

## **2013 Investment Climate Statement, Cyprus**

### **1. Openness to Foreign Investment**

Republic of Cyprus:

The Republic of Cyprus (ROC), a full EU member since May 1, 2004, has a liberal climate for investment. Best prospects for U.S. firms generally lie in the energy sector and alternative energy source generation, while the existence of natural gas and possible petroleum reserves off the southern and eastern coast of Cyprus open up new opportunities. U.S. food & beverage and other franchises and apparel licensors are also finding fertile ground for expansion in Cyprus. Other areas with great potential are shipping, services, high technology sectors, such as computer equipment and data processing services, financial services, environmental protection technology, medical and telecommunications equipment, and tourism development projects.

International companies may invest and establish business in Cyprus on equal terms with local investors in most sectors. Foreign investors can register a company directly with the Registrar of Companies, and are eligible to obtain any license, if needed, from the appropriate authority depending on the nature of investment.

Since 2004, the Government of Cyprus (GOC) has eliminated most capital restrictions and limits on foreign equity participation or ownership, thereby granting national treatment to investors outside the EU. Non-EU investors (both natural and legal persons) may invest freely in Cyprus in most sectors, either directly or indirectly (including all types of portfolio investment in the Cyprus Stock Exchange). The only exceptions concern the acquisition of property and, to a lesser extent, ownership restrictions on investment in the sectors of tertiary education, mass media, banking, and construction (see "Right to Private Ownership and Establishment").

There is no mandatory screening of foreign investment. Foreign investors can register a company directly at the Registrar of Companies through qualified accountants or lawyers, a procedure identical to that for local residents. Similarly, foreign investors may now acquire shares in an existing Cypriot company directly, without prior authorization by the Central Bank. They are expected, however, to inform the Registrar of Companies about any change in ownership status. Foreign investors are required to obtain all permits that may be necessary under Cypriot law to do business in Cyprus. For example, they may need to obtain a municipal permit to set up a kiosk or abide by prevailing health standards to own and operate a catering company, etc. Furthermore, non-EU residents wishing to take up employment in Cyprus must obtain work permits issued by the Migration Department.

Foreign investors can take advantage of information and services provided by the Point of Single Contact Portal and staff. The PSC Cyprus portal, <http://www.businessincyprus.gov.cy>, serves businesses and entrepreneurs interested in pursuing their business aspirations in the services sector of Cyprus. The portal provides comprehensive information relating to the procedures and formalities required for access to, and exercise of, service activities in the ROC, including the horizontal procedures and formalities for setting up a business in the ROC, such as income tax registration, VAT registration, Social security registration, and Registration of Companies.

A One Stop Shop has been established in order to reduce considerably the time needed for setting up a business. Specifically, the following services are offered to business persons/investors: Provision of information/guidance for establishing business in Cyprus, Registration of companies, partnerships, Business name, European Company (SE), and Branches of overseas companies, VAT Registration, Taxpayer's Registration, Issuance of temporary residence and employment permits. The One Stop Shop and Point of Single Contact work together as one unit under the auspices of the Ministry of Commerce, Industry and Tourism. The Cyprus Investment Promotion Agency (CIPA) is tasked with attracting foreign investment, advising foreign investors, and providing assistance to them. CIPA operates as a private organization reporting to the Ministry of Commerce, Industry, and Tourism. Through CIPA and the Ministry of Commerce, Industry and Tourism, ROC authorities offer expedited processing by other governmental departments for larger projects (over USD 2.5 million) in line with Cyprus' economic development goals and objectives. Additional information, can be obtained from the two organizations directly:

One Stop Shop & Point of Single Contact  
Ministry of Commerce, Industry & Tourism  
13-15 Andreas Araouzou  
1421 Nicosia  
Cyprus  
Tel. +357 22 409318 or 321  
Fax: +357 22 409432  
Email1: [onestopshop@mcit.gov.cy](mailto:onestopshop@mcit.gov.cy)  
Email2: [pccyprus@mcit.gov.cy](mailto:pccyprus@mcit.gov.cy)  
Website: [www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)

Cyprus Investment Promotion Agency  
Severis Building  
9 Makariou III Ave.  
4th Floor  
Nicosia  
1065 Cyprus  
Tel.: +357 22 441133  
Fax .: +357 22 441134  
E-mail: [info@cipa.org.cy](mailto:info@cipa.org.cy)  
Website: [www.cipa.org.cy](http://www.cipa.org.cy)

## Registering a Company

Local and foreign investors may establish any of the following legal entities or businesses in the Republic of Cyprus:

- Companies (private or public);
- General or limited partnerships;
- Business/trade name;
- European Company (SE);
- Branch of overseas companies.

Initially, except in the case of a branch of overseas companies, the application for approval/change of name is submitted by hand or by mail to the One Stop Shop/PSC Cyprus' Office or to the Registrar of Companies and Official Receiver along with the fee of €8,54 or €25,63 under accelerated procedure (payable in cash, check or via a bank transfer). Please note that the One Stop Shop accepts only applications with acceleration fees and the One Stop Shop Application Cover for Name Approval is to accompany the above-mentioned application.

Online applications for name approval can be submitted, provided that the applicant maintains an account with the Registrar of Companies and Official Receiver:

<https://efiling.drcor.mcit.gov.cy/DrcorPrivate/Login/Login.aspx?ReturnUrl=%2fdrcorprivate%2forganizationselection.aspx>

Interested parties may search through the names of all the registered organizations:

<https://efiling.drcor.mcit.gov.cy/DrcorPublic/SearchForm.aspx?lang=EL&sc=0>

After securing name approval, relevant documents for registration of the legal entity should be submitted, according to the legal form of the entity/business.

In the case of registering a company (private or public), documents should be submitted through a lawyer practicing in Cyprus. For a complete list of lawyers, please visit the Cyprus Bar Association's website:

[www.cyprusbarassociation.org](http://www.cyprusbarassociation.org)

A detailed description regarding the procedure, including the relevant documents and fees, required for each type of legal form is available at the Point of Single Contact Portal:

<http://www.businessincyprus.gov.cy/mcit/psc/psc.nsf/All/A2E29870C32D7F17C2257857002E18C9?OpenDocument>

### Competitiveness Rankings:

The World Economic Forum's Competitiveness Index, ranked Cyprus 47th among 142 economies in 2011-12. The Heritage Foundation 2012 Index of Economic Freedom ranked Cyprus 20th freest economy in the world (<http://www.heritage.org/index/country/cyprus>). Transparency International ranked Cyprus among the top 29 countries on transparent procedures in 2012 (<http://www.transparency.org/country#CYP>). Cyprus ranked 36<sup>th</sup> among 185 countries in the World Bank's 2013 "Doing Business" Index -- up from 37<sup>th</sup> in 2012:

<http://www.doingbusiness.org/data/exploreeconomies/cyprus/>.

### Summary of Third-Party Rankings:

INDEX	YEAR	RANKING
Transparency Intl. (TI) Corruption Index	2012	29/176 or 83%
Heritage Economic Freedom	2012	20/184 or 71.8%
World Economic Forum Competitiveness Index	2012-13	58/144
World Bank, Doing Business (DB) Index	2013	36/185
World Bank, Worldwide Governance Indicators (WGI) :		PERCENT
-- Voice and Accountability	2011	82.9/100
-- Political Stability	2011	65.0 /100
-- Government Effectiveness	2011	91.0/100
-- Regulatory Quality	2011	86.0/100
-- Rule of Law	2011	85.0/100
-- Control of Corruption	2011	80.0/100

### Area Administered by Turkish Cypriots:

Since 1974, the southern two-thirds of Cyprus has been under the control of the government of the Republic of Cyprus, while the northern part of the island has been administered by Turkish Cypriots. In 1983, the northern part of the island declared itself the "Turkish Republic of Northern Cyprus" ("TRNC"), but this has not been recognized by any country other than Turkey. Turkish Cypriot authorities actively encourage foreign investment, giving preference to foreign investments facilitating the transfer of modern technology, technical skills, and new management technologies, as well as investment in export-oriented industries. There are no particular restrictions for specific sectors, except for projects deemed threatening to "national security." Complications arising, however, from the lack of international recognition of the "TRNC" and the absence of a comprehensive political settlement, including with regard to property, should be taken into consideration by the foreign investor (see section on "Protection of Property Rights" for additional information).

The authorities in the area administered by Turkish Cypriots established YAGA – the Turkish Cypriot Investment Development Agency – in 2007 with the aim of creating a one-stop-shop for both local and foreign investors.

“North Cyprus Investment Development Agency”

Tel: 90 392 228 9378

Website: <http://www.investinnorthcyprus.org>

E-mail: [mehmet.yildirim@investinnorthcyprus.org](mailto:mehmet.yildirim@investinnorthcyprus.org)

On an annual basis, the Turkish Cypriot Chamber of Commerce (TCCC) has been publishing their Competitiveness Report on the Turkish Cypriot economy, based on the World Economic Forum’s methodology, to analyze and understand the strengths and weaknesses of the T/C economy. The T/C Chamber of Commerce's 2011-2012 Competitiveness Report ranked northern Cyprus 118<sup>th</sup> among 142 economies.

## **2. Conversion and Transfer Policies**

Republic of Cyprus:

In recent years, the ROC has progressively lifted restrictions on the transfer of funds in and out of the country pertaining to foreign investors. Currently, there are no restrictions on remittances for investment capital, earnings, loan repayments, lease payments or other business transactions.

Area Administered by Turkish Cypriots:

There is no limitation on the transfer of goods and proceeds from the area administered by Turkish Cypriots. Foreign investors may take part in the operation and/or management of a company, repatriate all investments and all capital (if anticipated in the initial article of association of the company), take part in profits, and transfer and reinvest profits, including the trade of currency.

### **3. Expropriation and Compensation**

Republic of Cyprus:

In the Republic of Cyprus, nationalization has never been government policy and it is not contemplated in the future. Private property is only expropriated for public purposes in a non-discriminatory manner and in accordance with established principles of international law. In cases where expropriation is necessary, due process is followed and there is transparency of purpose. Investors and lenders to expropriated entities receive compensation in the currency in which the investment is made. In the event of any delay in the payment of compensation, the Government is also liable for the payment of interest based on the prevailing 6-month LIBOR for the relevant currency.

Area Administered by Turkish Cypriots:

Turkish Cypriot authorities state that nationalization has never been part of their policy and that they do not contemplate any such action in the future. However, Turkish Cypriot authorities do not grant any protection for Greek Cypriot properties in the north. For information pertaining to the risks associated with investing in Greek Cypriot property in the north or in Turkish Cypriot property in the GOC-controlled area, please see the section on "Protection of Property Rights." Private property can be expropriated for public purposes and a process is followed whereby investors are entitled to compensation. Foreign investors may claim any damages that have been made by non-legal means or by incorrect performance of responsibilities by the authorities.

### **4. Dispute Settlement**

Republic of Cyprus:

There have been no outstanding expropriation/nationalization cases or outstanding investment disputes in recent years. However, it should be noted that resolution of commercial and/or investment disputes through Cyprus' normal judicial system takes a long time -- on average, between three and five years. Effective means are available for enforcing property and contractual rights.

Commercial arbitration is available, offering an alternative recourse to normal judicial proceedings, provided both sides to the dispute agree to it. Under the Arbitration Law of Cyprus, an arbitrator is appointed when the parties' attorneys cannot settle a dispute between the parties to an agreement. The court may enforce an arbitral award in the same way as a judgment. In 1979, Cyprus became a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards and a foreign award may be enforced in Cyprus by an action in common law. Cyprus is also a signatory to the Convention on the Settlement of Disputes Between States and Nationals of Other States.

Several options exist for parties who may opt for commercial arbitration. The Cyprus Chamber of Commerce and Industry (KEBE, from the local acronym, <http://www.ccci.org.cy/>) offers

commercial arbitration, chiefly for domestic disputes, under International Court of Arbitration (ICC) rules. For more info, please see:

<http://www.jurisint.org/en/ctr/62.html>

The private sector also offers several options for commercial arbitration. In late 2012, Andreas Neocleous & Co LLC, a leading law firm on the island, established the Euro-Mediterranean Alternative Dispute Resolution Centre in Limassol. For more info:

<http://www.neocleous.com/index.php?pageid=49&pageaction=neo&modid=102&newid=1524>

[http://www.neocleous.biz/gr/download/busop\\_ccica.htm](http://www.neocleous.biz/gr/download/busop_ccica.htm)

Additionally, the Cyprus Arbitration and Mediation Centre (CAMC) is a non-profit organization, set up in 2010. It offers domestic and international arbitration, based on the United Nations Commission on International Trade Law (UNCITRAL). For more info, please see:

<http://www.cyprusarbitration.com.cy/default.asp?pid=28>

<http://www.triantafyllides.com/highlights-of-cyprus/86/24>

In addition to arbitration, mediation is also available in Cyprus, through KEBE. Although it does not result in enforceable decisions, mediation can sometimes help resolve disputes. The ROC passed a law in 2012 sanctioning international and domestic mediation. This law designates the following three bodies to act as mediators: the Cyprus Bar Association, KEBE, and the Scientific and Technical Chamber of Cyprus (ETEK).

Area Administered by Turkish Cypriots:

The foreign investor may make use of all the rights guaranteed by the "domestic legal" framework. Private dispute resolution is not available in the area administered by Turkish Cypriots. Alternatives to the formal "court system" in the north, to bring about settlement via arbitration or mediation, do not exist. The resolution of commercial and/or investment disputes through the "judicial system" takes a long time - on average around five years.

## **5. Performance Requirements and Incentives**

Republic of Cyprus:

Cyprus offers many advantages to foreign investors, including a strategic geographic location, favorable business climate, low corporate and personal tax rates, modern legal, banking, and financial systems, excellent telecommunications and infrastructure, a highly-educated labor force, and widespread knowledge of English. These advantages have encouraged foreign investors to set up companies in Cyprus, structuring their investments through a holding company on the island, or investing here directly. As a result, the number of annual company registrations continues to grow, particularly since EU accession in 2004.

A low level of taxation is one of Cyprus's major advantages. At 10 percent, Cyprus has one of the lowest corporate tax rates currently in the EU. Cyprus' other tax advantages include:

- one of the EU's lowest top statutory personal income tax rates at 30 percent;
- an extensive double tax treaties network with over 45 countries, enabling lower withholding tax rates on dividend or other income received from the subsidiaries abroad;
- no withholding tax on dividend income received from subsidiary companies abroad under certain conditions; and
- no withholding tax on dividends received from EU subsidiaries.

A full description of Cyprus's investment incentives is available at:  
Website: [www.businessincyprus.gov.cy](http://www.businessincyprus.gov.cy)

Cyprus does not have a rigid system of performance requirements for foreign investment across the board and has signed the WTO's Trade-Related Investment Measures (TRIMS) agreement. Applications by non-EU residents for investment in Cyprus are judged on their own merit.

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots offers incentives for investing on "state property," but prospective investors should be knowledgeable about the risks associated with the purchase, lease, or use of property. The "TRNC Constitution" (Article 159 (1) (b), May 7, 1985) defines "state property" as: "All immovable properties, buildings, and installations which were found abandoned on 13 February 1975 when the "Turkish Federated State of Cyprus" was proclaimed or which were considered by law as abandoned or ownerless after the above-mentioned date, or which should have been in the possession or control of the public even though their ownership had not yet been determined ... and ... situated within the boundaries of the "TRNC" on 15 November 1983 ... notwithstanding the fact that they are not so registered in the books of the Land Registry Office."

The Republic of Cyprus rejects such claims outright and, specifically, it does not recognize title changes effected in the north by the Turkish Cypriot administration since 1974. As stated under the "Protection of Property Rights" section of this report, potential investors should be cautious and obtain independent legal advice concerning purchasing or leasing property in the north.

The North Cyprus Investment Development Agency was created in late 2007 with the responsibility of approving all investment and providing incentives. Contact information:

“North Cyprus Investment Development Agency”  
Tel: 90 392 228 9378  
Website: [www.investinnorthcyprus.org](http://www.investinnorthcyprus.org)  
E-mail: [mehmet.yildirim@investinnorthcyprus.org](mailto:mehmet.yildirim@investinnorthcyprus.org)  
Or: [info@InvestInNorthCyprus.org](mailto:info@InvestInNorthCyprus.org)

## **6. Right to Private Ownership and Establishment**

Republic of Cyprus

Aside from real estate acquisition issues, outlined in the next section, several other restrictions infringe on the foreign investor's right to private ownership and establishment in Cyprus. For example, current ROC legislation restricts ownership of local electronic mass media companies (e.g. TV and radio stations, but excluding print media) to a ceiling of 25 percent of each local media company for EU investors, and to just 5 percent of each local media company for non-EU investors.

Under the Registration and Control of Contractors Laws of 2001 and 2004, the right to register as a building contractor in Cyprus is reserved for citizens of EU member states. Non-EU entities are not allowed to own a majority stake in a local construction company. Non-EU physical persons or legal entities may bid on specific construction projects, but only after obtaining a special license by the Council of Ministers.

The Central Bank's prior approval is necessary before any individual person or entity, whether Cypriot or foreign, can acquire over 9.99 percent of a bank incorporated in Cyprus (whether listed on the Cyprus Stock Exchange or not).

Area Administered by Turkish Cypriots:

Registered foreign investors may buy property for investment purposes. Foreign natural persons also have the option of forming private liability companies and foreign investors can form mutual partnership with one or more foreign or domestic investors. As stated under the "Protection of Property Rights" section of this report, potential investors should be cautious and obtain independent legal advice concerning purchasing or leasing property in the north.

## **7. Protection of Property Rights**

Republic of Cyprus:

EU nationals and companies domiciled in any EU country are not subject to any restrictions when buying property in Cyprus. By contrast, ROC law imposes significant restrictions on the foreign ownership of real estate by non-EU residents. Non-EU persons and entities may purchase only a single piece of real estate (not to exceed three donums, or roughly one acre) for private use (normally a holiday home). Exceptions can be made for projects requiring larger plots of land (i.e., beyond that necessary for a private residence), but they are difficult to obtain and are rarely granted.

The Acquisition of Real Estate (Aliens) Cap and the Amending Laws of 2003, in force since May 1, 2004, provide that non-EU member state citizens, legal entities registered in non-EU countries, and EU-registered legal entities controlled by non-EU citizens (as per the definition below), can acquire real estate subject to the approval of the relevant District Administration Offices. In case the real estate concerned exceeds two donums (one donum = 1338 square meters), approval may be granted only for residential purposes (not exceeding an area of three

donums), professional or commercial premises, and industrial sectors deemed beneficial for the Cypriot economy and relate to the production of products or the utilization of new technology and/or technological know-how.

The definition of a legal entity controlled by non-EU citizens is as follows, if it meets any of the conditions listed below:

- 50 percent or more of its board members are non-EU citizens;
- 50 percent or more of its share capital belongs to non-EU citizens;
- Control belongs by 50 percent or more to non-EU citizens;
- Either its Memorandum or Articles of Association provides authority to a non-EU citizen securing that the company's activities are conducted based on his/her will during the real estate acquisition period. In the case that the authority is provided to two or more persons, a legal entity is considered to be controlled by non-EU citizens if 50 percent or more of the people granted such authority are non-EU citizens.

For additional information and application forms for the acquisition of property by non-EU residents, District Administration Offices can be contacted through the Ministry of Interior website:

[www.moi.gov.cy/da](http://www.moi.gov.cy/da)

The legal requirements and procedures for acquiring and disposing of property in Cyprus are complex, but professional help by real estate agents and developers can ease the burden of dealing with the GOC bureaucracy. This procedure involves Central Bank verification that funds from abroad are to be used by non-EU residents to purchase real estate. It also involves final approval by the Council of Ministers, which is given routinely for holiday homes.

The Government's Department of Lands and Surveys keeps records and follows internationally-accepted procedures. Non-residents are allowed to sell their property and transfer abroad the amount originally paid, plus interest or profits, without restriction.

Investors are advised to consider the risks associated with Greek Cypriot property in the north and Turkish Cypriot property in the GOC-controlled area. Several high-profile cases have already been brought before the European Court of Justice and other international bodies, while other cases are still pending.

The following GOC website provides additional information on the risks of investing in the northern part of Cyprus:

[http://www.mfa.gov.cy/mfa/properties/occupiedarea\\_properties.nsf/index\\_en/index\\_en?OpenDocument](http://www.mfa.gov.cy/mfa/properties/occupiedarea_properties.nsf/index_en/index_en?OpenDocument)

There are restrictions on investing in Turkish Cypriot property in the GOC-controlled area. The Turkish Cypriot Property Management Service (TCPMS), established in 1991, administers properties of Turkish Cypriots who are not ordinarily residents of the GOC-controlled area. This service acts as the temporary custodian for such properties until a comprehensive political settlement is reached. The TCPMS is mandated to administer properties under its custodianship "in the manner most beneficial for the owner." Ownership of Turkish Cypriot properties cannot change (unless for inheritance purposes) except in exceptional cases when this is deemed beneficial for the owner or necessary for the public interest.

On the intellectual property front, the Republic of Cyprus has a modern set of laws and adequate enforcement. The Adoption of the Copyright Law in 1994 and the subsequent adoption of the Patents Law in 1998 were important legal milestones in this context, helping Cyprus comply with its obligations under the WTO TRIPS agreement.

#### Area Administered by Turkish Cypriots:

The absence of a comprehensive political settlement poses an inherent risk for the foreign investor interested in buying or leasing property in northern Cyprus. Potential investors should be cautious and obtain independent legal advice concerning purchasing or leasing property in the north. Unless the property in question was in Turkish Cypriot hands prior to 1974, it will be very unlikely that the title to the land will be free and unchallengeable. Property issues will be at the heart of any settlement of the "Cyprus problem" and will involve the return/exchange of property and/or compensation to those displaced in 1974. The Republic of Cyprus does not recognize title changes in the north since 1974. Foreign buyers of land may also face legal challenges from those displaced in 1974 either in Republic of Cyprus courts or courts in their country of residence. In response to the ECHR's 2005 ruling in the *Xenides Arestis* case that Turkey's "subordinate local authorities" in Cyprus had not provided an adequate local remedy for claims, Turkish Cypriot authorities established an "Immovable Property Commission (IPC)" to handle claims (please see website below). In a March 2010 ruling, the ECHR recognized the IPC as a domestic remedy. The IPC had reportedly received 4400 applications by January 2013.

<http://www.tamk.gov.ct.tr/>

On January 19, 2010, the UK Court of Appeal enforced an earlier court decision taken in the Republic of Cyprus backing a Greek Cypriot person's efforts to claim trespassing (the *Orams* case), effectively voiding property transfers of Greek Cypriot property in the north. As a result of the ruling, the *Orams* -- a British couple, who had bought the land and built a holiday home on it -- have been ordered to pay compensation and court fees, demolish the home, halt all improvements on the property, and deliver it to its legal owner. This ruling by the Cypriot court is enforceable against the *Orams*' assets in the UK per the UK Court of Appeal and the European Court of Justice. Lawyers believe that the effect of this case is that assets of any individual in an EU member state could be attached in settlement of property cases in northern Cyprus based on court decisions in the Republic of Cyprus.

Foreign investors have the right to claim any damages that have been made by non-legal means or by incorrect performance of responsibilities by the authorities.

Intellectual property rights are not adequately protected in the area administered by Turkish Cypriots, where "laws" in this area are inadequate, antiquated, and lacking enforcement.

## **8. Transparency of Regulatory System**

Republic of Cyprus:

Existing procedures and regulations affecting business are generally transparent and applied in practice without bias.

In some cases, U.S. companies competing on government tenders have expressed concerns about lack of transparency and the appearance of bias in decisions made by the technical committees responsible for preparing specifications and reviewing tender submissions. The U.S. Embassy monitors these tenders closely to ensure a level playing field for U.S. businesses.

Area Administered by Turkish Cypriots:

The area administered by Turkish Cypriots has made strides in recent years in terms of adopting a more transparent regulatory system. However, the level of transparency still lags behind EU or U.S. standards. A common complaint among the business community in northern Cyprus is that the court system is overloaded, resulting in long delays.

## **9. Efficient Capital Markets and Portfolio Investment**

Republic of Cyprus:

Cyprus has modern and efficient legal, banking, and financial systems. EU accession on May 1, 2004 was instrumental in establishing an efficient capital market in Cyprus through the abolition of such restrictions as the interest rate ceiling in 2001 and exchange controls for residents.

Credit to foreign and local investors alike is allocated on market terms. The private sector has access to a variety of credit instruments, which has been enhanced through the operation of private venture capital firms. The banking sector is generally sound and well-supervised.

The Cyprus Stock Exchange (CSE), launched in 1996, is one of the EU's smallest stock exchanges, with a capitalization of around Euros 0.8 billion (USD 1.0 billion) at the end of 2012. The CSE and the Athens Stock Exchange (ASE) operate from a joint trading platform since 2006, allowing capital to move more freely from one exchange to the other, even though both exchanges retain their autonomy and independence. The joint platform has increased capital available to Cypriot firms and improved the CSE's liquidity.

Foreign investors may acquire up to 100 percent of the share capital of Cypriot companies listed on the CSE with the notable exception of companies in the banking sector. The Central Bank's prior approval is necessary before any individual person or entity, whether Cypriot or foreign, can acquire over 9.99 percent of a bank incorporated in Cyprus (whether listed on the CSE or not).

Area Administered by Turkish Cypriots:

The financial system in the area administered by Turkish Cypriots is linked closely with that of Turkey. The Turkish Lira (TL) is the main currency in use although the Euro, U.S. dollar, and British Pound are frequently used. The vast majority of borrowing comes from domestic sources and Turkey. There is no stock exchange in the area administered by Turkish Cypriots.

There are currently 22 "domestic" banks of which 7 are branch banks, plus a Development Bank operating in the area administered by Turkish Cypriots.; . The total number of deposits, which includes bank, public, individual and other was around USD 1.1 Billion as of December 2012. Out of the total, bank deposits were around USD 613 million as of December 2012.

## **10. Competition from State-Owned Enterprises (SOEs)**

Republic of Cyprus:

Cyprus has no Sovereign Wealth Fund but it does have about a dozen organizations exclusively or majority-owned by the state providing common utilities and other essential services. The most important of these organizations are:

- Electricity Authority of Cyprus
- Natural Gas Public Company of Cyprus
- Cyprus Ports Authority
- Cyprus Land Development Corporation
- Cyprus Youth Board
- Cyprus State Fairs Authority
- Cyprus Telecommunication Authority
- Cyprus Broadcasting Corporation
- Human Resource Development Authority of Cyprus
- Cyprus Tourism Organization
- Cyprus Airways
- Cyprus Sport Organization
- Central Agency for Equal Distribution of Burdens

These organizations have independent boards of directors, typically including politically-affiliated individuals. They publish annual reports and submit their books to independent audits.

Competition with the private sector is not hampered by any of these organizations, with the exception of the energy sector. Ownership of Cyprus' Public Company for Natural Gas (PCNG) is currently split between the Government of Cyprus and the semi-governmental Electricity Authority of Cyprus (EAC) – at 56 and 44 percent, respectively. Although the EAC is an independent organization, it is wholly owned by the State. Under its existing mandate, the PCNG is recognized as the sole buyer, importer, and distributor of natural gas through a land-based LNG terminal at Vasilikos. Following the explosion at a naval base in July 2011, which severely damaged the main power station at Vasilikos, the island's entire energy sector is currently undergoing radical restructuring, with a renewed focus on renewable sources of energy.

Additionally, in early October 2012, the GOC established the Cyprus State Hydrocarbons Company – or KRETYK from the local acronym. The legislative framework for the operation of KRETYK has not yet been established and will likely be finalized after Presidential elections in February 2013.

For more information on the Commission for the Protection of Competition, responsible for the harmonious operation of the market and fair competition, please visit:

[http://www.competition.gov.cy/competition/competition.nsf/index\\_en/index\\_en?opendocument](http://www.competition.gov.cy/competition/competition.nsf/index_en/index_en?opendocument)

Area Administered by Turkish Cypriots:

In the area administered by Turkish Cypriots, there are institutions known as "public economic enterprises" and "semi-public enterprises," which aim to provide common utilities and essential services.

Some of these organizations are:

- BRTK - State Television and Radio Broadcasting Corporation
- K-PET - Turkish Cypriot Petrol Corporation
- KIBTEK - Turkish Cypriot Electricity Board
- Cyprus Turkish News Agency
- Telecommunications
- Agricultural Products Corporation
- Turkish Cypriot Milk Industry
- Turkish Cypriot Tobacco Products Corporation
- Cypruvex Ltd. - Citrus Facility
- EMU - Eastern Mediterranean Foundation Board

There is ongoing discussion about whether these public and semi-public enterprises create a burden and fiscal pressure on the budget and thus should be privatized. One of the main "public-owned enterprises," Cyprus Turkish Airlines, went bankrupt and was abolished at the end of 2010. In a more recent case, the Turkish Cypriot Petrol Corporation (K-PET) was put out to tender; ninety percent of K-PET shares were sold to local Turkish Cypriot business partners. There is currently discussion about privatizing the Turkish Cypriot Electricity Board and Telecommunications, which has sparked labor action.

## **11. Corporate Social Responsibility (CSR)**

In recent years, CSR awareness among both producers and consumers is growing in Cyprus. Leading foreign and local enterprises tend to follow generally-accepted CSR principles, and firms pursuing these practices tend to be viewed more favorably by the public.

## **12. Political Violence**

There have been no incidents of politically-motivated serious damage to foreign projects and or installations since 1974, although potential foreign investors should have a basic understanding of the current political situation. Since 2004, when the Republic of Cyprus joined the EU as a full member, the EU *acquis communautaire* has been temporarily suspended in the northern part of the island due to the unresolved political situation. Reunification negotiations between the Greek Cypriot and Turkish Cypriot leaders under UN auspices continue to the present day.

The partial lifting of travel restrictions between the two parts of the island in April 2003 has allowed the movement of persons between the two parts of the island, with a volume of close to a million crossings (in both directions) per year.

The Green Line Regulation provides special rules for trade across the buffer zone. The maximum allowable ceiling on the total value of goods contained in the personal luggage of persons crossing the Green Line is currently Euros 260 (USD 333). Details on the Green Line Regulation are available from:

[http://ec.europa.eu/cyprus/turkish\\_cypriots/green\\_line\\_regulation/index\\_en.htm](http://ec.europa.eu/cyprus/turkish_cypriots/green_line_regulation/index_en.htm)

In August 2004, new EU rules allowed goods produced in the north to be sold in the south provided they were produced or "substantially transformed" in the north. Shortly thereafter, Turkish Cypriot authorities adopted a new regulation mirroring the EU rules and allowing certain goods produced in the south to be sold in the north. Trade between the two communities remains limited, making up only about 0.1 percent of each community's total imports (although a more significant portion – over 15 percent – of Turkish Cypriot community exports). In 2012, Green Line trade from the Greek Cypriot community to the Turkish Cypriot community amounted to Euros 1.0 million (USD 1.3 million). Green Line trade in the opposite direction (Turkish Cypriot community to Greek Cypriot community) amounted to Euros 8.9 million (USD 11.4 million) in the same year.

## **13. Corruption**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. The Republic of Cyprus is a party to the UN Convention.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) The Republic of Cyprus is a member of GRECO.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. The Republic of Cyprus does not have an FTA with the United States.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department’s Advocacy Center and State’s Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center “Report A Trade Barrier” Website at [http://tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

Guidance on the U.S. FCPA: The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department’s present

enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa).

Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

#### Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual Global Corruption Report which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the Global Enabling Trade Report, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## Republic of Cyprus:

Corruption, both in the public and private sectors, constitutes a criminal offense. Under Cyprus' Constitution, the Auditor General controls all disbursements and receipts and has the right to inspect all accounts on behalf of the Republic. In her Annual Report, the Auditor General identifies specific instances of mismanagement or deviation from proper procedures in the civil service. Since 1991, Cyprus has also introduced the institution of the "Ombudsman," who oversees the acts or omissions of the administration.

Cyprus cooperates closely with EU and other international authorities on fighting corruption and providing mutual assistance in criminal investigations. Cyprus has signed the European Convention on Mutual Assistance on Criminal matters and is in the process of ratifying it. Cyprus also uses the foreign Tribunal Evidence Law, Chapter 12, to execute requests from other countries for obtaining evidence in Cyprus in criminal matters. Additionally, Cyprus is an active participant in the Council of Europe's Multidisciplinary Group on Corruption. Cyprus has signed and ratified (in 1999 and 2001, respectively) the Criminal Law Convention on Corruption and has joined the "Group of States Against Corruption-GRECO

The U.S. government is not aware of any U.S. firms identifying corruption as a significant obstacle to foreign direct investment in Cyprus; however, in some cases, U.S. companies competing on government tenders have expressed concerns about lack of transparency and the appearance of bias in decisions made by the technical committees responsible for preparing specifications and reviewing tender submissions.

## Area Administered by Turkish Cypriots:

Corruption, both in the public and private sectors, constitutes a criminal offense. The "Audit's Office" controls all disbursements and receipts and has the right to inspect all accounts. In the Annual Report, the "Audit's Office" identifies specific instances of mismanagement or deviation from proper procedures in the civil service.

Although the Embassy is unaware of any recent complaints from U.S. businesses involving corrupt practices in the north, anecdotal evidence suggests that corruption and patronage continue to be a factor in the economy, despite efforts to introduce standards of transparency in licensing and tendering.

## 14. Bilateral Investment Agreements

Republic of Cyprus:

Cyprus is a party to 23 bilateral investment treaties (BITs) with the following countries: Armenia, Belarus, Belgium and Luxembourg, Bulgaria, China, Czech Republic, Egypt, Greece, Hungary, India, Iran, Israel, Italy, Jordan, Lebanon, Malta, Montenegro, Poland, Qatar, Romania, Russian Federation, Serbia, and Seychelles. However, currently only 16 of the above treaties have entered into force. Treaties with Iran, Israel, Italy, Jordan, Montenegro, Qatar and Russian Federation are awaiting ratification. Cyprus does not have a bilateral investment protection agreement with the United States; however, the ROC Ministry of Foreign Affairs and the U.S. State Department have exchanged letters on the reciprocal protection of investments.

Additionally, Cyprus has entered into bilateral double tax treaties with a total of 45 countries. The main purpose of these treaties is the avoidance of double taxation of income earned in any of these countries. Under these agreements, a credit is usually provided for tax levied by the country in which the taxpayer resides for taxes imposed in the other treaty country. The effect of these arrangements is normally that the taxpayer pays no more than the higher of the two rates. For more information on Cyprus' bilateral double tax treaties:

[http://www.mof.gov.cy/mof/ird/ird.nsf/dmldtc\\_en/dmldtc\\_en](http://www.mof.gov.cy/mof/ird/ird.nsf/dmldtc_en/dmldtc_en)

and:

[http://en.wikipedia.org/wiki/Double\\_taxation](http://en.wikipedia.org/wiki/Double_taxation)

The Republic of Cyprus has Trade Centers (under the Ministry of Commerce, Industry and Tourism) in eleven locations outside Cyprus, including one in New York City handling trade with the United States of America, Canada, and Latin America. The full list of these offices is available at:

[www.mcit.gov.cy](http://www.mcit.gov.cy)

Contact details for the New York Trade Center follow:

Mr. Aristos Constantinou  
Commercial Counsellor  
Cyprus Trade Centre in New York  
13 East 40th Street  
New York, NY 10016  
Tel: 212-213-9100  
Fax: 212-213-2918  
E-mail: [ctcny@cyprustradeny.org](mailto:ctcny@cyprustradeny.org)  
[www.cyprustradeny.org](http://www.cyprustradeny.org)

## **15. OPIC and Other Investment Insurance Programs**

The U.S. Overseas Private Investment Corporation (OPIC) is not active in Cyprus, but OPIC finance and insurance programs are open and may be useful when bidding on Build Operate and Transfer (BOT) contracts in the ROC. Cyprus is a member of the Multilateral Investment Guarantee Agency (MIGA).

## **16. Labor**

Republic of Cyprus:

The labor force is estimated at 378,300 persons. The breakdown by broad sector is: agriculture and mining, 7.6 percent; industry and construction, 19.1 percent; and services, 73.3 percent (including 27.1 percent in trade and tourism).

The harmonized rate of unemployment in Cyprus has risen sharply in the last two years, reaching 14 percent at the end of 2012, and exceeding the corresponding averages of both the Euro area and the EU 27.

Cyprus has a high per capita rate of college graduates, including many U.S. university graduates and offers an abundant supply of white-collar workers. English is widely spoken.

In response to labor shortages in recent years, more women have joined the labor force (women are now about 45.0 percent of the labor force, compared with 33.4 percent in 1980) and a growing number of Cypriots are repatriating from abroad.

The legislated minimum wage (effective January 2013) for sales assistants, clerks, paramedical, and child care staff is currently USD 1,114 per month, rising to USD 1,183 after six months' employment. Neither amount is sufficient to provide a decent standard of living for a worker and family. All other occupations, including unskilled workers, are covered under collective bargaining agreements between trade unions and employers within the same economic sector, and the wages set in these agreements are significantly higher than the legislated minimum wage. Existing legislation requires that foreign workers receive at least the minimum wage. However, foreign domestic servants have a separate minimum wage. As of January 2012, the minimum net wage for live-in domestic servants was USD 424 per month, plus their room and board.

Currently, about 70 percent of the labor force is unionized (compared to 80 percent in 1980), which gives the unions a strong say in collective agreements. Head-on confrontations between management and unions do occur, although long-term work stoppages are rare. A recent study by Harvard University covering 60 countries found that union power in Cyprus was perceived to be "the strongest in the world," while labor relations were "relatively peaceful." International business companies are not required to hire union labor. Wages and salaries economy-wide are adjusted for inflation twice a year through an automatic Cost of Living Allowance (COLA). Up until 2011, about 65 percent of employees in Cyprus benefited from COLA. However, since late 2011, the ROC has temporarily suspended COLA for civil servants, in an effort to assist the government's fiscal consolidation efforts. Correspondingly, many employers in the private sector have also followed suit over the past two years.

## Residency and Employment Permits

Non-EU residents wishing to establish a company in Cyprus need to obtain a residence and employment permit by the Civil Registry and Migration Department. The process of applying for and obtaining such permits can be complex. A Temporary Residency application (without the right to work in Cyprus) requires a bank guarantee and a full medical insurance certificate, valid for one year, along with other official forms. Applying for an employment permit is more complicated, involving, for example, a requirement on the part of the employer to place an ad in local media, as well as on EURES (the EU's seasonal employment portal) for the specific position. Only if there are no other applicants from Cyprus or the rest of the EU after six weeks can the GOC consider the non-EU applicant. Applying for permanent residency requires continued presence in Cyprus for over five consecutive years, being over the age of 30 and having a clean police record. (Domestic helpers are excluded from this policy.) Such applications are reviewed on a case-by-case basis by an inter-agency committee, comprising Ministry of Commerce, Ministry of Interior, Ministry of Labor, and other officials.

Individuals meeting ONE of the following criteria below (approved in October 2011) may apply for Republic of Cyprus citizenship, provided they are over the age of 30, have a clean police record, and possess a permanent residence in the ROC with a current value in excess of Euros 1 million (USD 1.3 million):

- Have direct investments worth over Euros 10 million (USD 13 million) including, among others, immovable property, companies or businesses, shares or securities issued and registered in Cyprus;
- Maintain complete control over a company (or companies) incorporated in Cyprus with an average turnover of at least Euros 10 million (USD 13 million) per year over the three years prior to their citizenship application; or with at least one-third of their employees being Cypriots;
- Maintain personal deposits in Cypriot banks of over Euros 15 million (USD 20 million) for a period of at least five years;
- Have combined assets from any combination of the above in excess of Euros 15 million (USD 20 million); or
- Pay in Cyprus (either directly, or through companies that they control) annual income tax, or business services fees in excess of Euros 500,000 (USD 640,000) on average per year for three years prior to their citizenship application.

### Area Administered by Turkish Cypriots:

The labor force in the area administered by Turkish Cypriots was estimated at 107,514 by the "State Planning Office" in October 2011, out of which 97,103 were employed and 10,411 were unemployed.

The breakdown of employment by sector was as follows at the end of 2011: 3.7 percent in agriculture, 8.7 percent in construction sector, and 80.3 percent in services (including in trade

and tourism). The minimum wage for the private sector in general was 1,300 Turkish Lira (TL) per month (approximately USD 700) effective December 2010. The rate of unemployment was estimated to be approximately 9.7 percent as of December 2010. Registered unemployment has been falling steadily over the last three years.

The area administered by Turkish Cypriots also has a high per capita rate of college graduates, including many U.S. and European university graduates and offers an abundant supply of white-collar workers. English is widely spoken. 32.2 percent of the labor force is composed of women in 2011.

Foreign persons obtain work permits through their employer. Foreign persons have the option of importing their key personnel, and employers can hire trainees and part-time workers. Full-time working hours are 39 hours per week.

Around 10 percent of private sector workers and more than 65 percent of "semi-public" and "public sector" workers belong to labor unions. The "law" allows unions to conduct their activities without interference, and the authorities generally protected this right in practice.

## **17. Foreign-Trade Zones/Free Ports**

Republic of Cyprus:

Cyprus has two Free Zones (FZs) located in the main seaports of Limassol and Larnaca, which are used for transit trade. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FZs are not subject to any import duties, VAT, or excise tax. FZs are governed under the provisions of relevant EU and ROC legislation. The Department of Customs has jurisdiction over both areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods. Additionally, the Ministry of Commerce, Industry and Tourism has management oversight over the Larnaca FZ.

Additional information on the Limassol and Larnaca FZs can be obtained from:

Mr. Yiannakis Kokkinos  
Director General  
Cyprus Ports Authority  
P.O.Box 22007  
1516 Lefkosia  
23 Kritis Str.  
1061 Nicosia  
tel. +35722-817200, X-0  
fax: +35722-762050  
E-mail: Kokkinos@cpa.gov.cy  
Website: <http://www.cpa.gov.cy/>

Area Administered by Turkish Cypriots:

Regulated by the "Free-Ports and Free Zones Law," there exists a "free port and zone" area in Famagusta.

Operations and activities permitted there are as follows:

- Engaging in all kinds of industry, manufacturing, and production.
- Storage and export of goods imported to the Free Port and Zone.
- Assembly and repair of goods imported to the Free Port and Zone.
- Building, repair and assembly of all kinds of ships.
- Banking and insurance services.

Information about incentives provided to businesses established there can be accessed at:

<http://www.portisbi.com/news.html>

## **18. Foreign Direct Investment Statistics**

Republic of Cyprus:

Given its small size, the Republic of Cyprus attracts considerable investment flows, particularly if "brass plate" company figures are included. Following is a link to the United Nations Conference on Trade and Development (UNCTAD) "2012 World Investment Report":

[http://unctad.org/en/Pages/DIAE/World Investment Report/WIR2012\\_WebFlyer.aspx](http://unctad.org/en/Pages/DIAE/World Investment Report/WIR2012_WebFlyer.aspx)

In 2011, according to Central Bank of Cyprus, the net inflow of FDI (excluding "brass plate" companies) reached Euros 987 million (USD 1.4 billion), while the net outflow from Cyprus reached Euros 608 million (USD 845 million). (Note: If "brass plate" company data were included, these figures would have been much higher. However, since 2011, official FDI statistics exclude "brass plate" company figures because of reliability issues.) About 70 percent of this investment (in both directions) was with EU member states. In 2011, the stock of FDI in Cyprus reached Euros 16.0 billion (USD 22.2 billion), while the stock of investment from Cyprus to the rest of the world reached Euros 9.7 billion (USD 13.5 billion).

Cyprus' liberal investment climate and, more recently, its potential offshore energy reserves have made it a progressively more attractive destination for U.S. investors. In 2011, the stock of U.S. Foreign Direct Investment (FDI) on the island was catapulted to \$4,430 million (from U.S. \$195.4 million in 2010) making up 20.0% of Cyprus' total stock investment. This was the result of massive, new investment in "Professional, Scientific, and Technical Activities." The Central Bank's confidentiality regulations do not allow a more detailed breakdown but it is believed this

was energy-related investment. The net inflow of U.S. investment into Cyprus was U.S. \$ 94.5 million in 2011. Other projects involving U.S. investment in recent years have focused on services, specifically (in order of magnitude): finance and insurance (including re-insurance, and pension funding); management consulting; real estate; professional, scientific and technology/IT consulting; and wholesale trade. Over the next few years, Cyprus is poised to attract additional investment in the field of offshore energy exploration and infrastructure.

For more info on Cyprus' FDI stocks and flows, please refer to following links posted by the Central Bank of Cyprus:

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=12490&lang=en](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=12490&lang=en)

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=11094](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=11094)

[http://www.centralbank.gov.cy/nqcontent.cfm?a\\_id=11128](http://www.centralbank.gov.cy/nqcontent.cfm?a_id=11128)

Additional information on foreign direct investment statistics can be obtained from:

<http://www.cipa.org.cy>

Area Administered by Turkish Cypriots:

No detailed statistics on investment in the area administered by Turkish Cypriots are available. However, it is clear that most foreign direct investment in northern Cyprus since 1974 has come from Turkey – both from the government and private sector. The sectors which have attracted the most investment are tourism and real estate.

Additional information on foreign direct investment in the north can be obtained from:

<http://www.investinnorthcyprus.org>

## **Web Resources**

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American Embassy in Nicosia:

<http://cyprus.usembassy.gov>

Commercial Section in Nicosia:

<http://cyprus.usembassy.gov/commercial.html>

Republic of Cyprus

Government of Cyprus portal:

<http://www.cyprus.gov.cy>

Ministry of Foreign Affairs:

[http://www.mfa.gov.cy/mfa/properties/occupiedarea\\_properties.nsf/index\\_en/index\\_en?OpenDocument](http://www.mfa.gov.cy/mfa/properties/occupiedarea_properties.nsf/index_en/index_en?OpenDocument)

Point of Single Contact (Ministry of Commerce, Industry and Tourism):

<http://www.businesscyprus.gov.cy>

Cyprus Investment Promotion Agency:

<http://www.cipa.org.cy>

Ministry of Interior:

<http://www.moi.gov.cy/da>

Ministry of Finance:

<http://www.mof.gov.cy>

Central Bank of Cyprus:

<http://www.centralbank.gov.cy>

Department of Merchant Shipping:

<http://www.shipping.gov.cy>

Cyprus Bar Association:

<http://www.cyprusbarassociation.org>

Green Line Regulation:

[http://ec.europa.eu/cyprus/turkish\\_cypriots/green\\_line\\_regulation/index\\_en.htm](http://ec.europa.eu/cyprus/turkish_cypriots/green_line_regulation/index_en.htm)

Commission for the Protection of Competition:

[http://www.competition.gov.cy/competition/competition.nsf/index\\_en/index\\_en?opendocument](http://www.competition.gov.cy/competition/competition.nsf/index_en/index_en?opendocument)

Area Administered by Turkish Cypriots

"TRNC State Planning Organization":

<http://www.devplan.org/>

Turkish Cypriot Chamber of Commerce:

<http://www.ktto.net>

"North Cyprus Investment Development Agency:"

<http://www.investinnorthcyprus.org>