices and guidelines published by the Cyprus Securities and Exchange Commission.»..






**Other (EU 5th AML
Directive – CY Law
February 2021)**

- EU Members PEP lists
- European Central Platform
- Prohibition of anonymous safe deposit boxes
- Prepaid cards from 250 Euro threshold to 150 Euro
- Emphasis on eIDAS
- Emphasis on Data Protection
- Enhanced exchange of information






EU 6th AML Directive – CY Law March 2021)

- Defines money laundering
 - Defines the 22 predicate offences
 - EU Member States must implement effective and dissuasive criminal penalties
 - Minimum prison sentence 4 years
 - Converging sanctions for legal persons
- 




EU 6th AML Directive – CY Law March 2021)

1. Participation in an organized crime
 2. Terrorism
 3. Trafficking in human beings and migrant smuggling
 4. Sexual exploitation
 5. Illicit trafficking in narcotic drugs and psychotropic substances
 6. Illicit arms trafficking
 7. Illicit trafficking in stolen goods and other goods
 8. Corruption
 9. Fraud
 10. Counterfeiting of currency
 11. Counterfeiting and piracy of products
- 



EU 6th AML Directive – CY Law March 2021)

12. Environmental crime
 13. Murder, grievous bodily injury
 14. Kidnapping, illegal restraint and hostage-taking
 15. Robbery or theft
 16. Smuggling
 17. Tax crimes (direct and indirect taxes)
 18. Extortion
 19. Forgery
 20. Piracy
 21. Insider trading and market manipulation
 22. Cybercrime
- 

Example 1



Beneficiary X

50%



Beneficiary Y

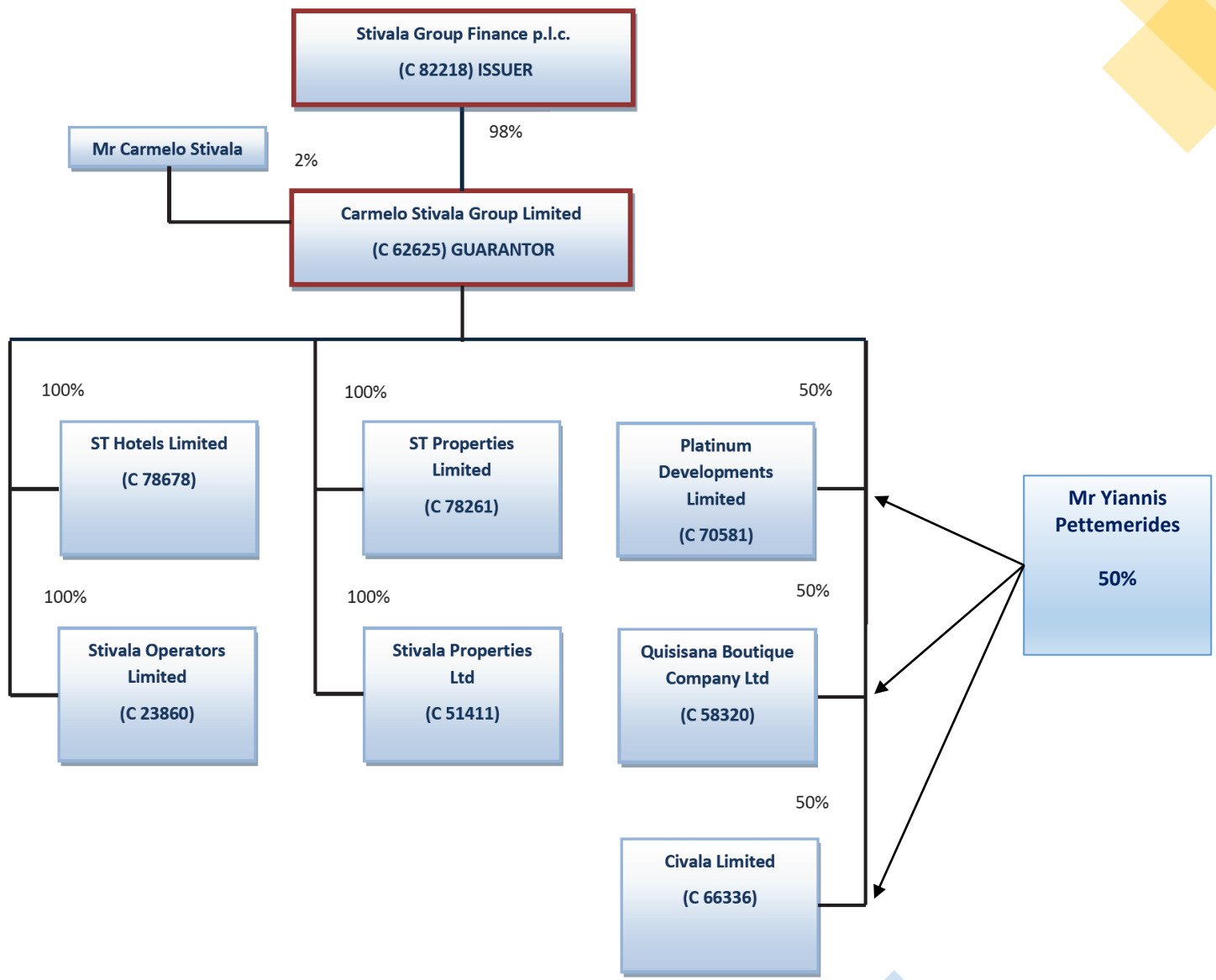
25%



Beneficiary Z

25%







LEGAL
ENTITY

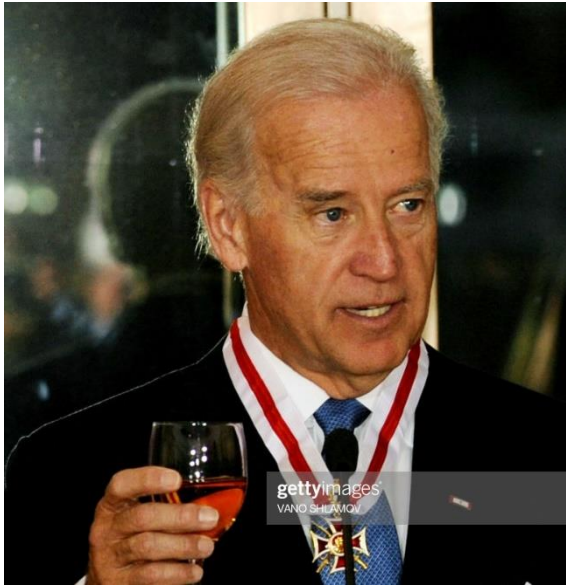
Legal Entity - Identification

- 1. REGISTERED NAME (corporate documents)
- 2. TRADE/BRAND NAME(S) (corporate documents)
- 3. INTERNAL IDENTIFICATION CODE(S) (internal)
- 4. CLIENT TRADING ACCOUNTS CODE(S) – Only for CIFs (platform)
- 5. INCORPORATION COUNTRY (corporate documents)
- 6. COMPANY'S HOUSE REGISTRAR NUMBER (corporate documents)
- 7. COMPANY HOUSE GOOD STANDING (certificate, memorandum, financial statements)
- 8. REGISTERED ADDRESS (corporate documents)
- 9. BUSINESS ADDRESS (utility bill < 6 months or visit premises)
- 10. CONTACT DETAILS (directly)
- 11. TAX ID (tax document)



Director, Authorised Person, UBO(s) - Identification

- 1. NAME (passport/id & authorisation evidence and assessment)
- 2. DATE OF BIRTH (passport/id)
- 3. PLACE OF BIRTH (passport/id)
- 4. PASSPORT/ID NUMBER (passport/id)
- 5. NATIONALITY (passport/id)
- 6. RESIDENTIAL ADDRESS (utility bill < 6 months or visit premises)
- 7. CONTACT DETAILS (directly)
- 8. TAX ID (tax document)



Enhanced Due Diligence (EDD) – High Risk Clients

- Defining the reason the client is HR and the additional risk the Firm will be exposed to
- Senior Management (Board Member) approval is obtained and forwarded to the AML Officer before the establishment (and thereon the continuance) of the business relationship or if a risk re-classification is considered
- Account is subject to Annual Ongoing Monitoring
- Assessment of business reputation (i.e. Reference Letter from an EEA/Equivalent Third Person - Accountant, Lawyer, Service Provider)
- Establishment of Economic Profile (publicly available data, reliable & independent data)



Non-face-to-face Clients

- i. The first payment of the operations is carried out through an account opened in the customer's name with a credit institution operating and licensed in a country in the European Economic Area or third country, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law.
- ii. A direct confirmation of the establishment of a business relationship is obtained through direct personal contact, as well as, the true name, address and passport/identity card number of the customer, from a credit institution or a financial institution with which the customer cooperates, operating in a country in the European Economic Area or third country, which is categorised by the Obligated Entity as lower risk after taking into account the Joint Guidelines and the Appendix II of the Law (or a true copy of the confirmation).
- iii. Telephone contact with the customer at his home or office, on a telephone number which has been verified from independent and reliable sources. During the telephone contact, the Obligated Entity shall confirm additional aspects of the identity information submitted by the customer during the procedure of opening his account.
- iv. An innovative method or a combination thereof for the non-face-to-face identification and verification of the identity of natural persons, including without limitation identity verification by means of taking a dynamic real time selfie, and/or of a real time video call, provided that the following conditions are cumulatively fulfilled: (see above slides on "Identity Verification (EU 5th AML Directive – CY Law February 2021)").

THE END IS JUST THE BEGINNING

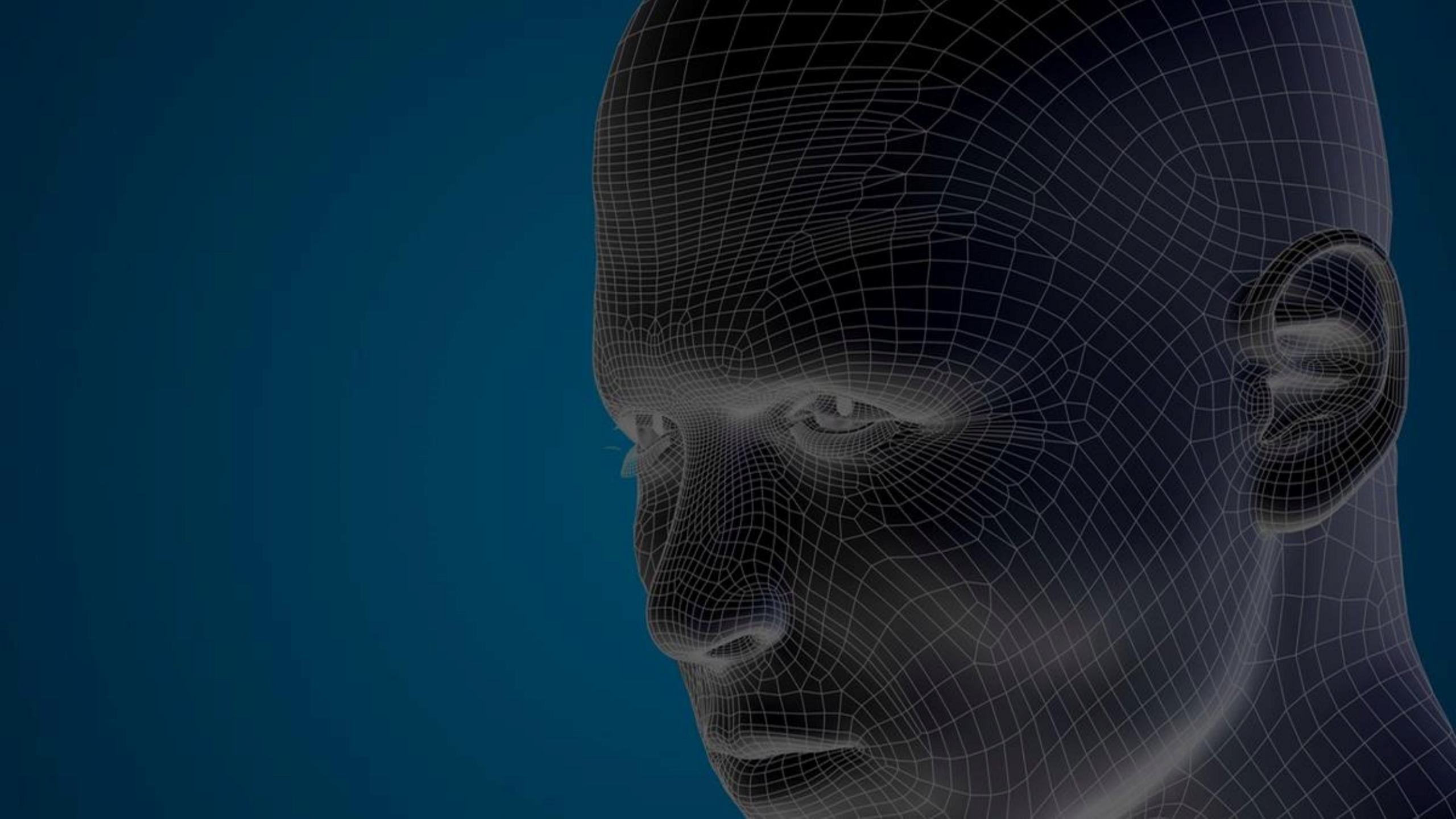


15 DAYS
A CHANNEL 5 ORIGINAL DRAMA
MONDAY 9PM



- If the verification of the customer/beneficial owner's identity has not been completed, the cumulative amount of deposited funds of a customer/beneficial owner should not exceed €2,000, irrespective of the number of accounts the client/beneficial owner holds with the regulated entity. The amount of €2,000 does not automatically categorise the client as a low risk client. The regulated entity should assess each client's risk as per the designated procedure.
- The regulated entity accepts deposits only from a bank account (or through other means that are linked to a bank account e.g. credit card), that is in the name of the customer with whom establishes a business relationship.
- The cumulative time in which the verification of the identity of a customer/beneficial owner is completed, must not exceed 15 days from initial contact.
- It is noted that the initial contact takes place the moment that the client either accepts the terms and conditions or makes his first deposit, whichever comes first.
- Within the timeframe of 15 days from initial contact, the regulated entity takes all reasonable measures to ensure that the percentage of customers that have not complied with the request to submit verification documents, is considerably low (e.g. the regulated entity issues requests/reminders to the customer/beneficial owner informing them of their obligation to submit the requested documents for the verification of their identity).

- Where the verification of the customer/beneficial owner's identity has not been completed during the designated timeframe of 15 days, the commencement of a business relationship must be terminated on the date of the deadline's expiry and all deposited funds must be returned to the customer/beneficial owner, in the same bank account from which they originated. The procedure for returning the funds must occur immediately, regardless of whether the customer has requested the return of their funds or not. The returned funds (deposits) include any profits the customer has gained during their transactions and deducting any losses incurred.
- Within the timeframe of 15 days from initial contact, the customer/beneficial owner must undergo at least one Enhanced Due Diligence measure.
- No funds are withheld and no accounts are frozen, save for those cases of suspicion of money laundering, where the regulated entity is under obligation to immediately report their suspicion to MOKAS and notify CySEC of the suspicious transaction incident in the designated procedure.



Criminal Profiling

ATF behavioral profilers are assigned to the FBI's Behavioral Analysis Unit (BAU)

Supports bombing investigations

Behavioral profilers offer their services to law enforcement or fire service agencies in the United States and worldwide



Supports arson investigations



Supports the identification, arrest and prosecution of offenders

Behavioral profilers analyze the behavior of the offender



Crime analysis

... serial crimes, identify crime-behavior through analysis

Profiling

Develop the behavioral, personality, and biographical characteristics of an unknown offender



Investigative strategy

Use behavioral science principles to suggest investigative techniques in unsolved crimes



Interview techniques

Develop interview strategies to motivate a specific individual to cooperate or confess

Economic Profile Ground Rules

Action	HR	NR	LR
1. Obtain	✓	✓	✓
2. Assess	✓	✓	✓
3. Evidence	✓	X (Unless...)	X (Unless...)
4. Expectation	✓	✓	✓
5. TM	✓	✓	✓

Economic Profile x10 Variables

1. Occupation/Activities

2. Countries of Operations

3. Turnover

4. Size of Income

5. Means of Deposits

6. Means of Withdrawals

7. Size of Wealth

8. Source of Wealth

9. Size of Funds

10. Source of Funds





Every action has an equal and
opposite reaction

~ Isaac Newton

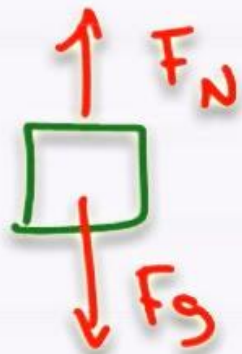


The Newton's Third Law: "The Law of Action and Reaction" - Newton's Third Law states that "when two bodies interact, they apply forces to one another that are equal in magnitude and opposite in direction. The third law is also known as the law of action and reaction and proven that for every action, there is an equal and opposite reaction."

The Newton's Third Law has lead to significant developments in Physics but can also be applied to offer significant developments in fighting Money Laundering and especially in the most technically complex part of the Anti-Money Laundering Legislation "Economic Profile and Transactions Monitoring".

Leah4sci.com/MCAT Presents :

Newton's 3rd Law $+F_A = -F_B$



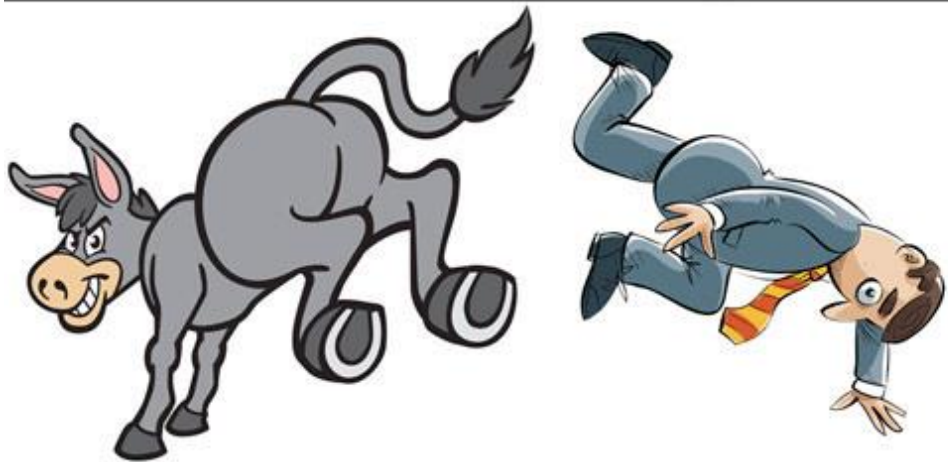
$$F_A = -F_B$$

$$F_N = F_G$$

$$\Sigma F_y = F_N - F_G = 0$$

FORCES PART 4 - NEWTON'S THIRD LAW

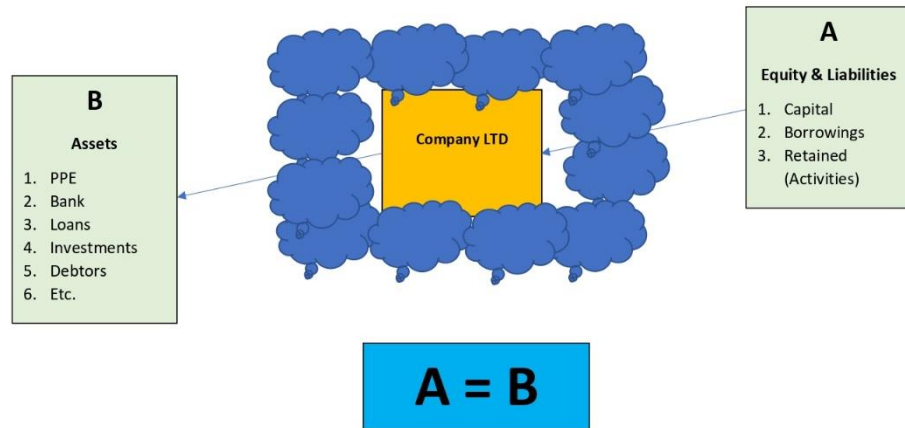








gettyimages
image depot pro



$$+F_A (A) = -F_B (B)$$



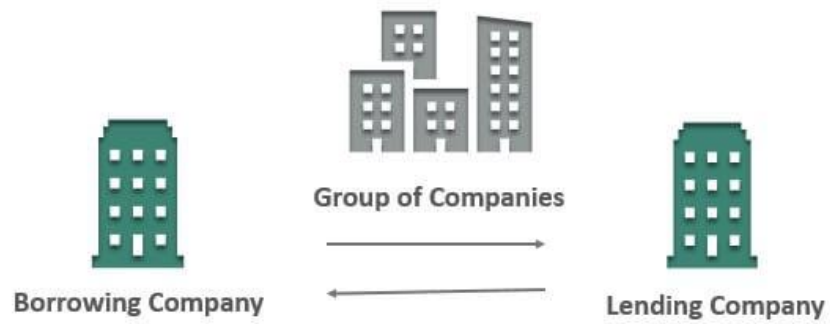
$$+F_A (A) =$$



ARE CAPIT

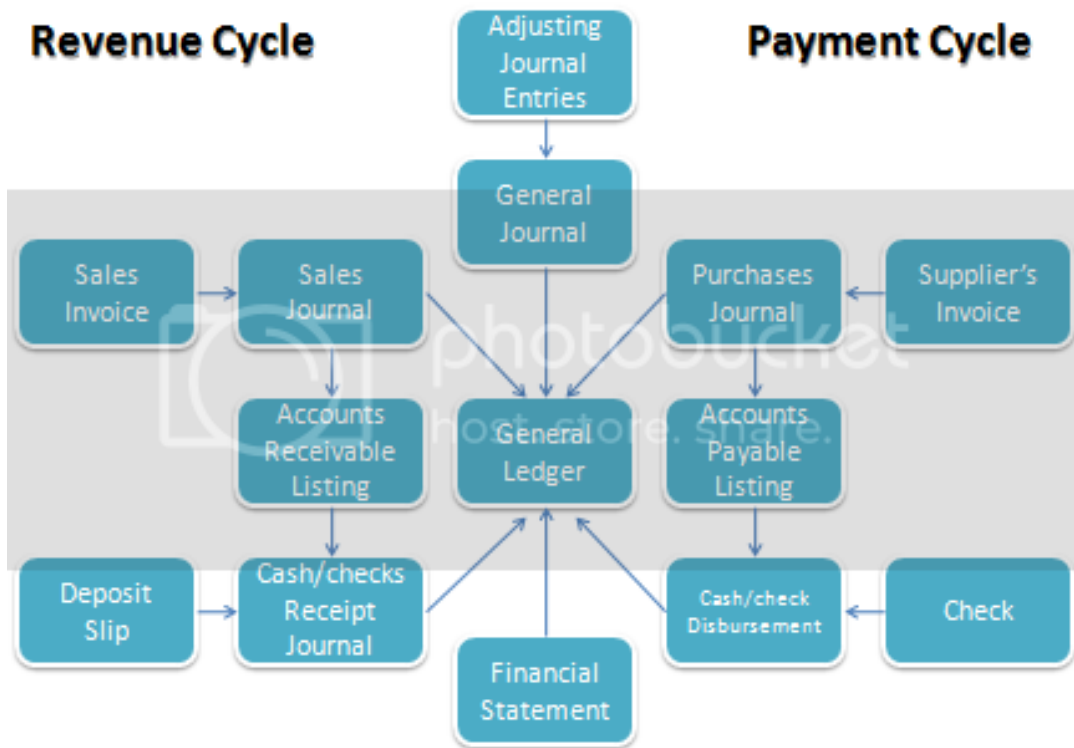


Intercompany Loan



Revenue Cycle

Payment Cycle



Gross profit =

- Revenue
- - Cost of goods sold

Operating profit (EBIT) =

- Gross profit
- - Selling, general administration expenses
- - Depreciation
- - Other (income) expense

Net profit =

- Operating profit (EBIT)
- + Interest income
- - Interest expense
- - Income taxes

$$= -F_B(B)$$

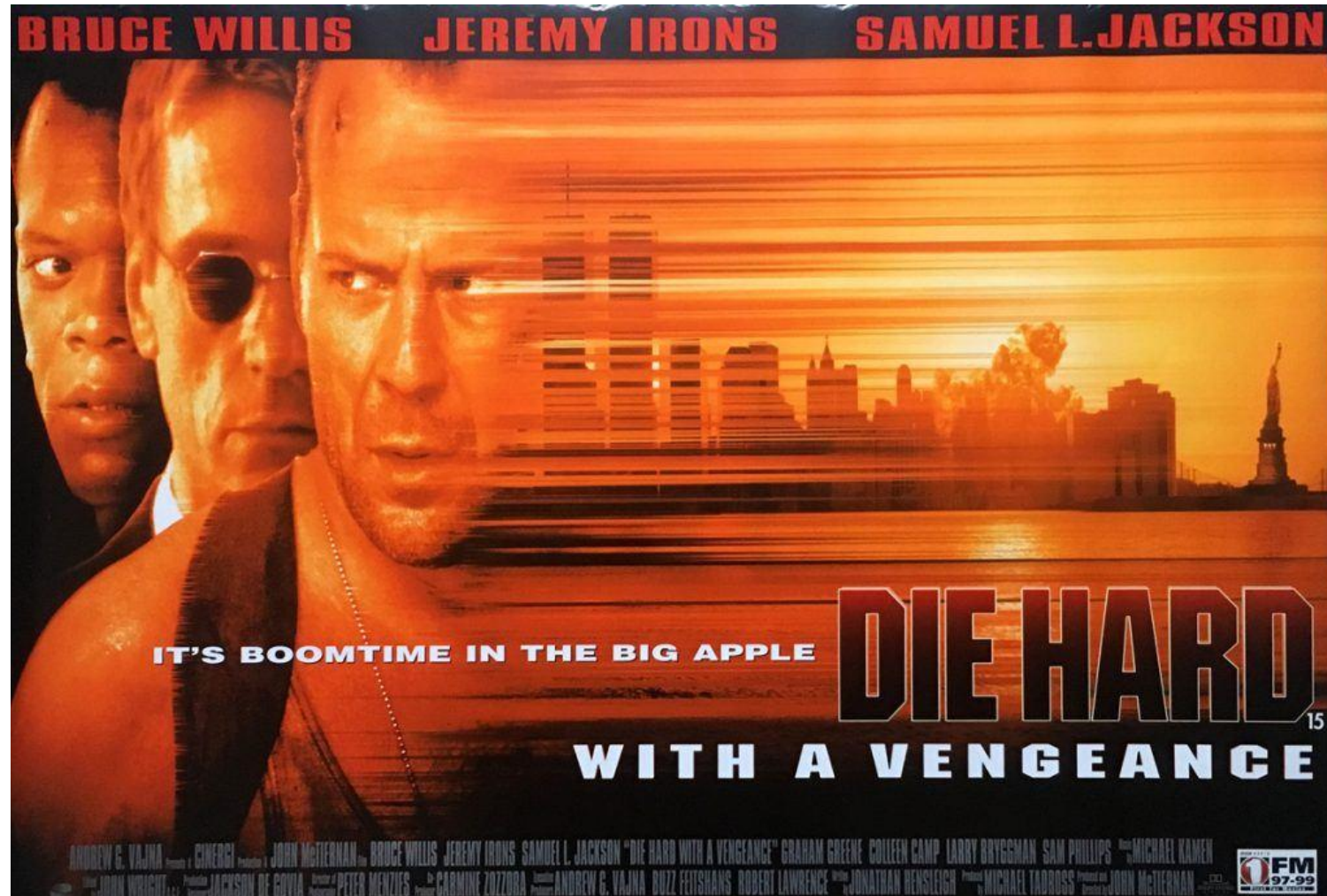




Every action has an equal and
opposite reaction

~ Isaac Newton

$$+F_A (A) = -F_B (B)$$

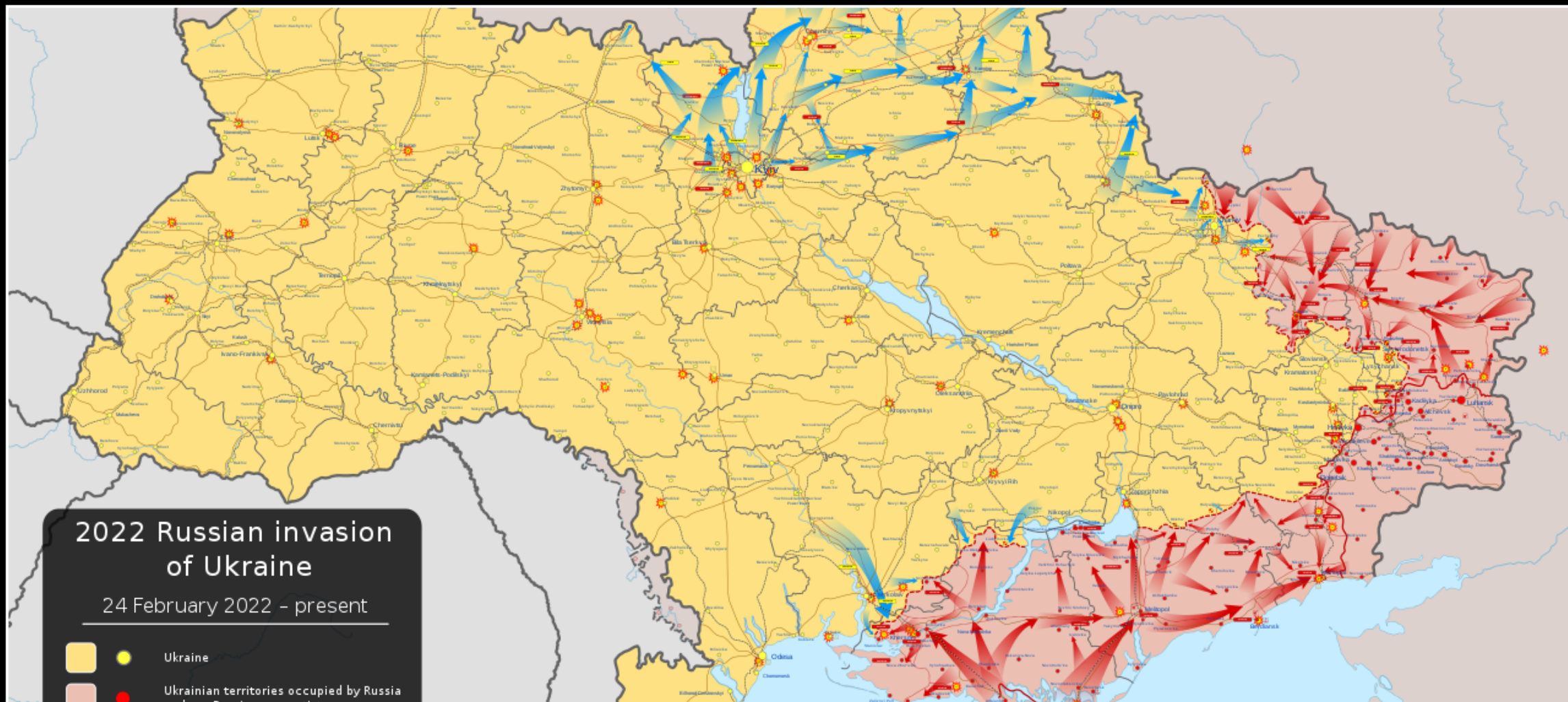


CHAPTER 3 –
THE PRESENT
– WHEN IT IS
STILL JUST
AML
BUT WITH A
VENGEANCE



SANCTIONS RISK





The War

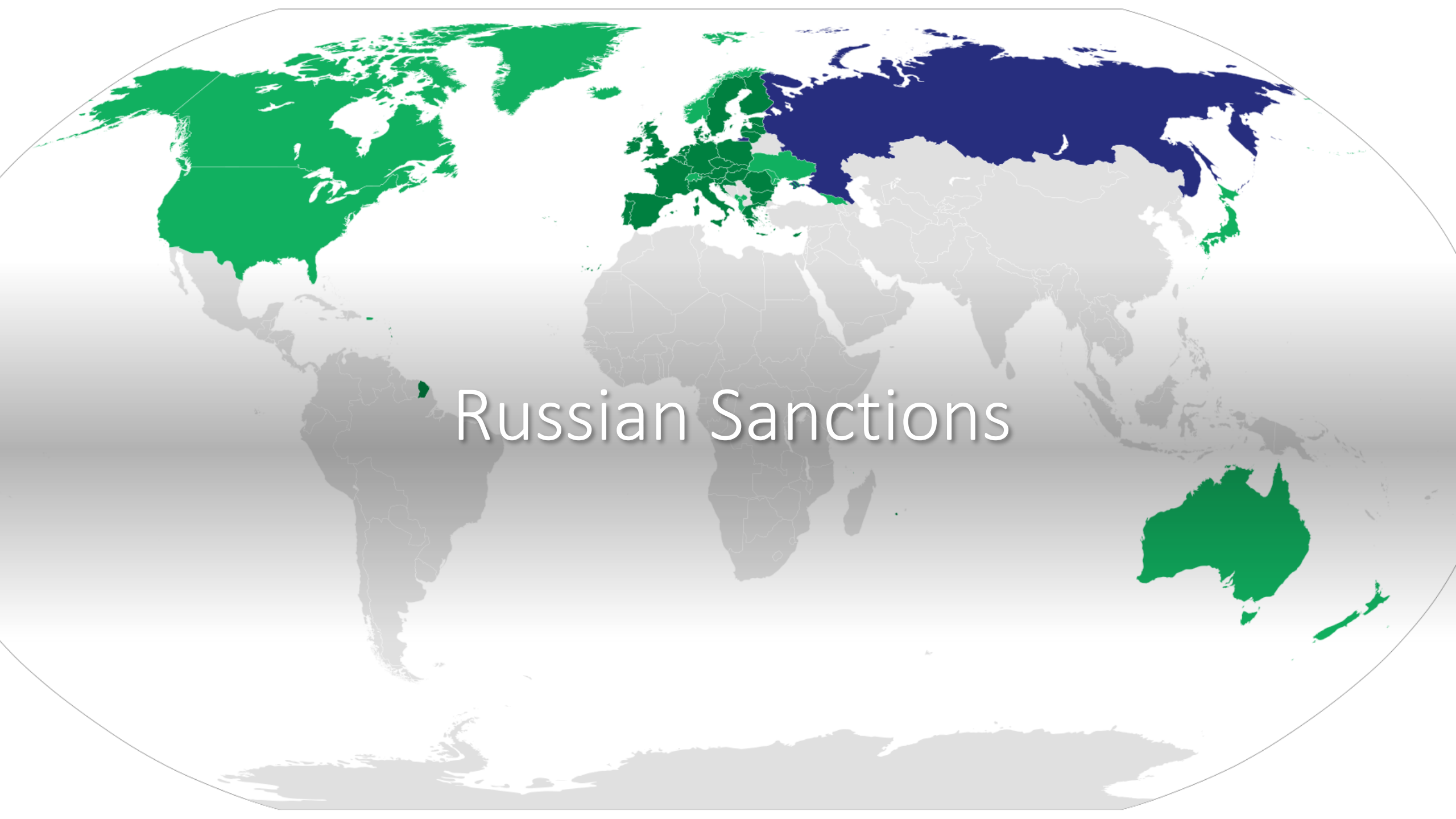


THE ECONOMIC WEAPON

NICHOLAS MULDER

READ BY LIAM GERRARD

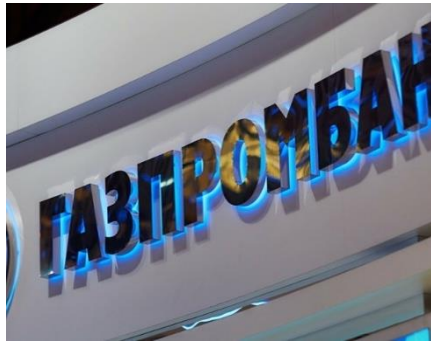
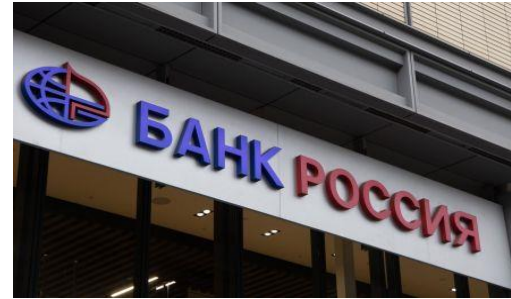
THE
RISE OF
SANCTIONS
AS A TOOL OF
MODERN WAR



Russian Sanctions

Russia has Officially Become the Most Sanctioned Country in the World, Surpassing Iran, Syria and North Korea







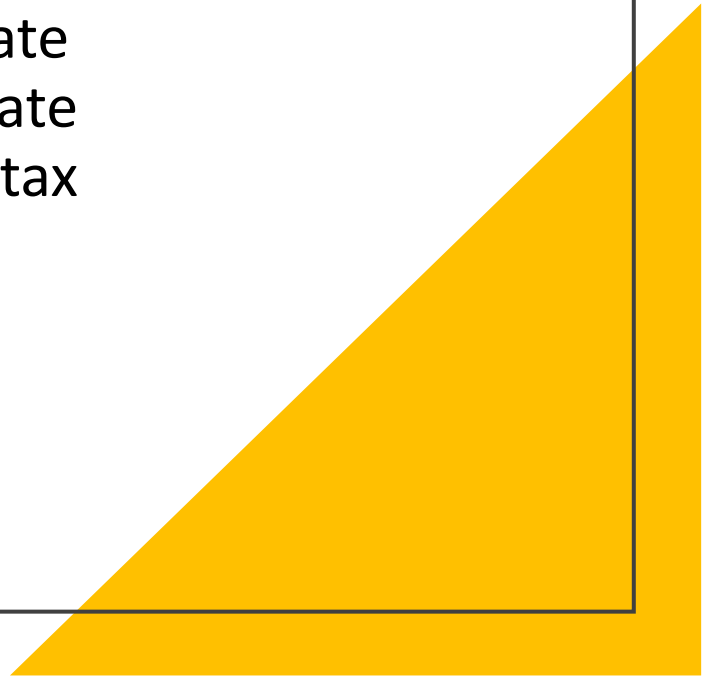


Types of Sanctions

- Economic sanctions – typically a ban on trade, possibly limited to certain sectors such as armaments, or with certain exceptions (such as food and medicine)
- Diplomatic sanctions – the reduction or removal of diplomatic ties, such as embassies.
- Military sanctions – military intervention
- Sport sanctions – preventing one country's people and teams from competing in international events.
- Sanctions on Environment – since the declaration of the United Nations Conference on the Human Environment, international environmental protection efforts have been increased gradually.

Professional Enablers

- Professional enablers are a distinct segment of professionals that intentionally and actively devise strategies to facilitate the commission of crimes (whether serving both legitimate clients and those engaging in money laundering crimes, tax crimes or other financial crimes).



US Department of Justice – Professional Enablers – 11 March 2022

- The US Department of Justice said “banks, cryptocurrency exchanges and other financial institutions that serve Russian oligarchs under American sanctions will be in its crosshairs, detailing the agenda of a special task force set up to enforce sanctions in response to Moscow’s invasion of Ukraine”.
- “The task force launched last week would take a broad view, looking not only at parties that knowingly help people under sanctions”.



US Department of Justice – Professional Enablers – 11 March 2022

- “Financial institutions, banks, money transmission services, cryptocurrency exchanges who wilfully fail to maintain adequate anti-money laundering policies and procedures and allow these oligarchs to move money will be in the crosshairs of this investigation”.
- “The task force will also target accountants and lawyers who have aided sanctioned individuals”.



US Department of Justice – Professional Enablers – 11 March 2022

- “We’ll absolutely be investigating, targeting and where appropriate prosecuting individuals who are not themselves the oligarch but who are happy to help conceal or facilitate, aid or abet either sanctions evasion in themselves or assist sanctioned individuals in committing any crime that we uncover in the investigation”.



US Department of Justice – Professional Enablers – 11 March 2022

- “The justice department is casting a wide net for its probe as it seeks to intensify the enforcement of US sanctions with the task force, which includes a broad set of law enforcement agencies such as the FBI and the US Secret Service”.
- “Actors who stick their heads in the sand or blind themselves to moving dirty money may face money laundering charges for their role in concealing those proceeds, and individuals and entities actively assisting a sanctioned person to move assets would also be targeted”.





Interpol – Professional Enablers - 15 March 2022

- INTERPOL launches Financial Crime and Anti-Corruption Centre; Secretary General says initiative will ‘expand and streamline’ police body’s FinCrime efforts
- By providing investigative, operational and analytical support, as well as capacity building, IFCACC will target fraud and payment crime, money laundering and asset recovery, and corruption,” according to INTERPOL.

Using Cryptos to Evade Sanctions

- Russia 'Can't and Won't' Use Crypto to Evade Sanctions
- Crypto is "useless" for evading sanctions because of the transparency provided by public ledgers, coupled with the analytical skills of blockchain intelligence firms.
- Crypto markets are thin to start with and ruble trading pairs are rare. With Russia cut off from the world's crypto industry, they can't source nearly enough liquidity to matter.
- Russia cannot use crypto to replace the hundreds of billions of dollars that could be potentially blocked or frozen.
- Evading sanctions through cryptos would be difficult for Russia, which has a \$1.4 trillion banking sector.





Ministry of Finance - Directorate of
International Financial Institutions and
Financial Management of Central Government

Reporting to Regulatory Authorities



CENTRAL BANK OF CYPRUS

EUROSYSTEM



EUROPEAN UNION

COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

European Council – Council of the
European Union

**First Package
(23/02/2022)**
Imposing Additional
Transferable
Securities and
Money-market
Instruments
Restrictions and
Prohibiting New
Loans or Credits

- **Sectoral prohibitions regarding the financing of Russia.**
- The following transactions with Russia and its government, the Central Bank of Russia, or any entity acting on behalf of or at the direction of the Central Bank of Russia:
 - to purchase, sell, provide investment service for or assistance in the issuance of, or otherwise deal with transferable securities and money-market instruments issued after March 9, 2022; and
 - to directly or indirectly make or be part of any arrangement to make any new loans or credit to Russia, the government, the Central Bank, or persons acting at the Central Bank's direction. Note that drawdowns or disbursements made under a contract concluded before February 2022 are allowed if all conditions are met.

**First Package
(23/02/2022)**
Imposing Additional
Transferable
Securities and
Money-market
Instruments
Restrictions and
Prohibiting New
Loans or Credits

- **Measures relating to Donetsk and Luhansk.**
- Such measures include:
 - an import ban on goods from these regions;
 - a prohibition on certain investments in the regions;
 - an export ban for goods and technologies suited to the transport, telecommunications, energy and oil, gas, and mineral sectors;
 - a ban on the provision of technical assistance, brokering, construction, or engineering services to infrastructure in the regions and within the aforementioned sectors; and
 - a prohibition to supply tourism services.

**First Package
(23/02/2022)**
Imposing Additional
Transferable
Securities and
Money-market
Instruments
Restrictions and
Prohibiting New
Loans or Credits

- **Blocking designations.**
- Blocked designations comprise 22 people, including members of the government, senior military personnel, people working for “pro-Russian” media, and businesspeople, as well as 336 members of the Russian State Duma, in addition to the following four entities:
- Internet Research Agency, Bank Rossiya, Promsvyazbank, and RF. For these three designated banks (Bank Rossiya, Promsvyazbank, and VEB.RF), member states may authorize the unblocking of funds or economic resources or making available of certain funds, when necessary, for the termination by August 24, 2022 of operations, contracts, or other agreements, including corresponding banking relations that were in place before February 23, 2022.

Second Package (25/02/2022) Of Restrictive Measures Imposing Additional Sanctions

- **Financial restrictions.**
- Extended financial restrictions on the access of certain Russian entities to capital markets. In particular, four additional banks (Alfa Bank, Bank Otkritie, Bank Rossiya, and Promsvyazbank) and eight corporations (Almaz-Antey, Kamaz, Novorossiysk Commercial Sea Port, Rostec, Russian Railways, Sevmash, Sovcomflot, and United Shipbuilding Corporation) are now subject to the EU capital market sanctions.
- Prohibited provision of services in relation to shares of Russian state-owned entities on Union trading venues. In addition, EU central securities depositories may no longer provide services for transferable securities issued after April 12, 2022, to any Russian persons, and no euro-denominated transferable securities issued after April 12, 2022 can be sold to Russian persons or entities, again subject to certain exceptions.
- Prohibited the acceptance of deposits exceeding 100,000 Eur from Russian nationals or residents, the holding of accounts of Russian clients by Union central securities depositories, and the selling of euro-denominated securities to Russian clients;

Second Package (25/02/2022) Of Restrictive Measures Imposing Additional Sanctions

- **Export ban.**
- This ban further restricts transactions relating to:
- goods and technology suited for use in oil refining, together with restrictions on the provision of related services;
- goods and technology suited for use in the aviation and space industry;
- dual-use goods and technology listed in Annex I to Regulation (EU) 2021/821; and
- goods and technology that might contribute to Russia's military and technological enhancement, or the development of the defense and security sector.
- The ban includes the provision of related services, such as technical assistance, brokering and financing, and certain sector-related activities.

Second Package (25/02/2022) Of Restrictive Measures Imposing Additional Sanctions

- **Amended blocking designations criteria.**
- Based on the amended EU designation criteria, the EU can now designate:
 - persons supporting, materially or financially, or benefitting from the Government of the Russian Federation; and
 - leading businesspersons or entities involved in economic sectors providing a substantial source of revenue for Russia.
- **Blocking designations and visa restrictions.**
- The EU, in line with other countries such as the United States and the UK, designated Putin, his Foreign Minister, and other high-ranking officials. These designations subject them to asset freezes. The EU has also suspended its visa facilitation process allowing for privileged access to the EU for Russian diplomats, other officials, and businesspeople

Third Package 1 (28/02/2022) Of Restrictive Measures Imposing Additional Sanctions

- **Additional financial restrictions.**
- These restrictions consist of a prohibition of all transactions related to the management of reserves as well as of assets of the Central Bank of Russia, including transactions with any legal person, entity, or body acting on behalf of, or at the direction of, the Central Bank of Russia.
- **Ban on Russian aircraft.**
- Member states are required to deny permission to land in, take off from, or overfly their territories to any aircraft operated by Russian air carriers, including as a marketing carrier, to any Russian-registered aircraft, and to non-Russian-registered aircraft that are owned or chartered, or otherwise controlled, by a Russian legal or natural person.
- **Additional blocking sanctions.**
- Gas industry insurance company SOGAZ was added to Annex I to Regulation (EU) No 269/2014, along with 26 other individuals close to Putin, members of the Russian media, or members of the Russian military.

Third Package 2 (02/03/2022) Of Restrictive Measures Imposing Additional Sanctions

- **SWIFT Restrictions.**
- As of March 12, the provision of SWIFT services is prohibited to the following banks or any entity established in Russia and owned directly or indirectly 50% or more by:
 - Bank Otkritie
 - Novikombank
 - Promsvyazbank
 - Bank Rossiya
 - Sovcombank
 - VNESHECONOMBANK (VEB); and
 - VTB BANK.
- These restrictions, in practice, are some of the most impactful restrictions imposed so far, as they directly impact the ability of these Russian banks to conduct international trade. While Russia has created a national Russian version of SWIFT (SPFS), and internal transfers may not be affected, the international payment system will be.

Third Package 2 (02/03/2022) Of Restrictive Measures Imposing Additional Sanctions

- **Additional financial restrictions.**
- Additional financial restrictions were also imposed, such as prohibiting the sale, supply, transfer, or export of euro banknotes to Russia or to any person in Russia (including the Russian government), or for use in Russia. The EU also issued some exceptions for personal use and diplomatic missions. In addition, the EU has prohibited the investment, participation, or contribution to projects co-financed by the RDIF (Russian Direct Investment Fund), for contracts concluded after March 2, 2022.
- **Restrictions on state-owned media outlets.**
- The EU prohibits operators from broadcasting, enabling, or facilitating the broadcast of the following media outlets and prohibits any broadcasting license or authorization and distribution agreement with these entities: RT – Russia Today English; RT– Russia Today UK; RT – Russia Today Germany; RT – Russia Today France; RT – Russia Today Spanish; and Sputnik.

**Third Package 3
(09/03/2022)
Of Restrictive
Measures Sanctioning
Russian Oligarchs and
Imposing Measures
on Belarus**

- **Designation of 160 individuals,**
- Including 146 members of the Russian Federation Council, the entity who ratified the Treaties of friendship, cooperation, and mutual assistance with the independentist regions of Donetsk and Luhansk. 14 new Russian oligarchs have also been added to this list.
- **Maritime navigation and radio communication technology.**
- The EU prohibited to sell, supply, transfer, export, or provide technical, brokering, or financial assistance in relation to certain type of navigation goods and technology.

Third Package 3 (09/03/2022) Of Restrictive Measures Sanctioning Russian Oligarchs and Imposing Measures on Belarus

- **Measures targeting Belarus.**
- These measures include prohibitions that are similar to some financial restrictions already imposed on Russia, such as (i) the prohibition on transactions with the Central Bank of Belarus, (ii) the sale, supply, transfer, or export of euro-denominated banknotes to or for use in Belarus (including the Government and Central Bank), (iii) to list and provide services on trading venues registered or recognized in the Union for the transferable securities (after April 12), (iv) public financing, financial assistance or investment in Belarus, (v) accepting deposits from Belarusian nationals, residents or entities in excess of 100,000 euros, etc.
- **A SWIFT ban for three Belarusian banks:**
- Belagroprombank, Bank Dabrabyt, and Development Bank of the Republic of Belarus, and any entity or body established in Belarus whose proprietary rights are directly or indirectly owned for more than 50 % by these banks.

**Fourth Package
(15/03/2022)
Of Restrictive
Measures Sanctioning
Russian Oligarchs and
Imposing Measures
on Belarus**

- **Additional financial restrictions.**
- A full prohibition of any transactions with certain Russian State-owned enterprises across different sectors - the Kremlin's military-industrial complex.
- An EU import ban on those steel products currently under EU safeguard measures, amounting to approximately € 3.3 billion in lost export revenue for Russia. Increased import quotas will be distributed to other third countries to compensate.
- A far-reaching ban on new investment across the Russian energy sector, with limited exceptions for civil nuclear energy and the transport of certain energy products back to the EU.

Fourth Package (15/03/2022) Of Restrictive Measures Sanctioning Russian Oligarchs and Imposing Measures on Belarus

- **Additional financial restrictions.**
- An EU export ban on luxury goods (e.g. luxury cars, jewellery, etc.) to directly hit Russian elites.
- Moreover, the list of sanctioned persons and entities has been further extended to include more oligarchs and business elites linked to the Kremlin, as well as companies active in military and defence areas, which are logistically and materially supporting the invasion. There are also new listings of actors active in disinformation.
- A ban on the rating of Russia and Russian companies by EU credit rating agencies and the provision of rating services to Russian clients, which would result in them losing even further access to the EU's financial markets.

**Fourth Package
(15/03/2022)
Of Restrictive
Measures Sanctioning
Russian Oligarchs and
Imposing Measures
on Belarus**

- **Denying Russia most favoured nation status**
- The EU, together with other World Trade Organization (WTO) members, agreed today to deny Russian products and services most favoured nation treatment in EU markets. This follows an announcement on Friday 11 March by G7 members. This will suspend the significant benefits that Russia enjoys as a WTO member. These actions against Russia protect the essential security interests of the EU and its partners in light of Russia's unprovoked, premeditated and unjustified aggression against Ukraine, assisted by Belarus. They are fully justified under WTO law.

**Fifth Package
(08/04/2022)
Of Restrictive
Measures**

- **1) Coal ban**
- **2) Financial measures**
- **3) Transport**
- **4) Targeted export bans**
- **5) Extending import bans**
- **6) Excluding Russia from public contracts and European money; legal clarifications and enforcement**
- **7) An additional 217 individuals and 18 entities have now been sanctioned. This includes all 179 members of the so-called “governments” and “parliaments” of Donetsk and Luhansk. In total, 1091 individuals and 80 entities have been sanctioned since 2014.**

Sixth Package (??/05/2022) Of Restrictive Measures

- SANCTIONS IMPORTANT UPDATE - EU SANCTIONS 6TH PACKAGE!!!
- Speech by the President of the European Commission Ursula von der Leyen - 4th May 2022:
- 4) "Fourth, moreover, the Kremlin relies on accountants, consultants and spin doctors from Europe. And this will now stop. We are banning those services from being provided to Russian companies."!!!!
- Yiannis comments: Reading it again and again, only 3 sentences long, and not sure to what extent and to what scope this would become applicable. Also, will there be an exception as in the other prohibitions (i.e. EU nationals/residents for articles 5f and 5m, EU/EEA/Swiss nationals/residents for article 5b)? Also, what do they mean by Russian companies? Russian registered? Russian owned/controlled? Finally, do they mean not providing these services by being based in Russia or is this applicable also being based in other EU countries as well? I don't know the answers! Hopefully, we will know soon when the EU Sanctions 6th Package is formally announced!

Sixth Package (??/05/2022) Of Restrictive Measures

- In addition:
- 1) "First, we are listing high-ranking military officers and other individuals who committed war crimes in Bucha and who are responsible for the inhuman siege of the city of Mariupol."
- 2) "Second, we de-SWIFT Sberbank – by far Russia's largest bank, and two other major banks."
- 3) "Third, we are banning three big Russian state-owned broadcasters from our airwaves."
- 4) "Fourth, moreover, the Kremlin relies on accountants, consultants and spin doctors from Europe. And this will now stop. We are banning those services from being provided to Russian companies."
- 5) "Fifth, we now propose a ban on Russian oil. This will be a complete import ban on all Russian oil, seaborne and pipeline, crude and refined. We will make sure that we phase out Russian oil in an orderly fashion, in a way that allows us and our partners to secure alternative supply routes and minimises the impact on global markets. This is why we will phase out Russian supply of crude oil within six months and refined products by the end of the year."
- 6) Bloomberg also stated: "The European Union added a ban on property transactions with Russian nationals to its sixth package of sanctions. The European Commission's proposal would halt property deals with Russian citizens, residents and entities prohibiting the sale or transfer, directly or indirectly, of ownership rights in immovable property located within the territory of the Union or units in collective investment undertakings providing exposure to such immovable property. The prohibition applies to Russians who are not EU citizens and lack a residency permit in EU member states. It doesn't apply to those who carry citizenship or residency in the European Economic Area or Switzerland."

Sixth Package (??/05/2022) Of Restrictive Measures

- SANCTIONS IMPORTANT UPDATES - THE IRONY!
- Sanctions definitely work to starve the Russian Economy! Let's sanction the coal imports, the yachts, the jets, the media, the trusts, the funds, the deposits and the oligarchs; who cares about the oil and gas!
- "Despite sanctions, since the start of the war Russia has almost doubled its earnings from selling fossil fuels to the EU, according to the Centre for Research on Energy and Clean Air, as oil and gas prices have soared." BBC – 04/05/2022





United Nations Security Council

UN Sanctions

- The Security Council can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures, under Article 41, encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the Security Council has established 30 sanctions regimes, in Southern Rhodesia, South Africa, the former Yugoslavia (2), Haiti, Iraq (2), Angola, Rwanda, Sierra Leone, Somalia and Eritrea, Eritrea and Ethiopia, Liberia (3), DRC, Côte d'Ivoire, Sudan, Lebanon, DPRK, Iran, Libya (2), Guinea-Bissau, CAR, Yemen, South Sudan and Mali, as well as against ISIL (Da'esh) and Al-Qaida and the Taliban
- <https://www.un.org/securitycouncil/sanctions/information>



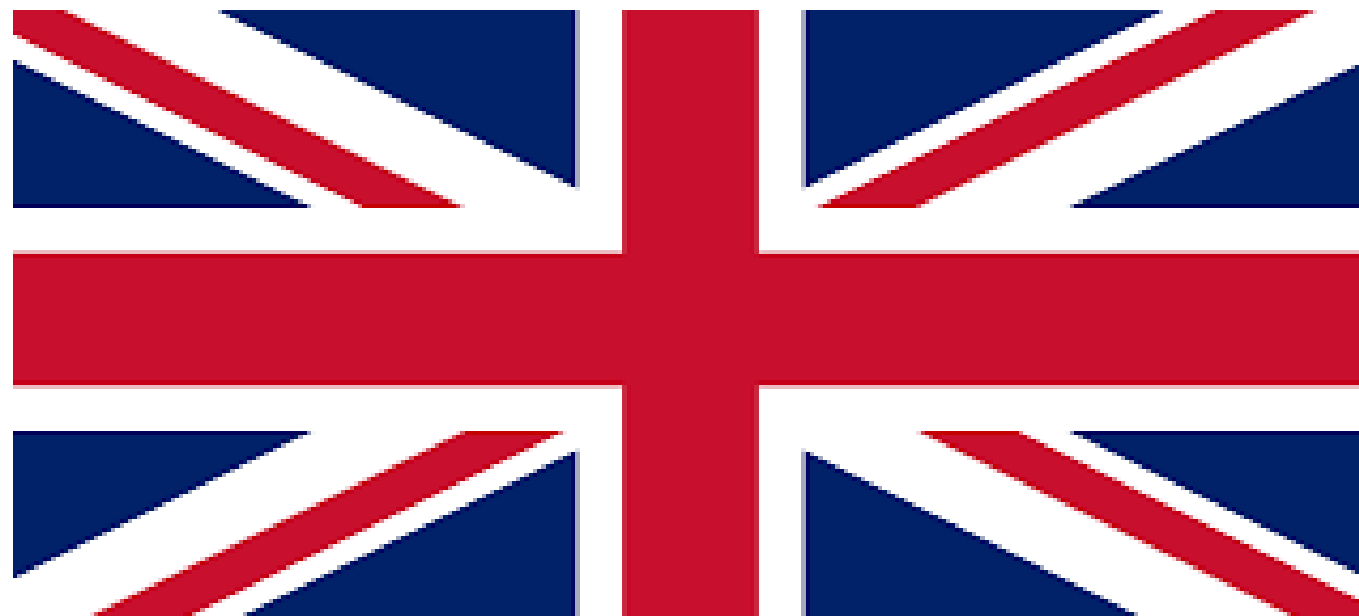
U.S. Department
of the Treasury -
Office of Foreign
Assets Control
(OFAC)

US - Executive Order 14065 of February 21, 2022 — "Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts To Undermine the Sovereignty and Territorial Integrity of Ukraine"

- Ukraine-/Russia-related Sanctions - Legal Framework For The Ukraine-/Russia-Related Sanctions
- <https://home.treasury.gov/policy-issues/financial-sanctions/sanctions-programs-and-country-information/ukraine-russia-related-sanctions>
- Blocking Property of Certain Persons and Prohibiting Certain Transactions With Respect to Continued Russian Efforts To Undermine the Sovereignty and Territorial Integrity of Ukraine
- <https://www.federalregister.gov/documents/2022/02/23/2022-04020/blocking-property-of-certain-persons-and-prohibiting-certain-transactions-with-respect-to-continued>



Foreign, Commonwealth & Development Office



UK - Foreign,
Commonwealth
& Development
Office

UK Sanctions Relating to Russia

The Russia (Sanctions) (EU Exit) Regulations 2019 (No. 1 to No. 6) came fully into force on 31 December 2020 and last updated on March 2022. They are intended to ensure that certain sanctions relating to Russia continue to operate effectively.

<https://www.gov.uk/government/collections/uk-sanctions-on-russia>

Other Russian Sanctions Regimes



Sanctions Compliance Program (SCP)

Management Commitment

Risk Assessment

Internal Controls

Testing and Auditing

Training

Management Commitment 1

- Senior Management's commitment to, and support of, an organization's risk-based SCP is one of the most important factors in determining its success. This support is essential in ensuring the SCP receives adequate resources and is fully integrated into the organization's daily operations, and also helps legitimize the program, empower its personnel, and foster a culture of compliance throughout the organization.
- Senior management commitment to supporting an organization's SCP is a critical factor in determining the success of the SCP. Effective management support includes the provision of adequate resources to the compliance unit(s) and support for compliance personnel's authority within an organization. The term "senior management" may differ among various organizations, but typically the term should include senior leadership, executives, and/or the board of directors.

Management Commitment 2

- I. Senior management has reviewed and approved the organization's SCP.
- II. Senior management ensures that its compliance unit(s) is/are delegated sufficient authority and autonomy to deploy its policies and procedures in a manner that effectively controls the organization's sanctions risk. As part of this effort, senior management ensures the existence of direct reporting lines between the SCP function and senior management, including routine and periodic meetings between these two elements of the organization.
- III. Senior management has taken, and will continue to take, steps to ensure that the organization's compliance unit(s) receive adequate resources—including in the form of human capital, expertise, information technology, and other resources, as appropriate—that are relative to the organization's breadth of operations, target and secondary markets, and other factors affecting its overall risk profile.

Management Commitment 3

- IV. Senior management promotes a “culture of compliance” throughout the organization.
- V. Senior management demonstrates recognition of the seriousness of apparent violations of the laws and regulations administered by Authorities, or malfunctions, deficiencies, or failures by the organization and its personnel to comply with the SCP’s policies and procedures, and implements necessary measures to reduce the occurrence of apparent violations in the future. Such measures should address the root causes of past apparent violations and represent systemic solutions whenever possible.

Risk Assessment 1

- Risks in sanctions compliance are potential threats or vulnerabilities that, if ignored or not properly handled, can lead to violations of sanctions' regulations and negatively affect an organization's reputation and business. Authorities recommend that organizations take a risk-based approach when designing or updating an SCP. One of the central tenets of this approach is for organizations to conduct a routine, and if appropriate, ongoing "risk assessment" for the purposes of identifying potential sanctions issues they are likely to encounter. As described in detail below, the results of a risk assessment are integral in informing the SCP's policies, procedures, internal controls, and training in order to mitigate such risks.

Risk Assessment 2

- While there is no “one-size-fits all” risk assessment, the exercise should generally consist of a holistic review of the organization from top-to-bottom and assess its touchpoints to the outside world. This process allows the organization to identify potential areas in which it may, directly or indirectly, engage with sanctions-prohibited persons, parties, countries, or regions. For example, an organization’s SCP may conduct an assessment of the following: (i) customers, supply chain, intermediaries, and counter-parties; (ii) the products and services it offers, including how and where such items fit into other financial or commercial products, services, networks, or systems; and (iii) the geographic locations of the organization, as well as its customers, supply chain, intermediaries, and counter-parties. Risk assessments and sanctions-related due diligence is also important during mergers and acquisitions, particularly in scenarios involving non-EU companies or corporations.

Risk Assessment 3

- A fundamental element of a sound SCP is the assessment of specific clients, products, services, and geographic locations in order to determine potential sanctions risk. The purpose of a risk assessment is to identify inherent risks in order to inform risk-based decisions and controls.
- I. The organization conducts, or will conduct, a sanctions' risk assessment in a manner, and with a frequency, that adequately accounts for the potential risks. Such risks could be posed by its clients and customers, products, services, supply chain, intermediaries, counter-parties, transactions, and geographic locations, depending on the nature of the organization. As appropriate, the risk assessment will be updated to account for the root causes of any apparent violations or systemic deficiencies identified by the organization during the routine course of business.
- II. The organization has developed a methodology to identify, analyse, and address the particular risks it identifies. As appropriate, the risk assessment will be updated to account for the conduct and root causes of any apparent violations or systemic deficiencies identified by the organization during the routine course of business, for example, through a testing or audit function.

Internal Controls 1

- An effective SCP should include internal controls, including policies and procedures, in order to identify, interdict, escalate, report (as appropriate), and keep records pertaining to activity that may be prohibited by the regulations and laws administered relating to Sanctions. The purpose of internal controls is to outline clear expectations, define procedures and processes pertaining to sanctions compliance (including reporting and escalation chains), and minimize the risks identified by the organization's risk assessments. Policies and procedures should be enforced, weaknesses should be identified (including through root cause analysis of any compliance breaches) and remediated, and internal and/or external audits and assessments of the program should be conducted on a periodic basis.

Internal Controls 2

- Given the dynamic nature of economic and trade sanctions, a successful and effective SCP should be capable of adjusting rapidly to changes published by Authorities. These include the following: (i) updates to Sanction List of Specially Designated Nationals and Blocked Persons, the Sectoral Sanctions Identification List, and other sanctions-related lists; (ii) new, amended, or updated sanctions programs or prohibitions imposed on targeted foreign countries, governments, regions, or persons, through the enactment of new legislation, the issuance of new Executive orders, regulations, or published EU guidance or other sanctions; and (iii) the issuance of general licenses.
- Effective sanctions' compliance programs generally include internal controls, including policies and procedures, in order to identify, interdict, escalate, report (as appropriate), and keep records pertaining to activity that is prohibited by the sanctions programs administered. The purpose of internal controls is to outline clear expectations, define procedures and processes pertaining to sanctions' compliance, and minimize the risks identified by an entity's sanctions' risk assessments. Policies and procedures should be enforced, and weaknesses should be identified (including through root cause analysis of any compliance breaches) and remediated in order to prevent activity that might violate the sanctions programs administered.

Internal Controls 3

- I. The organization has designed and implemented written policies and procedures outlining the SCP. These policies and procedures are relevant to the organization, capture the organization's day-to-day operations and procedures, are easy to follow, and designed to prevent employees from engaging in misconduct.
- II. The organization has implemented internal controls that adequately address the results of its sanctions' risk assessment and profile. These internal controls should enable the organization to clearly and effectively identify, interdict, escalate, and report to appropriate personnel within the organization transactions and activity that may be prohibited by Authorities. To the extent information technology solutions factor into the organization's internal controls, the organization has selected and calibrated the solutions in a manner that is appropriate to address the organization's risk profile and compliance needs, and the organization routinely tests the solutions to ensure effectiveness.

Internal Controls 4

- III. The organization enforces the policies and procedures it implements as part of its sanctions' compliance internal controls through internal and/or external audits.
- IV. The organization ensures that its sanctions-related recordkeeping policies and procedures adequately account for its requirements pursuant to the sanctions programs administered.
- V. The organization ensures that, upon learning of a weakness in its internal controls pertaining to sanctions compliance, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.
- VI. The organization has clearly communicated the SCP's policies and procedures to all relevant staff, including personnel within the SCP program, as well as relevant gatekeepers and business units operating in high-risk areas (e.g., customer acquisition, payments, sales, etc.) and to external parties performing SCP responsibilities on behalf of the organization.
- VII. The organization has appointed personnel for integrating the SCP's policies and procedures into the daily operations of the company or corporation. This process includes consultations with relevant business units, and confirms the organization's employees understand the policies and procedures.

Testing and Auditing 1

- Audits assess the effectiveness of current processes and check for inconsistencies between these and day-to-day operations. A comprehensive and objective testing or audit function within an SCP ensures that an organization identifies program weaknesses and deficiencies, and it is the organization's responsibility to enhance its program, including all program-related software, systems, and other technology, to remediate any identified compliance gaps. Such enhancements might include updating, improving, or recalibrating SCP elements to account for a changing risk assessment or sanctions environment. Testing and auditing can be conducted on a specific element of an SCP or at the enterprise-wide level.

Testing and Auditing 2

- A comprehensive, independent, and objective testing or audit function within an SCP ensures that entities are aware of where and how their programs are performing and should be updated, enhanced, or recalibrated to account for a changing risk assessment or sanctions environment, as appropriate. Testing or audit, whether conducted on a specific element of a compliance program or at the enterprise-wide level, are important tools to ensure the program is working as designed and identify weaknesses and deficiencies within a compliance program.

Testing and Auditing 3

- I. The organization commits to ensuring that the testing or audit function is accountable to senior management, is independent of the audited activities and functions, and has sufficient authority, skills, expertise, resources, and authority within the organization.
- II. The organization commits to ensuring that it employs testing or audit procedures appropriate to the level and sophistication of its SCP and that this function, whether deployed internally or by an external party, reflects a comprehensive and objective assessment of the organization's sanctions'-related risk assessment and internal controls.
- III. The organization ensures that, upon learning of a confirmed negative testing result or audit finding pertaining to its SCP, it will take immediate and effective action, to the extent possible, to identify and implement compensating controls until the root cause of the weakness can be determined and remediated.



Training 1

- An effective training program is an integral component of a successful SCP. The training program should be provided to all appropriate employees and personnel on a periodic basis (and at a minimum, annually) and generally should accomplish the following: (i) provide job-specific knowledge based on need; (ii) communicate the sanctions compliance responsibilities for each employee; and (iii) hold employees accountable for sanctions compliance training through assessments.
 - An adequate training program, tailored to an entity's risk profile and all appropriate employees and stakeholders, is critical to the success of an SCP.
-



Training 2

- I. The organization commits to ensuring that its sanctions'-related training program provides adequate information and instruction to employees and, as appropriate, stakeholders (for example, clients, suppliers, business partners, and counterparties) in order to support the organization's sanctions' compliance efforts. Such training should be further tailored to high-risk employees within the organization.
 - II. The organization commits to provide sanctions'-related training with a scope that is appropriate for the products and services it offers; the customers, clients, and partner relationships it maintains; and the geographic regions in which it operates.
-



Training 3

- III. The organization commits to providing sanctions'-related training with a frequency that is appropriate based on its sanctions' risk assessment and risk profile.
 - IV. The organization commits to ensuring that, upon learning of a confirmed negative testing result or audit finding, or other deficiency pertaining to its SCP, it will take immediate and effective action to provide training to or other corrective action with respect to relevant personnel.
 - V. The organization's training program includes easily accessible resources and materials that are available to all applicable personnel.
-



CHAPTER 4 - CRITICAL CONSIDERATIONS 2022



CRITICAL
CONSIDERATION
1







S	5	7	8	9	P	H	E
2	1				6	8	0
3	0				5	2	1

PRIMARY TARGET
II | 55

54:81



CRITICAL
CONSIDERATION
2







CRITICAL
CONSIDERATION
3



EU Russian Sanctions Package

1st Package – 23/02/2022

2nd Package – 25/02/2022

3.1rd Package – 28/02/2022

3.2rd Package – 02/03/2022

3.3rd Package – 09/03/2022

4th Package – 15/03/2022

5th Package – 08/04/2022

6th Package - ??/05/2022

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137th Package - ??/??/????



**GET OUT
NOW!**

Russians get out of EU?



Russians get out
of EU!



CRITICAL
CONSIDERATION
4



Change of ownership without apparent reason



CRITICAL
CONSIDERATION
5

FOLLOW THE MONEY





CRITICAL
CONSIDERATION
6

DECENTRALIZED
P2P
CRYPTOGRAPHY
PROFITABILITY
ONLINE MARKET
WWW
ELECTRONIC MONEY
CURRENCIES
EXCHANGE
TRADING
BANKING
DIGITAL
BITCOIN
DIGITAL CURRENCY
PEER-TO-PEER
VIRTUAL COINS
MONEY 2.0
ALTERNATIVE
CURRENCY
ELECTRONIC MONEY
CRYPTO
INTERNET
COINS
DIGITAL CURRENCY
BITCOIN
ELECTRONIC COINS
BUSINESS TRANSACTION
CRYPTO
INTERNET
COINS



CRITICAL CONSIDERATION

7



Professional
Advisor vs
Professional
Enabler



CRITICAL
CONSIDERATION
8



Ministry of Finance - Directorate of
International Financial Institutions and
Financial Management of Central Government



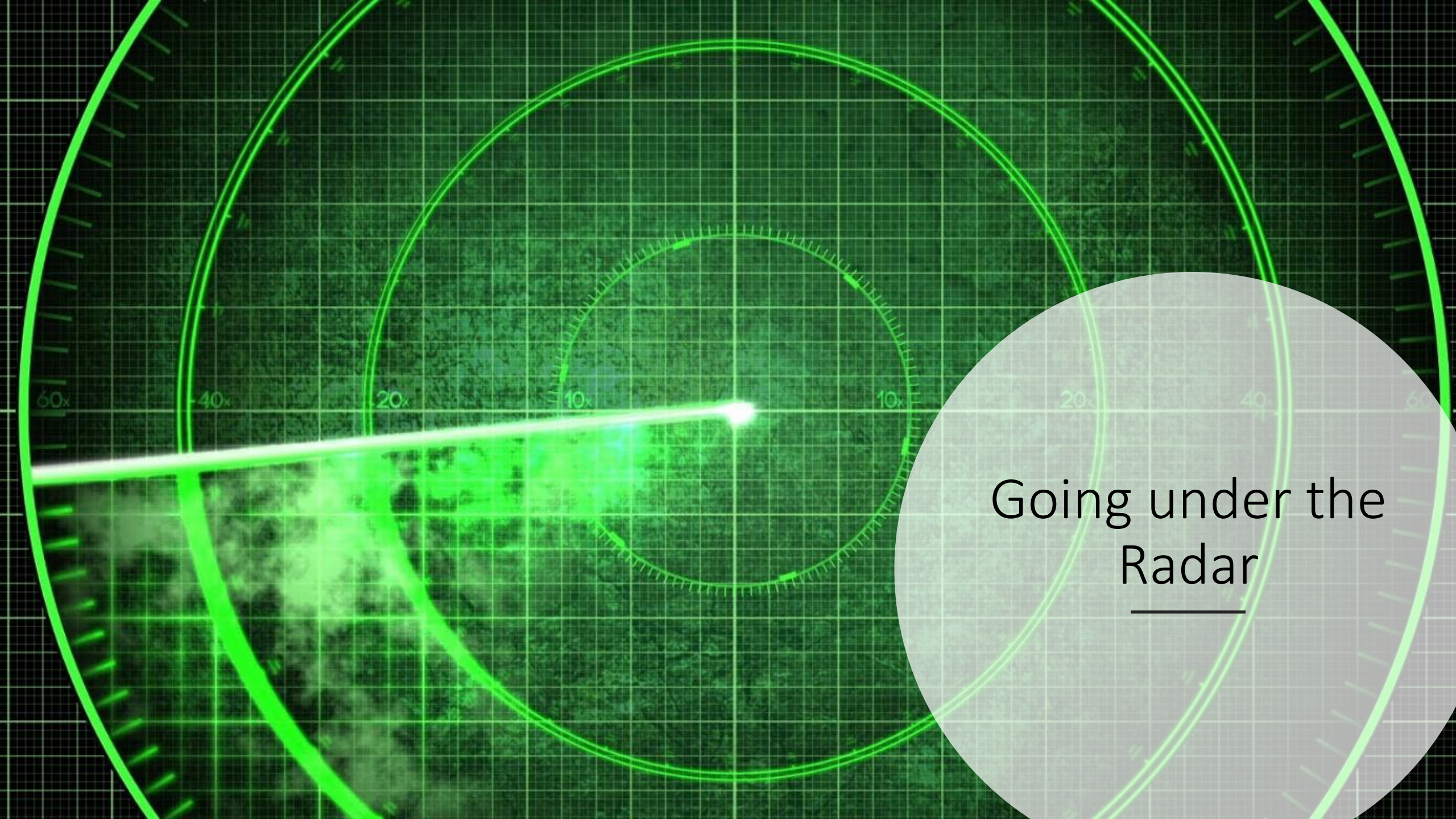
CRITICAL
CONSIDERATION
9

Reporting to Regulatory Authorities



CENTRAL BANK OF CYPRUS

EUROSYSTEM



Going under the
Radar



CRITICAL
CONSIDERATION
10

Sanctions Compliance Program (SCP) Manual

Management Commitment

Risk Assessment

Internal Controls

Testing and Auditing

Training

AML Legislation Manual – More Critical than Ever

Governance and Culture

Suspicious Activities and Suspicious Transactions Reporting

Onboarding and Ongoing Monitoring

Background Checks

Risk Assessment

Identification and Verification

Economic Profile and Transactions Monitoring



CRITICAL
CONSIDERATION
11



EUROPEAN UNION

COUNCIL OF EUROPE



CONSEIL DE L'EUROPE

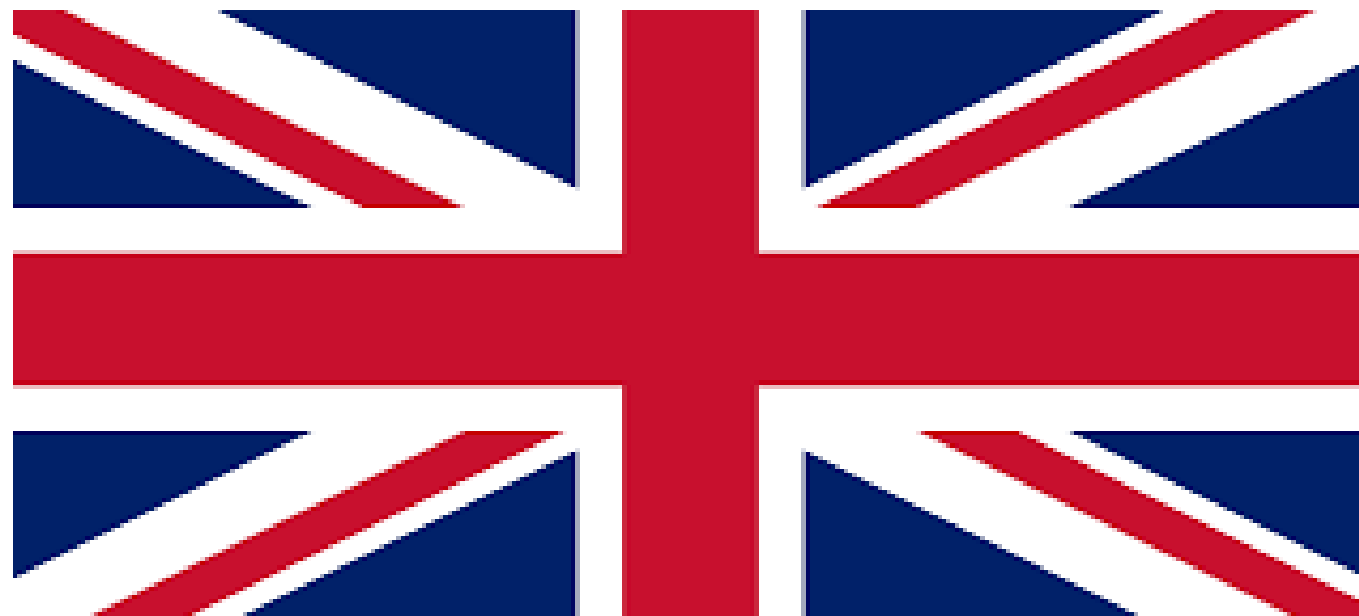
European Council – Council of the
European Union



U.S. Department
of the Treasury -
Office of Foreign
Assets Control
(OFAC)



Foreign, Commonwealth & Development Office



UK - Foreign,
Commonwealth
& Development
Office

Other Russian Sanctions Regimes





CRITICAL
CONSIDERATION
12



Sanctions Shareholders Aggregation
Loophole

EU Sanctions Legislation - Aggregation

- "Question: Joint ownership - Regarding the threshold of 50% for an entity to be considered as being owned by a listed person, does this only refer to a single listed person or can it be interpreted as allowing the sum of ownership by more than one listed person? For example, if one listed person owns 26% and a second one owns 26%, is the threshold reached? Or is this 50% ownership requirement limited to one single listed person?"
- EU Response: One should look at the aggregated ownership of the company. If one listed person owns 30% of the company and another listed person owns 25% of the company, the company should be considered as jointly owned and controlled by listed persons. Dealing with the company could then be considered as making funds or economic resources indirectly available to the listed persons."
- https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions/sanctions-adopted-following-russias-military-aggression-against-ukraine_en
- **Overall Conclusion: Aggregation to be taken into account**



US Sanctions Legislation - Aggregation

- “Question: 399. Does OFAC aggregate ownership stakes of all blocked persons when determining whether an entity is blocked pursuant to OFAC’s 50 Percent Rule?”
- USA Response: Yes. On August 13, 2014, OFAC indicated in its revised 50 Percent Rule guidance that OFAC’s 50 Percent Rule applies to entities owned 50 percent or more in the aggregate by one or more blocked persons. Accordingly, if Blocked Person X owns 25 percent of Entity A, and Blocked Person Y owns another 25 percent of Entity A, Entity A is considered to be blocked. This is so because Entity A is owned 50 percent or more in the aggregate by one or more blocked persons. For the purpose of calculating aggregate ownership, the ownership interests of persons blocked under different OFAC sanctions programs are aggregated.”
- <https://home.treasury.gov/policy-issues/financial-sanctions/faqs/topic/1521#:~:text=OFAC's%2050%20Percent%20Rule%20states,blocked%20persons%20are%20considered%20blocked.>
- **Overall Conclusion: Aggregation to be taken into account**



UK Sanctions Legislation - Aggregation

- "4.1.4 Aggregation: When making an assessment on ownership and control, OFSI would not simply aggregate different designated persons' holdings in a company, unless, for example, the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another. Consequently, if each of the designated person's holdings falls below the 50% threshold in respect of share ownership and there is no evidence of a joint arrangement or that the shares are held jointly, the company would not be directly or indirectly owned by a designated person.
- It should be noted that ownership and control also relates to holding more than 50% of voting rights, the right to appoint or remove a majority of the board of directors and it being reasonable to expect that a designated person would be able in significant respects to ensure that the affairs of a company are conducted in accordance with their wishes. If any of these apply, the company could be controlled by a designated person."
- https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062452/General_Guidance_-_UK_Financial_Sanctions.pdf
- **Overall Conclusion: Aggregation NOT to be taken into account**





Scenario 1 - Aggregation

- Company CY Ltd (Cyprus entity) owns (100% holding) Company UK Ltd (UK entity). Company CY Ltd is owned by Vladimir Putin by 50% (plus 1 share) and the remaining % holding from non-sanction individuals.
- In this scenario Company CY Ltd and Company UK Ltd will also be considered sanctioned from EU, USA and UK Sanctions Legislation.



Scenario 2 - Aggregation



- Company CY Ltd (Cyprus entity) owns (100% holding) Company UK Ltd. Company CY Ltd is owned by Vladimir Putin by 49%, by Sergey Lavrov by 49% and by Roman Abramovich by 2%.
- In this scenario Company CY Ltd and Company UK Ltd will also be considered sanctioned from EU and USA but **NOT from UK Sanctions Legislation!**





CRITICAL
CONSIDERATION
13



Prohibitions
– Trusts –
Article 5m

Prohibitions –
Trusts – Article
5m

Trusts Vs Trust
Deeds

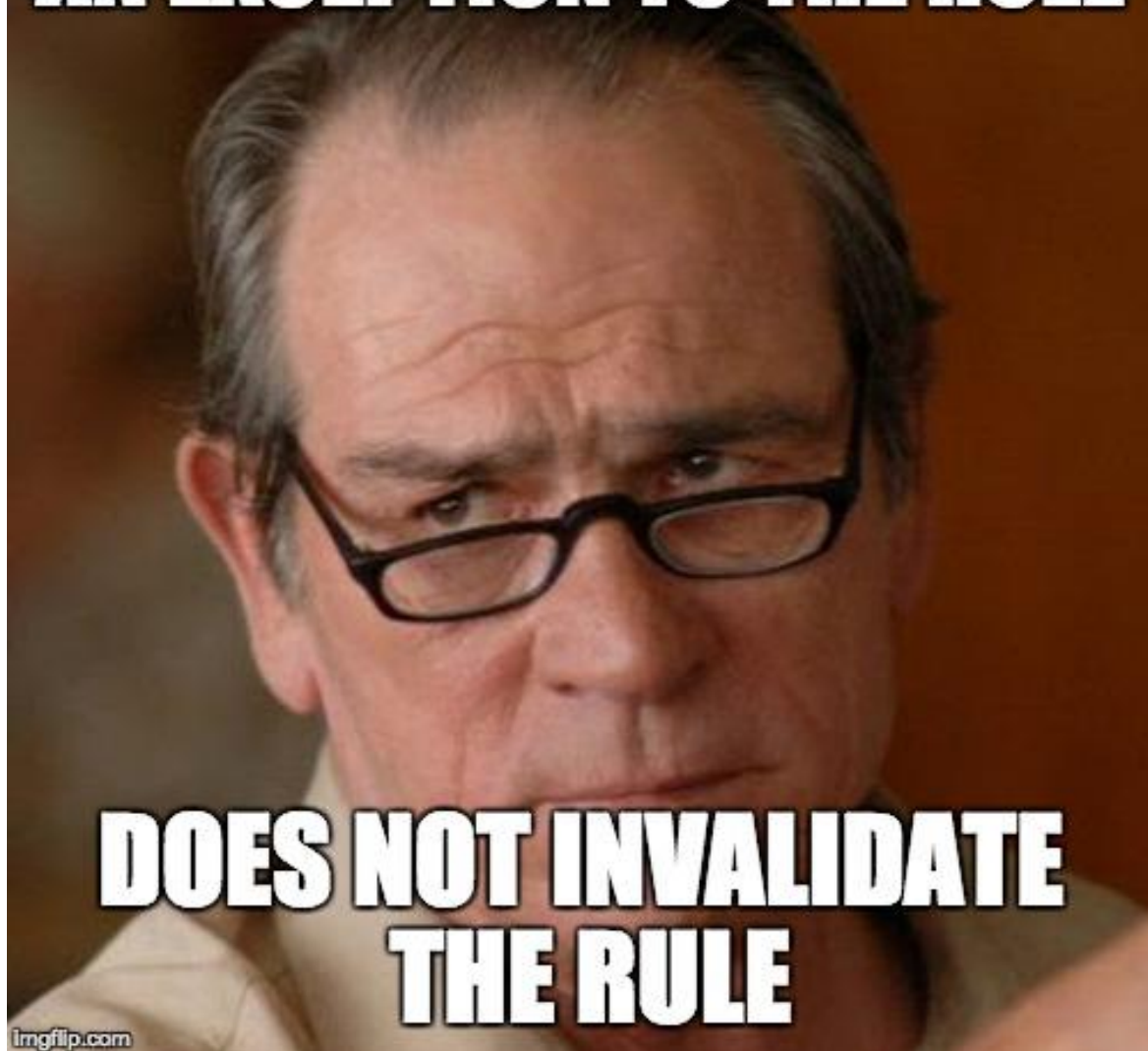
Current Vs New
Arrangements

Dual Nationalities
Vs EU Nationality



CRITICAL
CONSIDERATION
14

AN EXCEPTION TO THE RULE



**DOES NOT INVALIDATE
THE RULE**

Exceptions

Article

Article 5b (Cash Deposits) – EU, EEA, SWISS Nationals and/or Residents

Article

Article 5f (Transferable Securities) – EU Nationals and/or Residents

Article

Article 5m (Trusts) – EU Nationals and/or Residents

What about the UK Nationals and/or Residents

- CySEC Circular 511
- In view of the above, the ASPs are immediately called upon to examine their records and to inform CySEC in relation to the number:
 - i. of existing trusts or similar legal arrangements described in paragraph 1 taking into account the exceptions given in paragraph 4,
 - **ii. of existing trusts or similar legal arrangements described in paragraph 1, in which the trustor or beneficiary is a Russian national or natural person residing in Russia and in addition, is a United Kingdom national or a natural person having temporary or permanent residence permit in the United Kingdom.**





Dual Nationality – YES!



Dual Nationality – NO!

The background of the slide is a photograph of the European Union flag, which is a blue field with twelve gold stars arranged in a circle. The flag is waving and is set against a clear blue sky. The text is overlaid on the left side of the flag.

LOW TAX RESIDENCE IN EUROPE: THE MOST ATTRACTIVE OPTIONS

International Wealth 

SALE – For every 2 EU residencies get a 3rd one free



CRITICAL
CONSIDERATION
15



Prohibitions Vs Sanctions



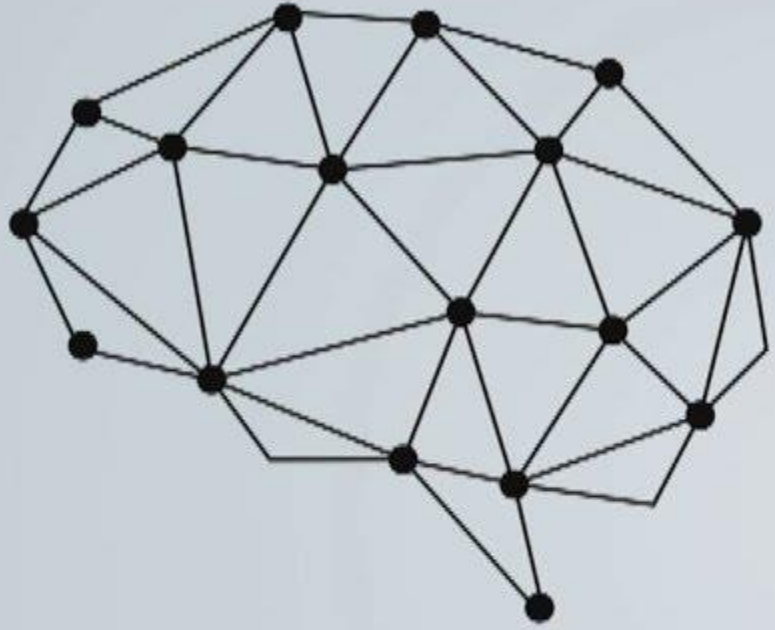
Article 5b - Deposits



Article 5f –
Transferable
Securities



Article 5m - Trusts



Cambridge Analytica



Article 6??? –
Accountants,
Consultants, Spin
Doctors!!!



CRITICAL
CONSIDERATION
16



Termination Vs Freezing of Services



Pressures to resign and transfer out



CRITICAL
CONSIDERATION
17



What most people think



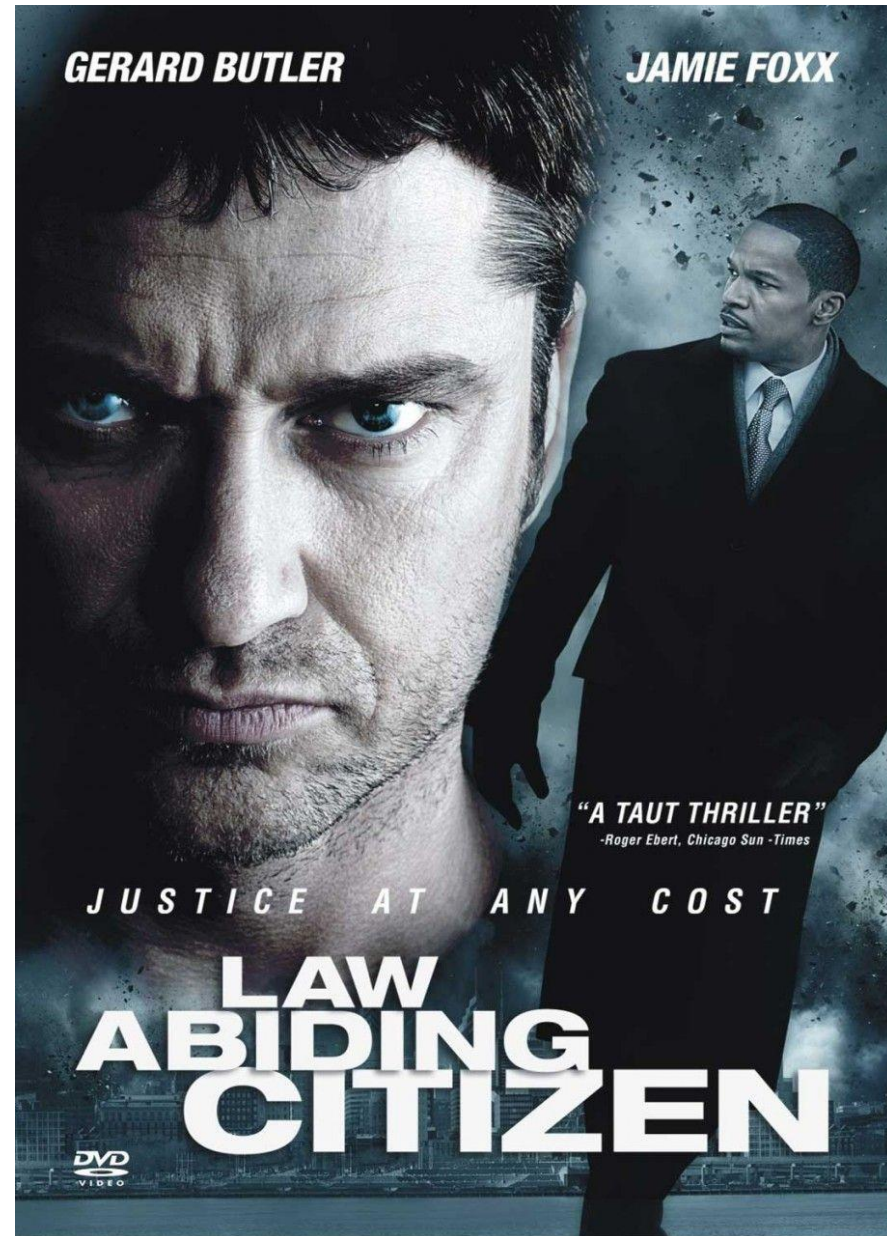
What successful people know

Direct Vs
Indirect
Sanctions
Considerations



CRITICAL
CONSIDERATION
18

EU Law is
applicable
for EU
citizens in all
over the
world





CRITICAL
CONSIDERATION
19

Shell Companies and PO Box Companies



Shell Company

EMPTY

*A shell company is like an empty shell
There is nothing inside*



Companies only exist to make business and create wealth – No other reason is any longer acceptable



CRITICAL
CONSIDERATION
20



Technology failures – Not an excuse of not following the Law





CHAPTER 5 – CASE STUDIES



- Ms Polly Gray is the 100% shareholders of your client Nicosia Ltd (a Cyprus Company), where you provide professional services as an obliged entity.
- In accordance to the AML Legislation, your client's UBO is Ms Polly Gray as she has control of the Company of over 25%. In this respect, you have also proceeded to also register Ms Polly Gray, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review on the 25th February 2022, you have identified that Ms Polly Gray withdraw as shareholder, on the 18th February 2022, of the Company and the new shareholder, appointed on the same day, is Ms Mary Smith, a businesswoman and relative of Ms Polly Gray. During you ongoing monitoring review, you have also identified tha Ms Polly Gray has been included in the EU Russian Sanctions Lists on the 24th February 2022; this is not the case though with Ms Mary Smith.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Nicosia Ltd, is not also included in sanctions, as Ms Polly Gray is not any longer your client's UBO and also there is no breach of the sanctions requirements (i.e. freezing of assets), as the change in ownership occurred on the 18th February 2022, which was before the 24th February 2022 that Ms Polly Gray was included in the sanctions.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Mr Chris Smith and Mr Thomas Shelby are the shareholders of your client Birmingham Ltd (a Cyprus Company), where you provide professional services as an obliged entity.
- Mr Chris Smith holds 90% of the shareholding and voting rights in the Company, however, he is only entitled to 10% on the rights on the returns (i.e. dividends).
- Mr Thomas Shelby holds 10% of the shareholding and voting rights in the Company, however, he is entitled to 90% on the right on the returns (i.e. dividends).
- In accordance to the AML Legislation, your client's UBO is Mr Chris Smith as he has control of the Company of over 25%. In this respect, you have also proceeded to also register Mr Chris Smith, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that Mr Thomas Shelby has been included in the EU Russian Sanctions Lists; this is not the case though with Mr Chris Smith.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Birmingham Ltd, is not also included in sanctions, as Mr Thomas Shelby is neither your client's UBO (i.e. no control over 25%) and neither in the sanctions threshold control rule (i.e. no control of 50% or more).
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Ms Ada Thorne is the 100% shareholders of your client Limassol Ltd, where you provide professional services as an obliged entity. Limassol Ltd is a Cyprus Holding Company that owes a 100% Russian Subsidiary Company, Moscow Ltd, which operates as a trading/manufacturing company in Russia.
- In accordance to the AML Legislation, your client's UBO is Ms Ada Thorne as she has control of the Company of over 25%. In this respect, you have also proceeded to also register Ms Ada Thorne , to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that neither the UBO (Ms Ada Thorne), or the Cyprus Parent Company (Limassol Ltd), or the Russian Subsidiary Company (Moscow Ltd), have been included in the EU Russian Sanctions Lists.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Limassol Ltd, is not included in sanctions, as neither the UBO, the Parent Company and the Russian Subsidiary were included in the sanctions.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Mr George Smith is the 100% shareholder of your client Leeds Ltd (a Cyprus Company), where you provide professional services as an obliged entity.
- Mr George Smith is 22 years old, studied Law and a self-made billionaire (size of wealth is around 5 billion euros and source of wealth is payroll).
- Leeds Ltd is a holding Company, with a number of Subsidiaries operating in Asia and Africa, where their main activities are mining operations. The whole Group Total Assets is 100 billion Euros and the main source of funds of the Group are 10 billion Euros from activities (i.e. retained earnings), 1 million Euros from capital (i.e. Mr George Smith) and 89.9 billion Euros from borrowings from a counterparty Company, where the 100% shareholder is Mr Arthur Shelby.
- In accordance with the AML Legislation, your client's UBO is Mr George Smith as he has control of the Company of over 25%. In this respect, you have also proceeded to register Mr George Smith with the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that Mr Arthur Shelby has been included in the EU Russian Sanctions Lists; this is not the case with Mr George Smith.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Leeds Ltd, is not also included in sanctions, as Mr Arthur Shelby is neither your client's UBO (i.e. no control over 25%) and neither in the sanctions threshold control rule (i.e. no control of 50% or more); he is actually just a lending counterparty to your client.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Ms Grace Burgess is the 100% shareholders of your client Larnaca Ltd, where you provide professional services as an obliged entity (Directorship and Secretarial Services). Larnaca Ltd is a Cyprus Holding Company that owes a 100% Russian Subsidiary Company, St Petersburg Ltd, which is currently dormant; all the operations of the Group are performed from the Cyprus Holding Company.
- In accordance to the AML Legislation, your client's UBO is Ms Grace Burgess as she has control of the Company of over 25%. In this respect, you have also proceeded to also register Ms Grace Burgess, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that the UBO (Ms Grace Burgess), has been included in the EU Russian Sanctions Lists and therefore, due to the 50% shareholding rule, both the Cyprus Parent Company (Larnaca Ltd) and the Russian Subsidiary Company (St Petersburg Ltd), are also been considered automatically as to be included in the EU Russian Sanctions Lists as well.
- The UBO, has now informed you, that all the operations of the Group will be transferred, as of immediately, from the Cyprus Holding Company to the Russian Subsidiary Company.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that you responsibility towards the sanctions legislation is on the Cyprus Holding Company and not on the Russian Subsidiary Company; and in any case the Russian Subsidiary Company has it own Russian Directors and Secretary, which are not under your control.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Mr Andrew Smith is the 100% shareholder of your client, Newcastle Ltd (a Cyprus Company), where you provide professional services as an obliged entity.
- Newcastle Ltd is a holding Company of a 50% investment in Subsidiary, Blackburn Ltd (a Cyprus Company), and it does not hold any other assets or has any other operations.
- The remaining shareholder (i.e. 50%), of the Subsidiary, Blackburn Ltd, is Mr John Shelby.
- In accordance to the AML Legislation, your client's UBO is Mr Andrew Smith as he has control of the Company of over 25%. In this respect, you have also proceeded to also register Mr Andrew Smith, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that Mr John Shelby has been included in the EU Russian Sanctions Lists; this is not the case though with Mr Andrew Smith.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Newcastle Ltd, is not also included in sanctions, as Mr John Shelby is neither your client's UBO (i.e. no control over 25%) and neither in the sanctions threshold control rule (i.e. no control of 50% or more); he is actually just another shareholder of your investment in subsidiary, Blackburn Ltd.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Ms Gina Grey is the 100% shareholders of your client Paphos Ltd (a Cyprus Company), where you provide professional services as an obliged entity (Directorship and Secretarial Services).
- In accordance to the AML Legislation, your client's UBO is Ms Gina Grey as she has control of the Company of over 25%. In this respect, you have also proceeded to also register Ms Gina Grey, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that the UBO (Ms Gina Grey), has been included in the EU Russian Sanctions Lists and therefore, due to the 50% shareholding rule, the Cyprus Parent Company (Paphos Ltd) is also been considered automatically as to be included in the EU Russian Sanctions Lists as well.
- The UBO, has requested you to execute (as Director and Secretary) a number of agreements that have been signed before the UBO and the Company were included in the sanctions.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that since the agreements were signed before the UBO and the Company were included in the sanctions, you are in compliance to the sanctions legislation as to proceed with their execution. This is also consistent to the approach also followed by the Company's Cyprus Auditors, that although the audit opinion has been signed/dated after the Company was included in the sanctions, they still proceeded to finalise and sign the audit as it relates to the financial year 2021, which is before the sanction's listing date of the UBO and the Company.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Mr Carl Smith is the 100% shareholder of your client, London Ltd (a Cyprus Company), an AIF regulated Fund by CySEC where you provide professional services as an obliged entity.
- Mr Carl Smith has invested 10,000 Euros as capital in the Fund and he is also the Executive Director, the Internal Fund Manager and the Internal Fund Administrator.
- The Fund only has 1 unit holder, Mr Michael Gray, where he invested 100 millions Euros for 100% of the units of the Fund.
- In accordance to the AML Legislation, your client's UBO is Mr Carl Smith as he has control of the Fund of over 25%. In this respect, you have also proceeded to also register Mr Carl Smith, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that Mr Michael Gray has been included in the EU Russian Sanctions Lists; this is not the case though with Mr Carl Smith.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client London Ltd, is not also included in sanctions, as Mr Michael Gray is neither your client's UBO (i.e. no control over 25%) and neither in the sanctions threshold control rule (i.e. no control of 50% or more); he is actually just the customer (i.e. unit holder) of the Fund.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Ms Lizzie Stark is the 100% shareholders of your client Ammochostos Ltd (a Cyprus Company), where you provide professional services as an obliged entity (Directorship and Secretarial Services).
- In accordance to the AML Legislation, your client's UBO is Ms Lizzie Stark as she has control of the Company of over 25%. In this respect, you have also proceeded to also register Ms Gina Grey, to the Cyprus Companies' Registrar UBOs registry, as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that the UBO (Ms Lizzie Stark), has been included in the EU Russian Sanctions Lists (i.e. freezing of assets) and therefore, due to the 50% shareholding rule, the Cyprus Parent Company (Ammochostos Ltd) is also been considered automatically as to be included in the EU Russian Sanctions Lists as well.
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that you will proceed to the termination of all the services to the Company (Directorship and Secretarial Services) as part of your compliance de-risking approach that you have been following as Firm over the last year with regards to AML High Risk Clients.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!



- Mr Gregory Smith is the Trustee of your client, Bristol Ltd, a Trust incorporated in Cyprus, that holds 100% of the shareholding of your client, Bristol Ltd (a Cyprus Company), where you provide professional services as an obliged entity. The Settlor of the Trust has been identified as Mr Alfie Solomons and the Beneficiaries of the Trust are Mr Alfie Solomons' wife and children.
- In accordance to the AML Legislation, your client's UBO is Mr Gregory Smith as he has control of the Trust (being the Trustee) and there is no control exercised by either the Settlor (Mr Alfie Solomon) or the Beneficiaries (Mr Alfie Solomon's wife and children) of he Trust. In this respect, you have also proceeded to also register Mr Gregory Smith, to the Cyprus Companies' Registrar UBOs registry (only the name of the Trust), and to the CySEC Trusts' Registry (the names of the Settlor, Trustee, Beneficiaries), as required by the AML Legislation.
- In your recent ongoing monitoring review, you have identified that Mr Alfie Solomons (Settlor) has been included in the EU Russian Sanctions Lists; this is not the case though with Mr Gregory Smith (Trustee), Mr Alfie Solomon's wife and children (Beneficiaries) and the Cyprus Trust (Shareholder).
- You have concluded, as an AML Officer (and also obtained the approval of your Firm's BOD), that your client Bristol Ltd, is not also included in sanctions, as Mr Alfie Solomons (Trustee) is neither your client's UBO (i.e. no control over 25%) and neither in the sanctions threshold control rule (i.e. no control of 50% or more); he is actually just the Settlor of the Trust.
- No further actions are required per the AML Legislation and your Firm is fully compliant!!!

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	50	20
Cash at Bank	50	30
Trade Debtors	200	150
Investments	100	50
Loans receivable	50	50
Total Assets	450	300

Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	20	10
Retained Profits	90	80
Trade Creditors	90	50
Borrowings (Shareholder 20m, Banks 10m, Other Related Companies 220m)	250	160
Total Equity & Liabilities	450	300



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	50	45
Costs	(40)	(30)
Net Profit	10	15

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	0	0
Cash at Bank	150	160
Trade Debtors	0	0
Investments	0	0
Loans receivable	0	0
Total Assets	150	160

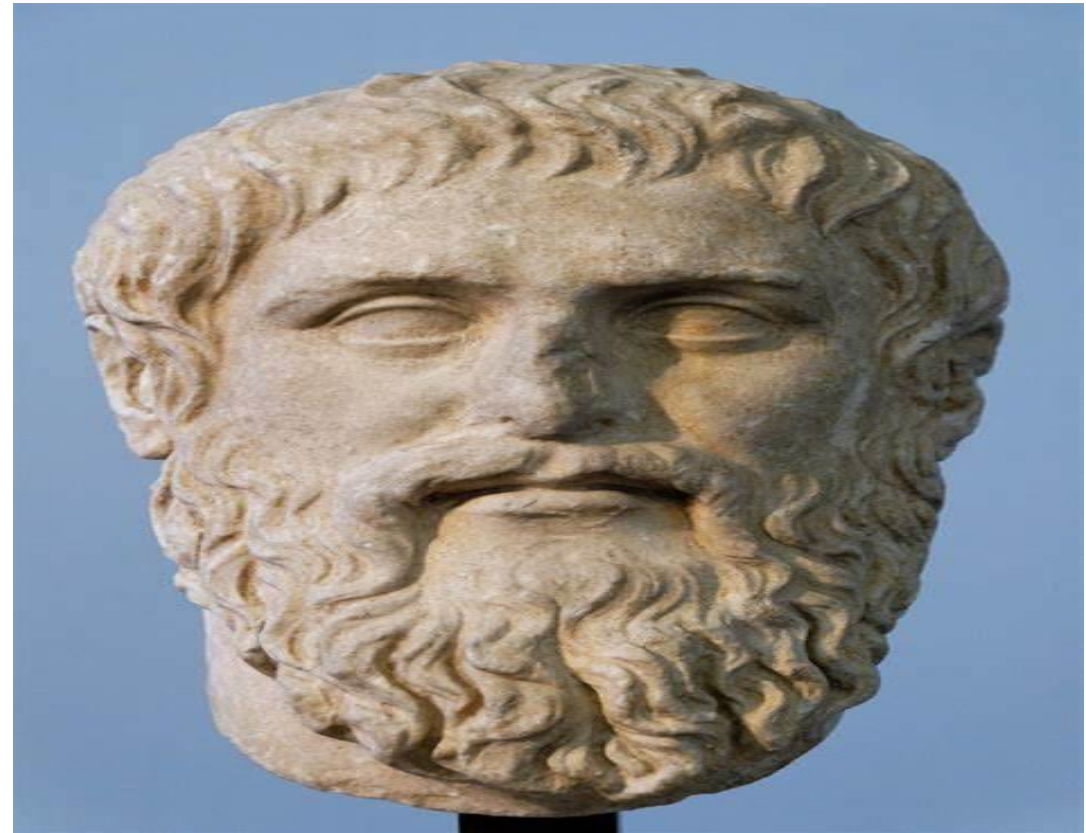
Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	100	100
Retained Profits	(50)	(40)
Trade Creditors	0	0
Borrowings (Shareholder 50m, Other Related Companies 50m)	100	100
Total Equity & Liabilities	150	160



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	100	90
Costs	(110)	(105)
Net Profit	(10)	(15)

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	50	50
Cash at Bank	40	30
Trade Debtors	110	120
Investments	200	150
Loans receivable	230	220
Total Assets	630	570

Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	10	10
Retained Profits	6	5
Trade Creditors	104	105
Borrowings (Shareholder 10m, Other Related Companies 500m)	510	450
Total Equity & Liabilities	630	570



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	900	950
Costs	(899)	(948)
Net Profit	1	2

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	40	40
Cash at Bank	10	10
Trade Debtors	50	50
Investments	400	250
Loans receivable	450	600
Total Assets	950	950

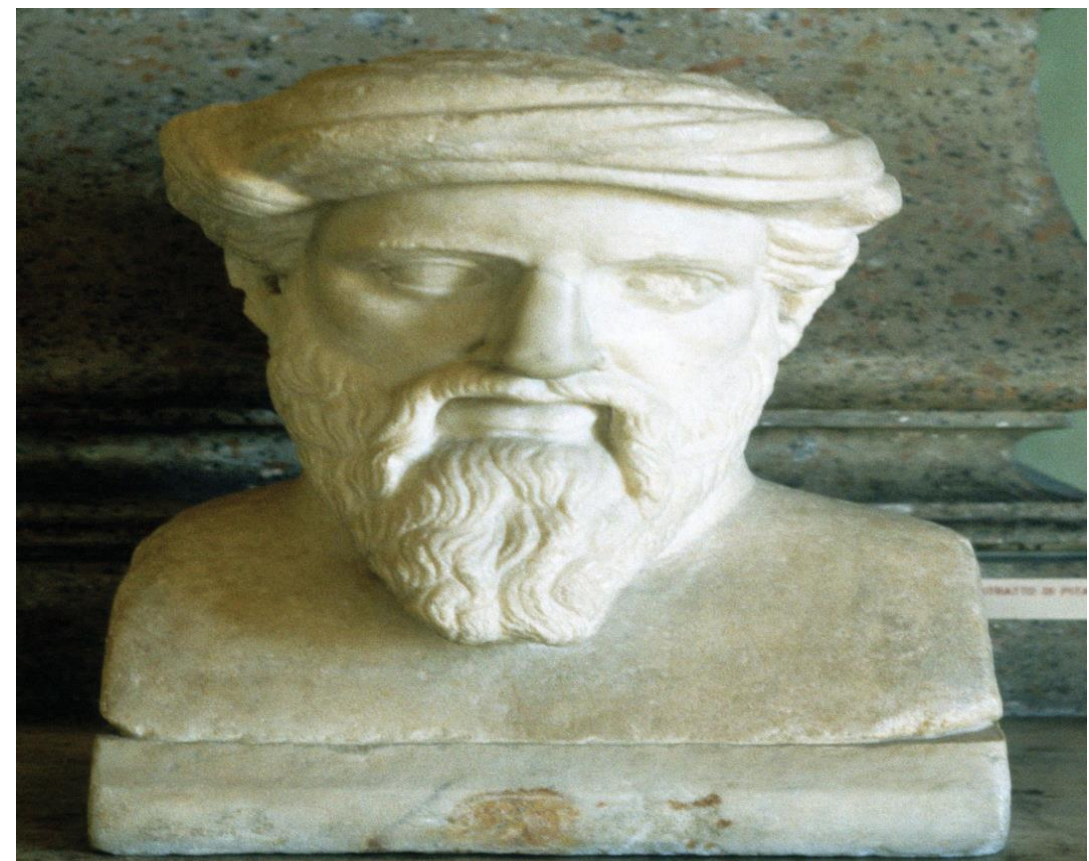
Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	100	100
Retained Profits	700	300
Trade Creditors	50	50
Borrowings (Shareholder 10m, Other Related Companies 90m)	100	500
Total Equity & Liabilities	950	950



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	400	300
Costs	0	0
Net Profit	400	300

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	10	10
Cash at Bank	170	40
Trade Debtors	100	50
Investments	10	10
Loans receivable	10	10
Total Assets	300	120

Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	50	10
Retained Profits	100	50
Trade Creditors	100	50
Borrowings (Shareholder 25m, Other Related Companies 25m)	50	10
Total Equity & Liabilities	300	120



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	500	250
Costs	(450)	(200)
Net Profit	50	50

Balance Sheet	2020 (€m)	2019 (€m)
Total Assets – F_B (B)		
Property, Plant and Equipment	60	60
Cash at Bank	40	40
Trade Debtors	0	0
Investments	0	300
Loans receivable	0	300
Total Assets	100	700

Balance Sheet	2020 (€m)	2019 (€m)
Total Equity & Liabilities + F_A (A)		
Capital	100	100
Retained Profits	0	0
Trade Creditors	0	0
Borrowings (Shareholder 10m, Other Related Companies 500m)	0	600
Total Equity & Liabilities	100	700



Profit & Loss	2020 (€m)	2019 (€m)
Revenue	600	400
Costs	(600)	(400)
Net Profit	0	0

*Thank
you*



Thank you.



CYPRUS FIDUCIARY ASSOCIATION

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