

When opening a bank account in Cyprus as a non-resident, there are multiple requirements which must be met. Although there are of course many benefits of opening such an account, there are also some possible issues that could arise which one should be aware of.

Depending on the jurisdiction of the company, there is a range of corporate documents which would be required to open a bank account in Cyprus.

For a Cypriot company, certificates of Incorporation, Registered Office, Director-Secretary, and Shareholders would be necessary, as well as the Memorandum and Articles of Association, and the latest financial statements filed. If the company is over a year old, a Certificate of Incumbency would be requested. In addition, if the Director, Secretary, or Shareholder is a nominee company, the applicable corporate documents must be provided until you reach a physical person.

For a British Virgin Islands company, the Memorandum and Articles of Association, Certificate of Incorporation, appointment of first director, first share certificate, Trust Deed (if applicable), and Audited Accounts must be provided. The company would also be asked for the resolution of the first meeting of directors in which the shares were allocated. A Certificate of Incumbency would be requested if the company is over a year old, and if the Director or Shareholder is a nominee company, the applicable corporate documents would be required until you reach a physical person.

For a Seychelles company, the Memorandum and Articles of Association, Certificate of Incorporation, Share Certificate, assignment of subscriber's rights and obligations, first minutes of meeting of subscriber, Trust Deed (if applicable), and Audited Accounts would be required. Again, if the company is over a year old, a Certificate of Incumbency would be requested, and if the Director or Shareholder is a nominee company, the applicable corporate documents would be required until you reach a physical person.

The requirements for a Marshall Islands company are a Certificate and Articles of Incorporation, a Certificate of Endorsement, a document issued by the company's founder for the appointment of attorney, Share Certificates and Audited Accounts. Minutes of the organisational meeting of the subscriber's proxy and of the first meeting of the board of directors will also be requested. Moreover, in the case that the present directors are different from the directors first appointed, copies of the resignation of former directors and resolutions of BOD/shareholders for the appointment of new or additional directors and officers must be provided. If the company is more than one year old, a Certificate of Incumbency and a Certificate of Good Standing must be presented.

For a Canadian Limited Partnership, Audited accounts, Declarations of Trust (if applicable), a Certificate of Incorporation (also known as "Proof of Filing"), and an operating agreement or certificate will be requested. Minutes of the first meeting of officers confirming the appointment of managers of the partnership should also be provided. If the Partner or Nominee (Trustee) is a nominee company, the applicable corporate documents are to be provided until a physical person is reached.

For a Belize company, a Certificate of Incorporation, Memorandum and Articles of Association, Certificate of Incumbency, Certificate of Good Standing, and Audited Accounts are required. Minutes of the first meeting of officers will also be requested. If the Director or Shareholder is a nominee company, the applicable corporate documents will need to be provided until a physical person is reached.

A Gibraltar company will be asked to provide a Certificate of Incorporation, Memorandum and Articles of Association, Register of Officers, Share Certificates and Audited Accounts. They will also be asked to present minutes of the first meeting of the subscribers, the first meeting of the directors, and of the meeting of directors. If the Director or Shareholder is a nominee company, the applicable corporate documents will need to be provided until a physical person is reached. Moreover, if the company is over a year old, a Certificate of Good Standing must be provided.

For a Dutch company, an extract stating the company name, registered address, and names of the Directors and Shareholders must be provided. This extract is known as the Uittreksel Handelsregister. A Deed of Incorporation comprised of the Articles of Association, and Audited Accounts, are also required. In addition, if the Shareholders are more than one-duty notarised and certified, the Shareholders Register will also be requested. If the company is more than a year old, a recent extract issued by the trade registry of Chamber of Commerce showing the company's current structure will be needed. In order to qualify as a recent extract, the extract must be no older than 3 months.

For a Panama company, the requirements are a Certificate of Incorporation and, if applicable, a subsequent certificate of change of name, Memorandum and Articles of Association (and any amending resolution or comparable document), a letter appointing the directors, Share Certificates, Trust Deed (in case of nominee shareholders), as well as any other directors' resolution which has led to the current structure. Minutes of the first meeting of the founders and of the first director are also required. If applicable, a Certificate of Incumbency and a Certificate of Good Standing must also be provided.

For physical persons (individuals), there are certain KYC (know your customer) documents which must be provided to the bank. A passport copy or ID, a utility Bill no older than 3 months, a bank reference letter no older than 6 months, and a curriculum vitae (CV) are required. The utility bill must be in English, otherwise an additional translation will have to be provided.

Evidently, there is a vast array of corporate documentation required to open a bank account in Cyprus. Thus, inevitably, there is opportunity for numerous common issues and problems to arise during the process.

If the utility bills or corporate documents are not provided in English, this can delay the process as a translation of the documents will need to be drafted and provided, as the documents cannot be processed unless they are in English. Additionally, it is often found that the explanation of an entity's line of business is insufficient. Furthermore, wrongly signed bank forms are a common issue, as even a missing initial on one page can lead to rejection.

The requirement to provide certain documents can also prove to be an obstacle. Failure to provide financial statements, recent certificates for corporate entities, or contacts or agreements with counterparties for inwards or outwards, will result in difficulties opening the account. Certificates of incumbency, for example, must be up-to-date, and even offshore entities with no auditing obligations need to provide management accounts for financial statements. Provision of tax identification number and website of company is also a commonly requested requirement that often fails to be met.

There are also some commonly encountered issues concerning the Beneficial Owners. Upon conducting a world check, negative findings of Directors or Beneficial Owners can prove to be problematic. If the bank is not convinced that the purported beneficial owner is the real beneficial owner after meeting this individual in person or by Skype call, they may not allow the account to be

opened. Similarly, another issue may be if the ultimate Beneficial Owner does not have experience in the said field of the company.

Furthermore, when opening a bank account for jurisdictions such as Canadian LPs', the documents requested by the bank may differ, and sometimes there is a problem obtaining these documents. It is also problematic if the company operates in countries with sanctions, such as Iran. Generally, opening a bank account in Cyprus as an offshore company can be a large issue, as the Central Bank of Cyprus has ordered local banks to close accounts of all offshore companies if these offshore companies are essentially dummy companies established in offshore low-tax jurisdictions such as the Seychelles, Belize or the British Virgin Islands. Thus, the new requirements for the opening of accounts include the full justification of the sources of final beneficiaries' money. For Cypriot companies, accounts are opened when providing a complete set of customer information regarding the ultimate beneficial owner, including the rationale for the source of income and welfare. The bank has the right to demand passport copies, tax number, bank and professional letters of recommendation, personal income tax statements, accounts with other banks, as well as links to public sources regarding activities and biographies. Banks will open accounts primarily for companies with offices that are actually present and operating in Cyprus. As for foreign companies, Cypriot banks will open accounts for them only if the company keeps accounting records and provides them to the bank.

There are some case studies which highlight these potential issues. For example, a Netherlands company and a Cypriot company, where both had the same beneficial owner, opened bank accounts in a Cypriot bank. After the opening and the operation of the bank account, the account of the Netherlands company started receiving inward payments which did not align with the line of business declared. As a result, the inward payments were returned back to the sender. Subsequently, after a world check search on one of the Directors who had changed his name (a director of both companies) it was discovered that he had been fined EUR 7,000,000 for tax evasion. The bank accounts of both companies were then blocked and terminated after the account holder was given 60 days' notice. This case study highlights that problems may arise if a company receives inward payments from entities not specified as counterparties, or for reasons not specified in the line of business of the company.

A second example is a company registered in the United Kingdom wanted to open a Cypriot bank account. After providing the bank with all the requested corporate and KYC documents, the bank refused to open the account as it was found that the beneficial owner was connected to a company that stills trades in Crimea.

A third and final example is when a company attempted to open a bank account in two separate Cypriot banks on subsequent occasions, and their application was rejected on both attempts. It was rejected due to findings that indicated a source of funds for the company appeared to originate from a company connected to casino. Cypriot banks are prohibited by a directive from the Central Bank of Cyprus to open any bank accounts where the account holder is funded from activities relating to the operation of a casino, and thus this should be taken under consideration when opening an account.

A recent development in the Cyprus banking system has presented some new issues. Following a meeting between the US Treasury Department and the Central Bank of Cyprus, due to demands placed by the US Treasury Department the Central Bank of Cyprus has been obliged to ask all banks in Cyprus to close bank accounts that are held by shell companies (companies without any substance) and not to open any new accounts for such shell companies. This has put a huge strain on the banking system which was already overstretched because of excesses compliance issues. This is

further slowing down the process for bank account opening and making it more difficult to open accounts generally, especially when the company is beneficially owned outside of Cyprus. If the Company could effectively operate from business premises in Cyprus and employ staff here that would operate the business from local premises, that would make it much easier to open the account, and thus this idea presents itself as a potential solution. Further clarity on this issue will be provided when the Central Bank of Cyprus issues a circular which defines in precise terms the meaning of “ shell “ companies. Current indications are that holding companies, single purpose companies (incorporated for the purpose of holding assets such as properties and vessels) and companies established to facilitate asset transfers and mergers/acquisitions will not fall within the definition of shell companies. However, we anticipate that companies that do not fall within the above “exempted” categories will need to demonstrate genuine physical presence in Cyprus in the form of rented/owned business premises and employ personnel rather than relying solely on the services of lawyers or accountants providing nominee services. Furthermore, any companies registered in a jurisdiction where companies are not required to submit audited financial statements will in all likelihood be automatically classified as shell companies.

Although there are evidently many issues that can be encountered when opening a bank account in Cyprus, opening such an account still offers great offshore operational advantages and benefits to account holders, individuals, international entrepreneurs, and professionals. The easily accessible services and the strategic position of the island makes a Cypriot bank account one of the most useful tools for companies, professionals, and other individuals. Moreover, there are no terms for minimum initial deposit or minimum monthly balance, and the Debit or Credit cards provided are valid all over the world. Other useful features of Cypriot banks are online-banking services offering i-banking, in which swift transfers can be made without any limitation, and multi-currency accounts which can be used for any currencies at no extra cost. Generally, there are low bank charges on transfers and on other bank services, and there are no restrictions on the movement of money in or out of Cyprus. Importantly, a Digipass machine is used for extra security, making the Cyprus Bank Account and extremely safe account.

These advantages make the concept of opening a Cypriot bank account appealing, but nevertheless it is imperative to remain aware of the aforementioned issues and requirements. It is also important to note that the bank can close an account at any time without an obligation to give reasons. Thus, this article should hopefully allow for informed decisions to be made when opening a Cypriot bank account by providing a balanced review of the potential issues and benefits, as well as a detailed overview of the corporate requirements.