

## REGULATORY INTELLIGENCE

**COUNTRY UPDATE-Cyprus: Securities & Banking**

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Cyprus continues to strengthen its position within the European financial landscape. With its prime Mediterranean location, EU membership and solid legal foundations, the island has long attracted a diverse range of banks, investors and insurers. In recent years, however, Cyprus has seen a clear shift toward more robust regulation and a stronger culture of compliance. The era of light-touch supervision is firmly behind us, and businesses operating in Cyprus must now keep pace with evolving regulatory expectations.

**Regulatory authorities**

At the heart of Cyprus' regulatory system is the Central Bank of Cyprus (CBC), an autonomous institution established in 1963. Today, the CBC plays a pivotal role in implementing European Central Bank monetary policy, supervising financial institutions, and maintaining financial stability. It also manages the country's reserves, oversees payment systems, and represents Cyprus in international economic and financial organisations. Since 2014, the CBC has assumed responsibility for the regulation and supervision of cooperative credit institutions, a role previously managed by the Authority for the Supervision and Development of Cooperative Societies, which now focuses on cooperative entities outside the financial sector.

The CBC holds exclusive authority over financial institutions either based in Cyprus or operating there through branches or representative offices, encompassing banks as well as investment and ancillary services. As the primary gatekeeper of the soundness of the country's banking sector, the CBC also plays a vital role in anti-money laundering (AML) enforcement for the financial entities under its supervision. The CBC has updated its Directive on the Operation of a System for Data Exchange and Provision, strengthening data-sharing capabilities between banks and regulators. This enhancement enables the CBC to monitor systemic risks more effectively and intervene proactively, underscoring Cyprus's determination to bolster financial integrity.

Complementing the CBC's role is the Cyprus Securities and Exchange Commission (CySEC), established in 2001 as the key regulatory authority for investment firms, the operation of the Cyprus Stock Exchange and other regulated markets, collective investment schemes, and administrative service providers. CySEC ensures compliance with European directives such as the Markets in Financial Instruments Directive II (MiFID II) and enforces domestic laws governing investment services and market operations. Its powers extend to licensing, inspection, and sanctioning of entities within its jurisdiction, overseeing not only the firms but also the transactions and financial instruments traded in Cyprus. CySEC's role has grown increasingly complex, reflecting broader EU regulatory trends emphasising transparency, investor protection, and market integrity.

Insurance regulation is overseen by the Insurance Companies Control Service (ICCS), operating under the Ministry of Finance. The ICCS is responsible for licensing and supervising insurance companies, ensuring their compliance with solvency requirements and the broader regulatory framework designed to safeguard policyholders and maintain sector trust.

Another key player in Cyprus' regulatory ecosystem, though without licensing authority, is the Unit for Combating Money Laundering (MOKAS). As the national financial intelligence unit, MOKAS collects and analyses reports of suspicious transactions, collaborating with local and international agencies to combat financial crime. Serving as a central hub for AML intelligence and investigation, MOKAS plays a vital role in protecting the integrity of Cyprus's financial system.



Together, the CBC, CySEC, ICCS, and MOKAS form the backbone of Cyprus's financial regulatory framework. Their work is shaped not only by national policy but also by European directives and international best practices. For firms operating on the island, this means greater regulatory alignment, transparency, and risk management. Licensing standards have become more stringent, compliance inspections more frequent, and enforcement noticeably more active.

### **European Union regulatory alignment**

As an EU member state, Cyprus continuously adapts to evolving European legislation while strengthening its own regulatory frameworks to boost transparency, protect investors, and uphold market integrity. This dynamic regulatory environment affects all players in the financial services sector, from traditional banks to fintech innovators, demonstrating a strong commitment to building a safer, more trustworthy financial ecosystem.

At the European level, Directive (EU) 2024/1640 has been a game changer, imposing stricter requirements on market transparency and investor protection across securities markets. The directive enhances transaction reporting obligations, enabling regulators to access trading data more quickly and comprehensively. For Cyprus, this has translated into increased responsibilities for CySEC, which must ensure local firms meet these tougher standards in monitoring and reporting their trading activities.

Complementing these changes, the European Securities and Markets Authority (ESMA) has issued updated guidelines concerning suitability assessments, algorithmic trading, and transparency. CySEC's implementation of these guidelines means that firms operating in Cyprus must pay closer attention to client risk evaluation, trade execution, and suspicious activity detection. Together, these EU measures form part of a broader continental push to close loopholes, prevent market abuse, and maintain fair and safe financial markets.

ESMA's latest guidance on MiCAR offers a clear message for crypto service providers in Cyprus. Working with platforms outside the EU is not banned, but each set-up will be looked at carefully to see if it falls under MiCAR rules. National regulators will assess cases one by one, rather than applying general bans. However, if a structure seems designed to avoid supervision, such as regularly sending client orders to non-EU companies without a clear reason, using offshore brands to attract EU clients, or paying EU brokers very little, it may be seen as unlawful. This highlights the need for Cyprus-based firms to build clear, compliant and well-structured operations that meet EU standards and support long-term growth across the single market.

### **Local regulatory developments**

Alongside these EU-driven changes, Cyprus has introduced important local regulatory updates to bolster financial oversight. In August 2024, CySEC issued Directive R.A.D 282/2024, which tightens AML and counter-terrorist financing rules. The directive clarifies what qualifies as an "identification document" and updates templates for internal suspicious transaction reports. Notably, it permits electronic client verification methods, such as remote ID checks, though firms must notify CySEC before implementing these.

Customer due diligence requirements have also been reinforced, especially for clients outside Cyprus, aligning documentation standards with international sanctions lists issued by the United Nations and the European Union.

Anti-money laundering remains a top priority for Cyprus' regulators. Historically criticised for weaknesses in this area, the island's regulators have adopted a much firmer stance in recent years. Banks, in particular, now operate under stringent obligations that exceed routine documentation requirements. They are expected to perform comprehensive client due diligence, vigilantly monitor transactions, and maintain detailed records. Inspections have become more frequent and rigorous, in line with wider EU mandates for stronger AML controls. Both CySEC and the Central Bank of Cyprus adopt a zero-tolerance approach to non-compliance, particularly in relation to the onboarding of high-risk clients. This stricter enforcement culture reflects a clear shift towards embedding anti-money laundering compliance as a core element of business operations, helping to foster trust and protect reputations.

Additionally, tax transparency is another area where Cyprus has made decisive strides to align with international standards. Over the past year, the government has introduced reforms targeting loopholes and tightening documentation requirements, especially regarding corporate tax and transfer pricing. These reforms aim to dispel residual perceptions of Cyprus as a tax haven, demonstrating cooperation with OECD and EU tax transparency initiatives. For businesses, this means that rigorous tax compliance is no longer optional but a fundamental part of legitimate operations within the jurisdiction. This commitment supports Cyprus's broader goal of maintaining an attractive environment for genuine investment while promoting ethical business conduct.

### **Fintech and digital assets regulation**

Cyprus' fintech and digital asset sectors stand at a regulatory crossroads, balancing innovation with oversight. The EU's Markets in Crypto-Assets Regulation (MiCAR) is central to this evolution. CySEC has proactively issued a Policy Statement detailing the fee structure and information requirements for crypto-asset service providers, stablecoin issuers, and other regulated entities. The fee framework is comprehensive and tiered, combining fixed costs for various services with turnover-based levies that can become substantial for larger operators. Additional fees apply for filings such as white papers and administrative change notifications. This transparent fee regime aligns with the EU's emphasis on proportional supervision, providing market participants with clarity on their regulatory obligations.

Parallel to MiCAR, Cyprus is participating in the EU's Distributed Ledger Technology (DLT) Pilot Regime, which allows eligible market infrastructure operators to test DLT-based trading and settlement systems under a lighter, though closely supervised, framework.



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While uptake has been limited to date, this engagement demonstrates Cyprus's intent not only to regulate digital finance but to actively contribute to its development. By offering a structured yet innovative environment, Cyprus positions itself as a competitive hub for regulated digital asset businesses, offering legal certainty and access to the broader EU market.

### **Regulatory enforcement and market outlook**

Regulatory enforcement in Cyprus has become markedly more assertive throughout 2024 and 2025, with CySEC and the CBC intensifying investigations, sanctions, and supervisory actions. CySEC has increased scrutiny of investment firms, particularly regarding compliance with MiFID II rules on suitability and disclosure and has shown zero tolerance for AML violations. Non-monetary sanctions such as public censures, suspensions and licence withdrawals have become more common, sending a clear message on the seriousness of compliance. Meanwhile, the CBC continues to emphasise capital adequacy, reporting accuracy, and systemic risk management in its bank supervision. Institutions failing to demonstrate robust risk governance face heightened supervisory attention, including potential direct interventions.

For firms seeking to enter or expand in Cyprus in 2025, the regulatory landscape presents both challenges and opportunities. Licensing and authorisation processes are more structured and risk-based, demanding thorough internal controls, credible governance frameworks, and transparent, compliant business models. Application procedures have been streamlined through digital platforms, however, approval hinges on meeting high standards, especially regarding ownership transparency, AML measures, and local substance requirements. Furthermore, the CBC's enhanced focus on operational resilience and cybersecurity underscores the growing complexity of compliance for banks and electronic money institutions. Cyprus' regulators are actively shaping an ecosystem that prioritises quality and sustainability, aiming to build a trustworthy and internationally respected financial market.

The fintech sector has carefully navigate these regulatory expectations. Cyprus remains open to innovation, but regulatory certainty is paramount. CySEC's early engagement with MiCAR, alongside the CBC's focus on operational resilience following the EU's Digital Operational Resilience Act (DORA), indicate that compliance and accountability will be crucial for fintech success. Startups and scale-ups are encouraged to integrate strong compliance frameworks from inception, balancing innovation with prudent risk management.

### **Start-up ecosystem and future direction**

Cyprus is gaining strong international recognition as a growing hub for start-ups and innovation. In the 2024 [StartupBlink Ecosystem Index](#), it recorded the largest rise worldwide, making it the fastest-growing startup ecosystem in the EU. It was also the only country with a population under two million to have four cities ranked in the global start-up index. With more start-ups than ever before and several cities now featured in global rankings, Cyprus is steadily building its reputation as a regional centre for research, technology, and business growth.

In general Cyprus' regulatory landscape in 2025 is characterised by deeper integration with EU standards, stronger enforcement, and a strategic embrace of digital finance within a clearer regulatory framework. These developments underscore the island's commitment to building a resilient, transparent, and competitive financial sector, that meets international expectations and supports sustainable growth in an increasingly complex global environment.

On the whole Cyprus is unequivocally modernising its financial services framework and building trust with international stakeholders. Whether through stricter AML rules, enhanced data-sharing mechanisms, or improved tax transparency, the message is clear: Cyprus intends to be taken seriously. While the jurisdiction still offers flexibility and access to EU markets, the regulatory bar is steadily rising, particularly for banks and other financial institutions.

### **Additional regulatory highlights and legal framework**

Notably, the past years have seen a series of significant regulatory developments in Cyprus, highlighting the island's ongoing commitment to modernising its financial system, enhancing transparency, and fully aligning with evolving EU legislation.

Namely the EU level, Directive (EU) 2024/1640 has been transposed into Cypriot law, representing a major advancement in market transparency and integrity. The directive imposes stricter transaction reporting requirements and enhances regulators' access to data, facilitating faster and more effective securities market supervision. CySEC has also adopted the latest ESMA guidelines on suitability assessments, algorithmic trading, and enhanced MiFID II reporting standards. These measures harmonise Cyprus regime with EU-wide expectations, ensuring consistent investor protection and market fairness.

In banking, the CBC has issued its Directive on the Operation of a System or Mechanism for the Exchange, Collection, and Provision of Data (Amendment) of 2025. Although technical, this directive significantly enhances supervisory oversight by expanding data-sharing frameworks between banks and regulators, thereby improving systemic risk monitoring. Further reinforcing AML efforts, the CBC updated its Directive on the Prevention of Money Laundering and Terrorist Financing, introducing stricter due diligence, ongoing monitoring of high-risk clients, enhanced record-keeping, and specific obligations for virtual asset service providers (VASPs).

CySEC's Directive R.A.D 282/2024, published in August 2024, tightens Cyprus's AML framework further. It clarifies the definition of "identification document," updates suspicious transaction report templates to improve internal compliance, and permits electronic client verification—subject to prior notification to CySEC and effective from December 2024. Stricter requirements for certified true copies of documents and alignment with UN and EU sanctions lists are also enforced. Collectively, these changes mark a cultural shift in AML compliance, with banks facing intensified obligations around KYC procedures, onboarding, and transaction monitoring.



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These regulatory efforts are reflected in licensing and capital requirements across Cyprus's financial sectors. Credit institutions, including banks and cooperative societies, must maintain own funds of at least €5 million, calculated under EU Regulation 575/2013, as amended. These institutions adhere to CBC capital directives consistent with European Central Bank standards. Similarly, Cyprus Investment Firms (CIFs) must meet own funds thresholds set by EU regulations, notably EU Regulation 575/2013 and its amendment EU Regulation 2019/2033, depending on their service nature.

Public companies incorporated in Cyprus face minimum capital requirements under the Companies Law, Cap. 113, requiring authorised share capital of at least €25,629, with listed companies needing this capital at business commencement. Domestic legislation has been harmonised with EU directives and regulations, ensuring securities and banking laws meet international standards.

The Companies Law empowers regulatory authorities to enforce compliance through investigations and inspections. The Council of Ministers may appoint investigators to probe companies suspected of fraudulent or unlawful conduct, mismanagement, or shareholder oppression. Courts can appoint examiners to produce detailed operational reports. The Registrar of Companies holds discretionary powers to enforce filing compliance, impose administrative fines, and even strike companies off the register for persistent non-compliance.

Supervisory responsibilities are clearly divided among the CBC, CySEC, and the Cooperative Societies Supervision Department (OCS). These bodies cooperate closely to ensure robust oversight of credit institutions, investment firms, and cooperative societies. They also coordinate with other supervisors overseeing pension funds, insurance intermediaries, and other undertakings. The CBC applies the Supervisory Review and Evaluation Process (SREP) to licensed credit institutions, comprehensively assessing risks and evaluating internal capital adequacy assessment processes (ICAAP). Based on SREP outcomes, the CBC may require corrective measures such as increased capital buffers and may impose administrative fines up to 1,000,000 euros per offence, with escalating daily penalties for ongoing violations. Non-compliance can lead to licence revocation, inspections, and even criminal charges with imprisonment and heavy fines.

CySEC holds extensive investigative powers, including on-site inspections, information requests, and confiscations. Failure to cooperate can result in fines up to 175,000 euros, doubling for repeated offences or linked to illicit gains. Suspected criminal offences are referred to the Attorney General or handled internally. The Insurance Companies Control Service similarly wields broad investigative authority, including premises inspections, fines, and winding up insurance companies when warranted.

On the AML front, Cyprus is an active member of international organisations such as the United Nations and MONEYVAL. MOKAS serves as the key investigative authority on money laundering, collaborating internationally to investigate offences and securing court orders for information disclosure or searches. MOKAS also advises the government on AML policies and promotes Cyprus' compliance internationally. Legally, professionals must report suspected money laundering to the police or MOKAS, with failure constituting a criminal offence. Regulatory bodies issue detailed AML guidelines to ensure consistent and effective anti-money laundering and counter-terrorist financing measures.

In insolvency cases, creditor hierarchy follows a structured order: winding-up costs have first priority, followed by preferential debts such as government taxes and employee claims (including wages and holiday pay). Floating charge holders come next, followed by unsecured ordinary creditors. Deferred debts and shareholders' claims rank last, with exact rankings of different share classes depending on issuance terms.

## Summary

Finally, Cyprus positions itself as a forward-looking player in fintech and digital assets, navigating a regulatory crossroads shaped by EU initiatives. The island implements MiCAR through CySEC policy statements detailing fees and reporting obligations for crypto-asset service providers, stablecoin issuers, and related market participants. The tiered fee structure based on turnover ensures proportionate supervision, with administrative fees for filings and notifications. Alongside MiCAR, Cyprus participates in the EU's Distributed Ledger Technology (DLT) Pilot Regime, promoting innovation in market infrastructure under a lighter regulatory regime but with continued oversight. These initiatives aim to provide legal clarity and regulatory certainty for crypto businesses, fostering trust and supporting access to the broader EU market.

In summary, Cyprus is undergoing a profound regulatory transformation across banking, securities, AML, corporate governance, and digital assets. The island is raising standards, enforcing compliance more vigorously, and enhancing transparency while supporting innovation within a robust regulatory framework. For businesses and investors in Cyprus, these developments mean increased accountability alongside improved confidence in the jurisdiction's financial ecosystem.

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