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Moneyval report on Cyprus

Written question No. 639 to the Committee of Ministers
by Mr Pieter OMTZIGT, Netherlands, Group of the European People's Party

Moneyval has regularly evaluated Cyprus. Its reports have been used by the authorities of Cyprus to state that its anti money laundering laws were adequate. The Cypriot government could do so because these reports were overall quite positive. They said authorities have "sufficient powers to supervise compliance" and the last one praised Cypriot banks for having “a higher degree of awareness of their responsibilities" However, as doubts were mounting the European Union asked Monevval and Deloitte to look deeper into the practice of the banks.

On 25 March 2013, Moneyval stated on its website: “MONEVYAL will participate in an independent evaluation of the implementation of the anti-money laundering framework in Cypriot financial institutions, alongside a private international audit firm.” As yet neither Moneyval nor Deloitte has published the report, nor do they seem to intend to publish the report. Yet the report was a prerequisite for a massive €10 billion aid package for Cyprus, paid for by tax payers in other countries.

On 10 May 2013 the European ministers of Finance received a confidential memo with details of the two reports. Many findings were disturbing:

- 70% of the most complex ownership structures have nominee shareholders and an average of three layers between the customer and the beneficial owner(s), and the identity of the beneficial owners is identified through an independent source (whether by the bank or an introducer) in only 9% of these cases;

- no suspicious transactions were reported to the Financial Intelligence Unit between 2008 and 2010 with regard to the customers included in the sample (mostly the top depositors and borrowers of the six main institutions), and only one was filed in 2011, and a few in 2012;

- Deloitte’s forensic analysis of customers’ transactions revealed 29 potentially suspicious transactions during the past 12 months; none of these was identified by the banks as deserving further scrutiny or potential reporting.

This memo was made public by the Dutch Government. It is clear that the Cypriot authorities did not live up to international standards. But worse: the Moneyval reports of the last years had made it easier for them to keep up that lie. And the secrecy of the reports means that they can still do that.

For instance the Central Bank of Cyprus on 25 May 2013 stated that: “In contrast to the summary, the reports by Deloitte Financial Advisory Srl and Moneyval, the Council of Europe’s money-laundering watchdog, indicate that “anti-money laundering preventative measures and procedures in banks are generally sound” and “generally the banks have a high level of compliance with the statutory and regulatory requirements, which in some areas are more demanding than European Union and international requirements”

Mr. Omtzigt,

To ask the Committee of Ministers:

- Does the statement by the Central Bank of Cyprus on May 25 accurately reflect the content of the Moneyval report?

- Is the Committee of Ministers prepared to publish the Moneyval audit on Cyprus, such that it becomes publicly known or will it continue to assist the Cypriot authorities in their lies?

- What lessons does the Committee of Ministers draw from the overly optimistic reports on Cyprus?

- Can the Committee of Ministers answer these questions as soon as possible and in any case within two months as the Cypriot bail out depends on the follow up to the Moneyval report?