Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Doc. 13353
08 November 2013

MONEYVAL report on Cyprus

Reply to Written question: Written question No. 639 (Doc. 13226)
Committee of Ministers

1. The Committee of Ministers notes that the special assessment on the effectiveness of customer due diligence in the banking sector in Cyprus was prepared for the Troika (the European Commission, IMF and European Central Bank) after the Chairman of the Eurogroup Working Group and Cyprus had both requested MONEYVAL's participation in a further assessment in the context of Cyprus's request for a "bailout". It was presented to the Troika on 24 April 2013. The MONEYVAL report and the report of the auditors – Deloitte & Touche who worked in parallel with MONEYVAL under the terms of reference – were both classified as strictly confidential for the sole use of the Central Bank and the Ministry of Finance of Cyprus, the European Commission, the European Central Bank and the IMF.

2. The statement of the Central Bank of Cyprus, which was issued on 23 May, is quoting selected statements from MONEYVAL's special assessment report. However, while the MONEYVAL report refers to various positive findings, it also contains detailed findings on vulnerabilities and issues that need to be improved. The MONEYVAL report sets out an action plan that includes thirteen recommendations to address the deficiencies identified by the assessment team. The action taken by Cyprus on these recommendations will be monitored by MONEYVAL in its general follow-up processes in December 2013.

3. For reasons of transparency, and after a series of unsubstantiated allegations in the European press, Cyprus decided to publish both reports, which became public on 17 June 2013. It is to be noted that neither the MONEYVAL team nor Deloitte & Touche were consulted by the Troika on the drafting of the summary of the two reports which was presented to European Union Ministers of Finance.

4. As regards the question as to what lessons the Committee of Ministers draws from "overly optimistic" reports on Cyprus, the Committee of Ministers wishes to underline that the above-mentioned assessment was exceptional, no other country having been subject to such a detailed study of one part only of the global anti-money laundering and countering the financing of terrorism (AML/CFT) standards. The experienced MONEYVAL assessors in this special assessment were all of the view that problematic issues would be found in any country that is subject to a similarly intensive exercise. This assessment went beyond the scope of a normal AML/CFT evaluation. It was a focused and detailed "audit" of the banks, which was necessary in these exceptional circumstances to assist decision-makers on a loan of European taxpayers' money. The special assessment report builds on the previous MONEYVAL evaluation report and does not replace it.

5. The delegation of Cyprus has informed the Committee of Ministers that the recommendations made in both reports are taken into due consideration and that Cyprus remains committed to the adoption of all necessary further measures, as stipulated in a relevant action plan relating to customer due diligence and entity transparency.