



LEGAL LANDSCAPE OF CYPRUS: ADVANCING JURISDICTION FOR TOMORROW'S ICT LEADERS

ELIAS NEOCLEOUS & CO LLC

TECH & INNOVATION HUB SUMMIT – APRIL 26, 2024

AGENDA

- Cyprus – An Ideal ICT Hub
- Key Features of Cyprus' Legal Environment
- Cyprus' Current Legal Framework – *Relating to ICT and Tech Companies*
- Technological Growth in Cyprus
- Adapting Legal Framework
- New and Upcoming Legal Acts
- Cyprus' Proactive Approach



CYPRUS
AN IDEAL ICT HUB

IDEAL ICT HUB

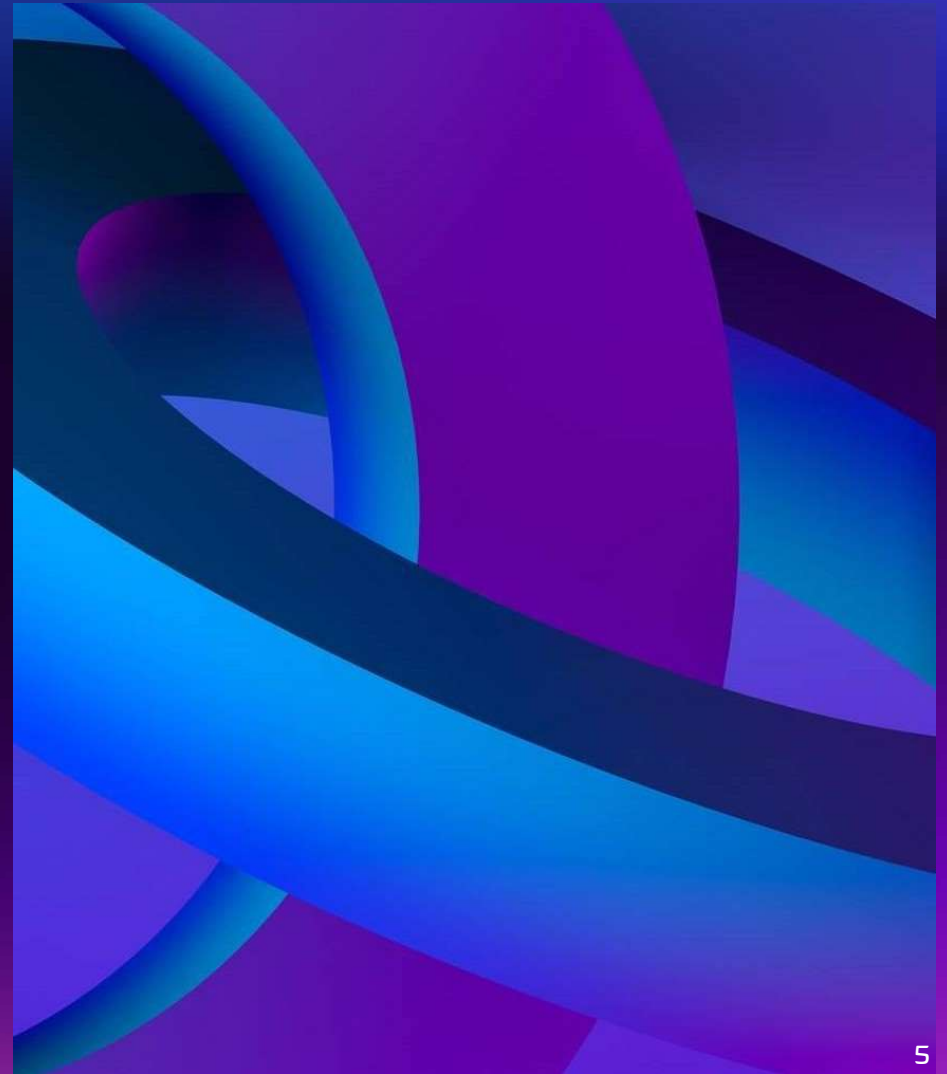
Cyprus is uniquely positioned at the crossroads of Europe, Asia, and Africa, making it a strategic gateway for businesses and governments alike. This geographic location has historically endowed Cyprus with significant strategic importance, which continues to influence its political and economic relationships today.

- **Strategic Location**
- **European Union Membership**
- **Legal System Based on English Common Law**

Cyprus's strategic location, EU membership, and legal system based on English common law together provide a robust foundation for its role as a regional economic leader and a central player in European and international affairs.

KEY FEATURES OF CYPRUS'

**LEGAL
ENVIRONMENT**



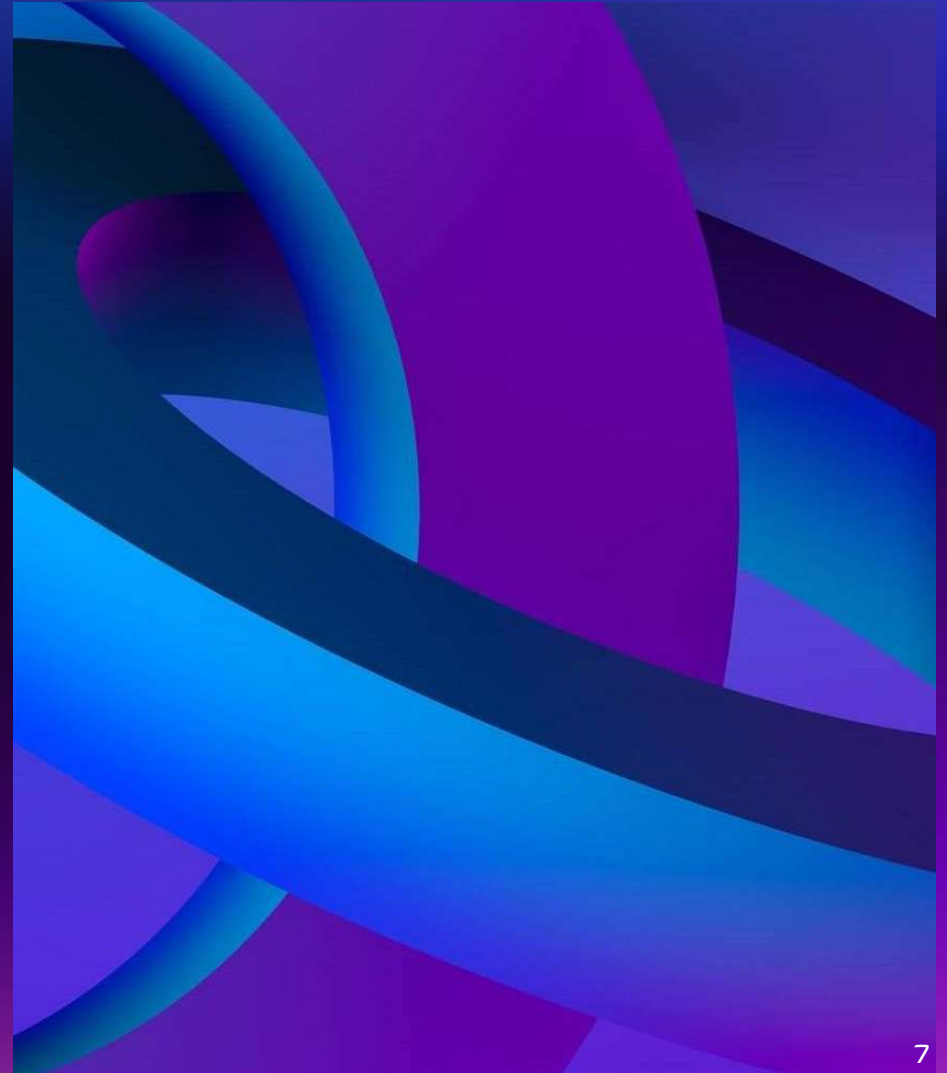
CYPRUS' LEGAL ENVIRONMENT

- FAVORABLE CORPORATE TAX REGIME
- EXTENSIVE NETWORK OF DOUBLE TAX TREATIES
- ROBUST INTELLECTUAL PROPERTY PROTECTION
- BANKING AND FINANCIAL SERVICES LAW
- FINTECH LAW
- FINANCIAL SERVICES RELATED TO IPOS

Cyprus's legal framework is geared towards supporting its vision of becoming a leading international financial center, particularly in banking, fintech, and capital markets. By aligning its regulations with EU standards and promoting a pro-business environment, Cyprus aims to attract global financial entities and tech-driven financial services companies. The country's commitment to regulatory innovation and financial security makes it an appealing jurisdiction for banking, fintech, and businesses considering an IPO.

CYPRUS' CURRENT LEGAL FRAMEWORK

RELATING TO ICT AND
TECH COMPANIES



CYPRUS' CURRENT LEGAL FRAMEWORK RELATING TO ICT AND TECH COMPANIES

EU REGULATIONS

Cyprus, as a member of the European Union, is subject to several key EU regulations that have direct applicability in all member states, including Cyprus. These regulations are designed to govern various aspects of the digital and technological landscape across the EU. Some of those, which impact ICT and tech companies in Cyprus, are the following:

- **GENERAL DATA PROTECTION REGULATION (EU) 2016/679 (GDPR)** – *Perhaps the most well-known of EU regulations, having a profound impact on data protection practices worldwide. It establishes strict guidelines for data processing and privacy, giving individuals control over their personal data while imposing heavy duties and potential penalties on organizations that fail to comply.*
- **DIGITAL SERVICES ACT (DSA) – REGULATION (EU) 2022/2065 (DSA)** – *The DSA, which came into effect recently, aims to create a safer digital space where the fundamental rights of users of digital services are protected. One of its key aspects is to regulate online platforms, ensuring they take greater responsibility for combating illegal content online, and transparently managing their services. This regulation affects all digital service providers, especially large online platforms like social media companies, marketplaces, and others that operate within the EU, including Cyprus.*
- **DIGITAL MARKETS ACT (DMA) – REGULATION (EU) 2022/1925** – *The DMA complements the DSA by addressing the economic aspects of the digital market, particularly targeting large online platforms referred to as "gatekeepers". These are companies that control data and platform access, which can potentially stifle competition. The DMA aims to ensure that these markets remain competitive and open, preventing gatekeepers from imposing unfair conditions on businesses and consumers. This regulation is crucial for maintaining a fair digital economy in Cyprus, particularly impacting major tech companies operating at scale.*

CYPRUS' CURRENT LEGAL FRAMEWORK RELATING TO ICT AND TECH COMPANIES

EU REGULATIONS

- **EU CYBERSECURITY ACT (CSA) REGULATION (EU) 2019/881** – *A critical piece of legislation aimed at strengthening cybersecurity across the European Union and introduced a framework for the cybersecurity certification of information and communication technology (ICT) products, services, and processes across the European Union.. The CSA complements Cyprus's existing national laws, such as the Law on Security of Networks and Information Systems (Law 89(I)/2020), aligning with its objectives to protect critical national infrastructure and improve the overall security of network and information systems. The act's emphasis on certification ensures that businesses in Cyprus not only adhere to high cybersecurity standards but also embrace best practices in their operations.*

CYPRUS' CURRENT LEGAL FRAMEWORK RELATING TO ICT AND TECH COMPANIES

NATIONAL LAWS & EU DIRECTIVES

Cyprus has also transported into its national legal framework several EU Directives which provide useful guidance and further builds upon the legal framework of Cyprus. Some of the most relevant are the below:

- **LAW ON SECURITY OF NETWORKS AND INFORMATION SYSTEMS (LAW 89(I)/2020) IMPLEMENTS THE NIS DIRECTIVE, DIRECTIVE (EU) 2016/1148** – *This law is a significant component of Cyprus's cybersecurity framework, aiming to enhance the security and resilience of network and information systems within the country.*

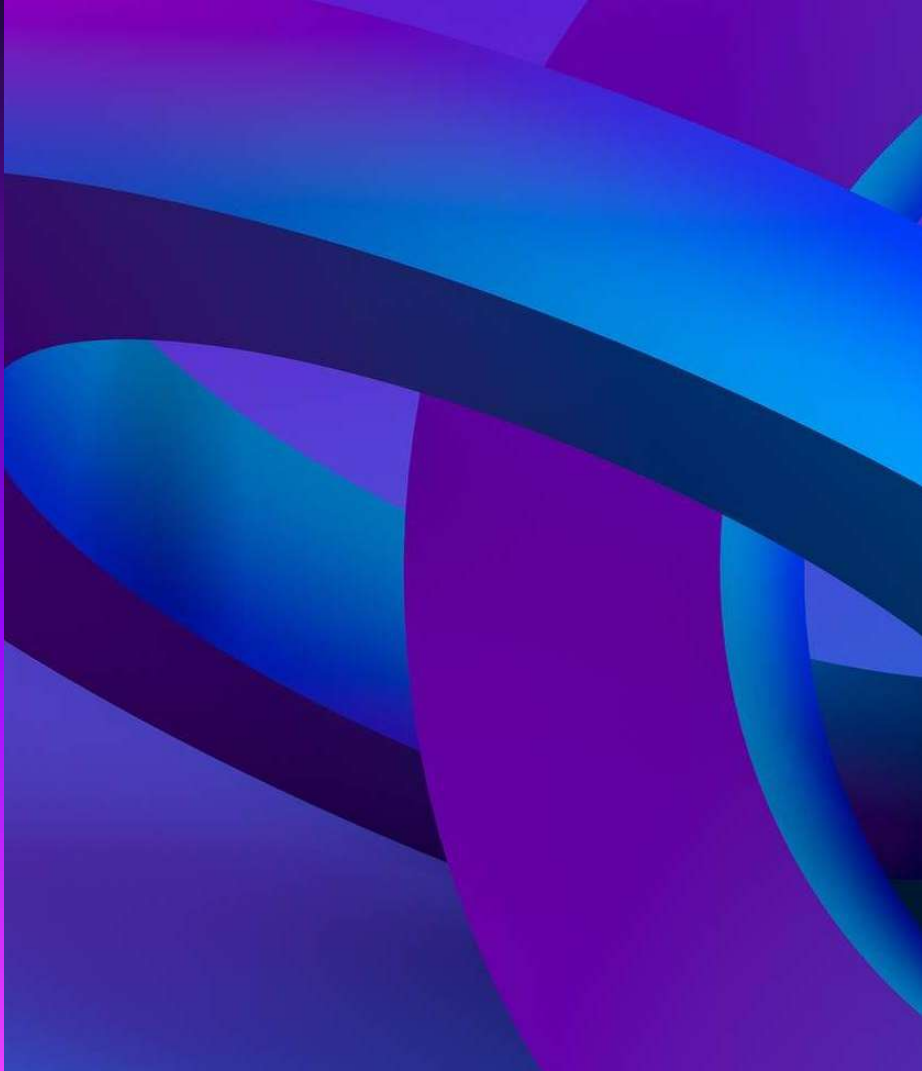
By the 17th of October 2024, all EU member states, including Cyprus, must implement NIS2 Directive (EU) 2022/2555 into their national law. Cyprus, through the Digital Security Authority, already works towards the transposition of NIS2 provisions into its national law 89(I)/2020.

- **ELECTRONIC COMMUNICATIONS AND POSTAL SERVICES LAW OF 2004 (LAW 112(I)/2004) IMPLEMENTS THE E-PRIVACY DIRECTIVE, DIRECTIVE EU 2002/58/EC** - *Governs the ICT sector and particularly the telecommunications service providers. It includes provisions related to the management of the electromagnetic spectrum, telecommunication services, and the operation of networks and services.*
- **E-COMMERCE LAW OF 2004 (LAW 156(I)/2004) IMPLEMENTS THE ECOMMERCE DIRECTIVE, EU DIRECTIVE 2000/31/EC** - *Regulates all electronic commerce activities in Cyprus, impacting businesses involved in online sales and digital transactions. This law covers aspects such as online contracts, consumer rights in the digital marketplace, and electronic signatures, providing a safe and regulated environment for e-commerce activities by tech companies.*

THE POWER OF
**TECHNOLOGICAL
GROWTH IN CYPRUS**

TECHNOLOGICAL GROWTH IN CYPRUS

- **RECENT INVESTMENTS IN TECH INFRASTRUCTURE** - Cyprus has invested heavily in improving its technological infrastructure to support digital growth and innovation.
- **GOVERNMENT INCENTIVES AND GRANTS FOR TECH COMPANIES** - Such as tax and grant incentives.
- **BUSINESS FACILITATION UNIT (BFU)** - a significant initiative, which aims to streamline the process for setting up and operating businesses in Cyprus for non-EU nationals.



ADAPTING LEGAL FRAMEWORK

KEY LEGAL ADAPTATIONS CYPRUS HAS UNDERTAKEN

- **ENHANCEMENTS IN CYBERSECURITY REGULATIONS**

Recognizing the increasing threats posed by cyberattacks, Cyprus has enhanced its cybersecurity regulations. The government has established the Cyprus Computer Security Incident Response Team (CSIRT-CY) to manage and respond to cybersecurity incidents. Additionally, new legislation and policies have been put in place to protect critical information infrastructure and improve the overall resilience of the nation's digital environments. These enhancements also include obligations for companies to implement adequate cybersecurity measures and to report breaches, aligning with EU directives like the Network and Information Systems (NIS) Directive.

- **LEGAL PROVISIONS FOR FINTECH AND BLOCKCHAIN TECHNOLOGIES**

In response to the rapid development in fintech and the growing use of blockchain technologies, Cyprus has introduced specific legal provisions to foster innovation while ensuring regulatory compliance. The Cyprus Securities and Exchange Commission (CySEC) has been actively working on frameworks to regulate digital currencies and blockchain technology applications. This includes guidelines for the use of blockchain in financial services, anti-money laundering measures tailored to crypto transactions, and legal structures for the establishment of fintech firms. These regulations aim to create a stable environment for fintech companies, promoting growth while protecting investors and the financial system.



**NEW AND UPCOMING
LEGAL ACTS**

NEW AND UPCOMING LEGAL ACTS

Cyprus is actively updating its legal framework to address the challenges and opportunities presented by rapid technological advancements, especially in areas such as artificial intelligence (AI), cybersecurity, and broader technological innovations. Here's an overview of the anticipated or recently implemented legal acts in these areas:

- **AI ACT** - *The Artificial Intelligence Act (AI Act) is a European Union regulation on artificial intelligence (AI) in the European Union. Proposed by the European Commission on 21 April 2021 and passed on 13 March 2024, it aims to establish a common regulatory and legal framework for AI. The AI Act will enter into force 20 days after publication in the Official Journal (expected in May or June 2024). Most of its provisions will become applicable two years after the AI Act's entry into force. However, provisions related to prohibited AI systems will apply after six months, while the provisions regarding generative AI will apply after 12 months.*
- **CYBER-RESILIENCE ACT (CRA)** - *The Cyber Resilience Act (CRA) is an EU regulation proposed on 15 September 2022 by the European Commission for improving cybersecurity and cyber resilience in the EU through common cybersecurity standards for products with digital elements in the EU, such as required incident reports and security updates.*
- **DIGITAL OPERATIONAL RESILIENCE ACT (DORA) EU Regulation 2022/2554** - *The Digital Operational Resilience Act (DORA) is an EU regulation that entered into force on 16 January 2023 and will apply as of 17 January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption. DORA brings harmonisation of the rules relating to operational resilience for the financial sector applying to 20 different types of financial entities and ICT third-party service providers.*

NEW AND UPCOMING LEGAL ACTS

- **EU CYBER SOLIDARITY ACT** – *The EU Cyber solidarity Act was proposed by the European Commission in April 2023. The proposed new Act will strengthen solidarity at EU level to better detect, prepare and respond to cyberthreats and incidents. It comes at a crucial time for EU cybersecurity, as the cyber threat landscape in the EU continues to be impacted by geopolitical events. The act reinforces the EU's commitment to ensuring a high common level of cybersecurity across its member states, protecting infrastructure, citizens, and businesses from cyber threats.*
- **FOREIGN DIRECT INVESTMENT (FDI) SCREENING EU REGULATION 2019/452** - *Represents a significant step by the European Union to protect its critical assets against potentially harmful foreign investments. This regulation, which came into full effect in October 2020, is designed to provide a framework for screening foreign direct investments coming into the EU on the grounds of security and public order. For member states like Cyprus, this regulation provides a structured approach to assessing foreign direct investments, ensuring that such assessments are conducted in a manner that aligns with EU standards and strategic interests. It also reassures investors about the security and stability of the investment environment within the EU.*

CYPRUS' PROACTIVE APPROACH

All the above, indicate a strong and proactive commitment by Cyprus to not only keep pace with global trends but also to position itself as a competitive player in the digital and technological sectors within the European Union and beyond.

Overall, these legal updates and initiatives portray Cyprus as an adaptable, forward-thinking, and secure destination for technological and digital business activities. The country's legislative actions demonstrate a clear strategy to enhance its technological infrastructure, support economic growth, and ensure a balanced approach between innovation and regulatory compliance.



THANK YOU

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