



**CRYPTOASSETS IN CYPRUS**  
**Under the ambit of the 5<sup>th</sup> AML Directive**

### A. INTRODUCTION

The enactment of the amending law to the Prevention and Suppression of Money Laundering and Terrorist Financing Law 188(I)/2007 on 18.02.2021<sup>1</sup> (“the new AML Law”) fully implementing the EU Directive 2018/843 (“the 5<sup>th</sup> AML Directive”), constitutes the introduction of cryptoassets in the Cyprus regulatory system.

The new Cyprus AML regulatory framework on cryptoassets paves the way for the upcoming Cyprus umbrella law on Distributed Ledgers Technology (“the DLT law”) and the EU Markets in Crypto-Assets Regulation (“the MiCA Regulation”) and is considered as a positive development for the establishment of Cyprus as a key-jurisdiction on cryptoassets related financial services and related technologies.

### B. DEFINITION OF CRYPTOASSETS AND THEIR SERVICE PROVIDERS

The new AML Law defines **cryptoassets** as:

*“a digital representation of value that is not issued or guaranteed by a central bank or a public authority, is not necessarily attached to a legally established currency and does not possess a legal status of currency or money, but is accepted by persons as a means of exchange or investment and which can be transferred, stored or traded electronically and that is not,*

- (a) Fiat currency, or*
- (b) Electronic money, or*
- (c) Financial instruments as defined in Part III of the First Appendix of the Law on the Provision of Investment Services and Activities and Regulated Markets”.*

In this respect, a **cryptoasset service provider** is defined as:

*“a person who provides or exercises one or more of the following services or activities to another person or on behalf of another person, which do not fall under*

---

<sup>1</sup> N.13(I)/2021

*the services or activities of the obliged entities mentioned in paragraphs (a) to (h) of article 2A:*

- (a) Exchange between cryptoassets and fiat currencies;*
- (b) Exchange between cryptoassets;*
- (c) Management, transfer, holding and/or safekeeping, including custody, of cryptoassets or cryptographic keys or means which allow the exercise of control on cryptoassets;*
- (d) Offering and/or sale of cryptoassets, including the initial offering; and*
- (e) Participation and/or provision of **financial services regarding the distribution, offer and/or sale of cryptoassets**, including the initial offering”*

**“Financial Services regarding the distribution, the offer and/or the sale of cryptoassets”** means the following services and activities relating to cryptoassets:

- (a) Reception and transmission of orders;*
- (b) Execution of orders on behalf of clients;*
- (c) Dealing on own account;*
- (d) Portfolio management;*
- (e) Provision of investment advice;*
- (f) Underwriting and/or placing of cryptoassets on a firm commitment basis;*
- (g) Placing of cryptoassets without a firm commitment basis;*
- (h) Operation of a multilateral trading facility for buying and selling cryptoassets*

**It is important to note** that the definition of financial services under the new AML Law as to cryptoassets resembles the definition of investment services under MiFID II integrating in this way the alternative and innovative financial systems into the traditional provision of financial services.

### **The register of cryptoasset service providers**

The Cyprus Securities and Exchange Commission (“the CySEC”) becomes the competent authority for the establishment of the register of the cryptoasset service providers (the “Register”) under the new AML Law.

Cryptoasset service providers which provide or exercise services or activities on a professional basis in Cyprus, regardless of their registration to another Member State of the European Union, will need to be registered to the Register maintained by CySEC.

A cryptoasset service provider will need to comply at all times with any registration, organizational and functional requirements and with any other obligations established by CySEC. It is expected that CySEC will publish relevant directives in due course with the relevant requirements and information on the Register.

### **C. THE FUTURE OF CRYPTOASSETS IN CYPRUS**

Without doubt, the introduction of regulatory provisions in Cyprus regarding cryptoassets and their service providers in light of the upcoming DLT Law and the MiCA Regulation is a positive step towards the creation of a thorough legal framework. It is evident that Cyprus is adopting proactive measures to prevent and mitigate the risk of money laundering and terrorist financing through cryptoassets.

It remains to examine how CySEC will exercise its powers and discretions during the adoption of relevant directives which will guide the cryptoasset services providers. Since CySEC has already expressed its concern on the issue, through other directives addressed to regulated entities dealing with cryptoassets, it is expected that its guidelines will empower the compliance of the cryptoasset service providers with their AML obligations.

It is evident nevertheless, that the journey of transformation towards a digital era in the financial services has started.

#### **D. HOW WE CAN ASSIST YOU**

Our Financial Services and Blockchain teams are closely monitoring the developments regarding the introduction of blockchain technology and cryptoassets in Cyprus legal system. Through our exposure and consultation in various blockchain and financial technology projects, we may assist and guide your business to evolve in the new technological era.

#### **DISCLAIMER**

This publication has been prepared as a general guide and for information purposes only. It is not a substitution for professional advice. One must not rely on it without receiving independent advice based on the particular facts of his/her own case. No responsibility can be accepted by the authors or the publishers for any loss occasioned by acting or refraining from acting on the basis of this publication.

**February 2021**

#### **Authors**

**Andri Michael**

Partner – Financial Services & Funds Department

[Andri.Michael@kinanis.com](mailto:Andri.Michael@kinanis.com)

**Savvina Miltiadou**

Associate Lawyer – Financial Services & Funds Department

[FinancialServices@kinanis.com](mailto:FinancialServices@kinanis.com)

### OUR FIRM

We are a Law Firm with offices in Cyprus and Malta and a representative office in Shanghai China comprising of more than 50 lawyers, accountants and other professionals who advise, international and local clients.

The Firm has been offering legal and consulting services since 1983 evolving from a traditional law firm to an innovative cutting-edge multidisciplinary law firm combining exceptional expertise in law, tax, vat and accounting.

From its establishment the Firm's focus has been heavily business oriented and always abreast with the latest global developments and innovations. Drawing from our pool of experienced professionals we provide our clients' businesses full legal and accounting support on an everyday basis as well as customized solutions in today's global financial and legal challenges.

We consider ourselves as 'traditional pioneers' and our motto is to foresee and anticipate any issues that may potentially impact our clients' business and to offer effective advice and solutions proactively.

#### **Kinanis LLC**

Lawyers' Limited Company

12 Egypt Street, 1097, Nicosia

P.O. Box 22303, 1520 Nicosia, Cyprus

Tel: + 357 22 55 88 88 – Fax: + 357 22 66 25 00

E-mail: [KinanisLLC@kinanis.com](mailto:KinanisLLC@kinanis.com) – Web site: [www.kinanis.com](http://www.kinanis.com)

#### **Kinanis**

Civil Partnership, Law Firm

#### **Kinanis Fiduciaries Limited**

Suite 20, The Penthouse, 4th Floor, Ewropa Business Centre,

Dun Karm Street, Birkirkara, BKR 9034, Malta

Tel: + 356 27 54 00 24, Fax: + 356 27 54 00 25

E-mail: [malta@kinanis.com](mailto:malta@kinanis.com) - Website: [www.kinanis.com](http://www.kinanis.com)

#### **Kinanis (China) Limited**

China Representative Office

Unit 661, 6/F CIROS PLAZA,

388 Nanjing West Road, Huangpu District,

Shanghai City, 200003, China

Tel: + 86 18 410 072 690

E-mail: [china@kinanis.com](mailto:china@kinanis.com) - Website: [www.kinanis.com](http://www.kinanis.com)