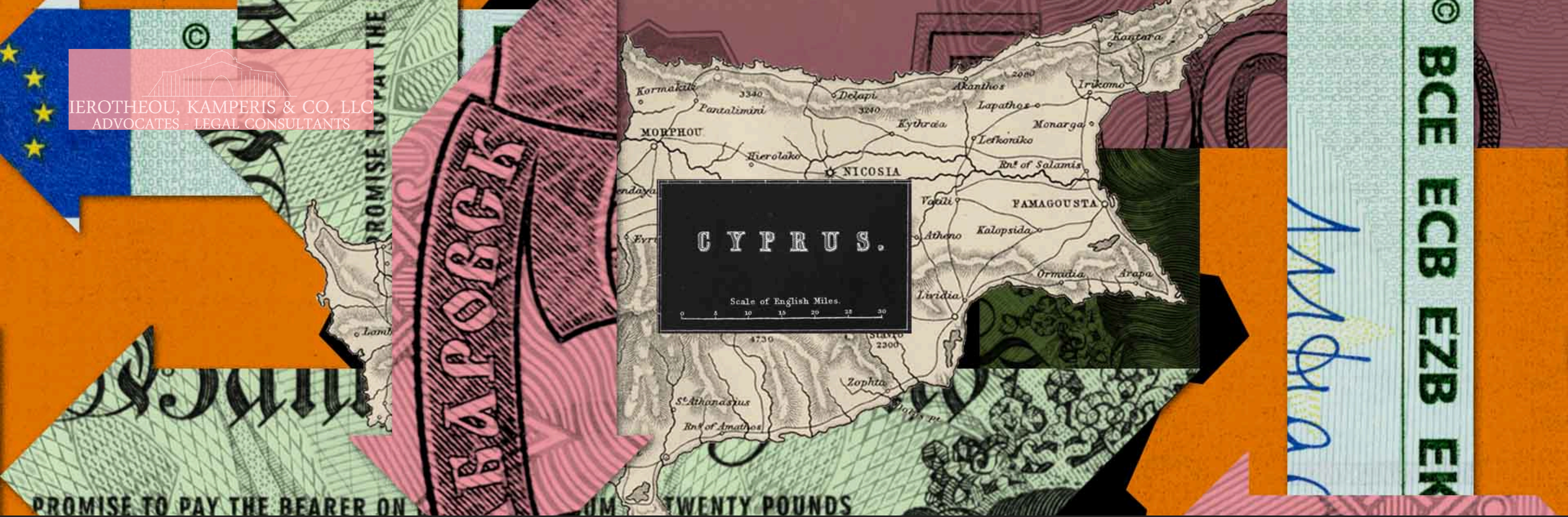

Cyprus: a dynamic hub for Electronic Money and Payment Institutions

An overview of the licensing requirements and advantages for electronic money and payment institutions in Cyprus

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The Central Bank of Cyprus (CBC) supervises 27 electronic money institutions and 11 payment institutions

Electronic Money

means electronically, including magnetically, stored monetary value as represented by a claim on the issuer, which is issued on receipt of funds for the purpose of making payment transactions and which is accepted by a natural or legal person other than the issuer of electronic money

What are Payment Institutions?

Payment institutions are entities that provide payment services, such as cash deposit and withdrawals, money transfers and payment processing.

In December 2024, the Regulator (CBC), announced the establishment of a comprehensive licensing and supervisory strategy for the sector of these institutions.

Main advantages for establishing an EMI in Cyprus

Low corporate tax rate	Tax exemptions and double tax treaties	EU Passporting Rights	High Regulatory standards	Cost efficiency
12,5% corporate tax rate	No withholding tax on distributions to foreign shareholders and an extensive network of double tax treaties	Cyprus is an EU Member State. Electronic money and payment institutions, licensed by the Central bank of Cyprus, can offer their services in the EU without any obstacles.	The Cyprus Electronic Money Laws fully transpose into national law the relevant EU Directives	Low costs for setting up, licensing and maintaining presence in Cyprus

Regulatory Framework in Cyprus

EU Directives and Regulations

Aligns Cyprus' regulatory framework with EU standards for electronic money and payment services

Electronic Money Law of 2012 (Law 81(I)/2012)

Regulates the issuance and use of electronic money in Cyprus

Law on the Provision and Use of Payment Services and Access to Payment Systems (Law 31(I)/2018)

Establishes the licensing framework for electronic money and payment services in Cyprus

Central Bank of Cyprus Directives

Provides detailed guidelines and requirements for electronic money and payment institutions

Main licensing requirements

A. Substance in Cyprus: a legal person incorporated in the Republic, where it is required to have its registered and head office and must carry out at least part of its electronic money service business

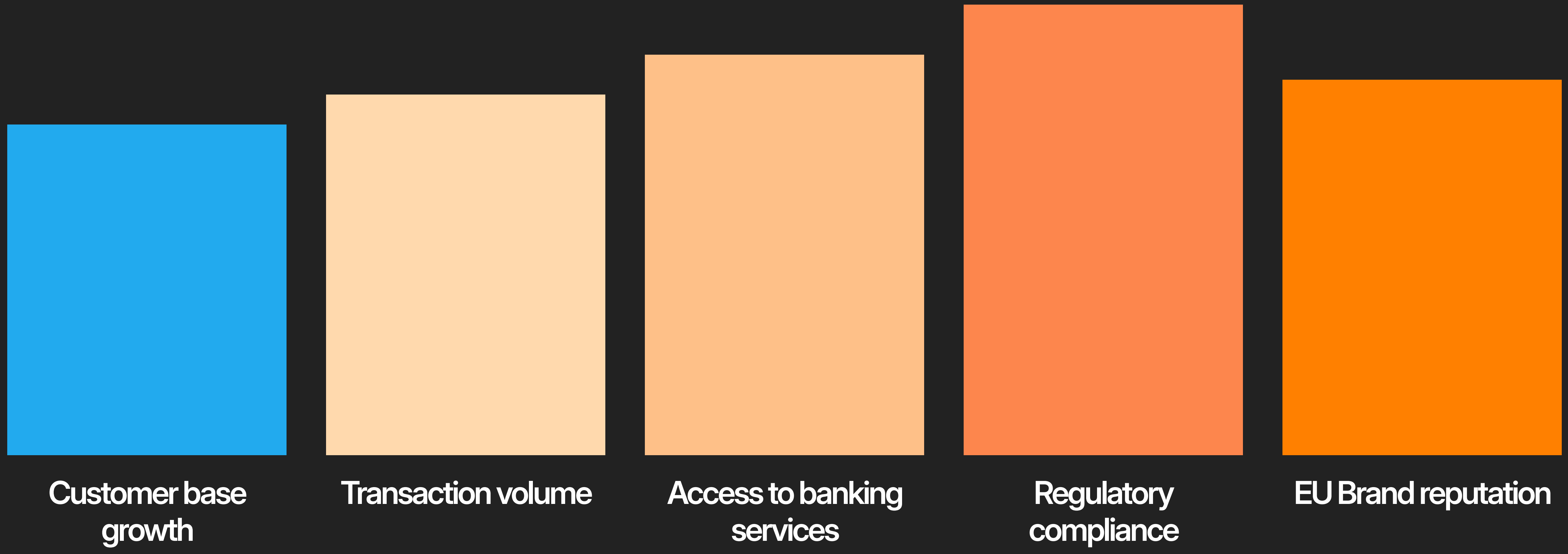
B. Business plan and development program in place

C. Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Compliance

D. Fit and proper directors and shareholders

Advantages of Licensing in Cyprus

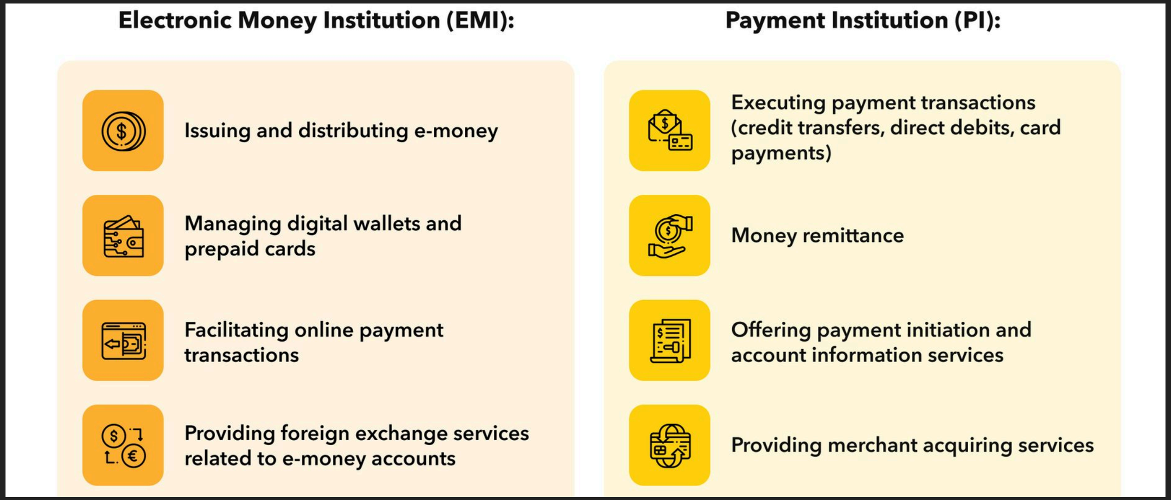
Key metrics for licensed electronic money and payment institutions in Cyprus



Case Studies

Fintech Company A's Success Story

Fintech Company A, a licensed electronic money institution, has seen significant growth and innovation in its digital payment solutions.



Regulatory Compliance for Electronic Money Provider C

Electronic Money Provider C, a licensed electronic money institution, has navigated the regulatory landscape in Cyprus effectively, showcasing the advantages of obtaining a license.

Key Considerations

Regulatory Compliance

Ensure thorough understanding of all applicable laws, regulations, and guidelines set forth by the Central Bank of Cyprus for electronic money and payment institutions.

Capital Requirements

Meet the minimum capital and own funds requirements to obtain and maintain the necessary license, as specified by the regulatory framework.

Technological Capabilities

Ensure the company's technological infrastructure and security measures are compliant with the regulatory standards for electronic money and payment services.

Ongoing Compliance

Establish robust internal controls, policies, and procedures to maintain continuous compliance with the regulatory requirements, including reporting and auditing obligations.

IEROTHEOU, KAMPERIS & CO. LLC offers expertise in licensing and advising electronic money and payment institutions in Cyprus

- **A** Licencing advising and preparation
- **B** AML compliance
- **C** Legal
- **D** Provision of directors
- **E** Preparation of AML and KYC policies

Ierotheou, Kamperis & Co. LLC is a law firm that offers foreign clients comprehensive legal and tax advisory services, including assistance with company incorporation and administration, annual compliance and non-dom tax residency registration in Cyprus

The licensing of electronic money and payment institutions in Cyprus provides a robust regulatory framework, clear guidelines, and significant tax and other benefits and opportunities for businesses in the fintech sector.

By understanding and complying with the licensing requirements, companies can establish a strong presence and capitalize on the growing digital payments landscape in the country.