



# Directive for the prevention and suppression of money laundering and terrorist financing (Register of Crypto Asset Providers)

## In brief

On 25 June 2021, the Cyprus Securities and Exchange Commission (the “CySEC”) issued the Directive 269/2021 for the Registration of Crypto Asset Service Providers (the “CASPs”) (the “Directive”).

The Directive has been issued pursuant to section 61E of the Prevention and Suppression of Money laundering and Terrorist Financing Law 188(I)/2007 (the “AML Law”) which has been recently amended to implement the provisions of the Directive (EU) 2018/843 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (the “5th AML Directive”).


According to the AML Law, providers that carry out crypto activity or providers that intend to carry out crypto activity must take all the relevant measures in line with the AML Law and the Directive to register as CASPs in the register maintained by CySEC (the “Register”).

The Directive provides clarifications on the Register and in particular, regulates the procedures for the registration and withdrawal/suspension of registration, for any material changes to the registration, the organisational and operating requirements for CASPs and the applicable fees.

## CASP Application process

For the registration, an interested provider (the “Applicant”) must submit the relevant CySEC application with the, inter alia, the following information which in case of successful registration will be published and made publicly available in the Register:

1. the name, the trade/business name, the legal status & the legal entity identifier of the Applicant;
2. the physical address of the Applicant;
3. the website of the Applicant through which it intends to perform/provide its services/activities;
4. the prospective services and/or activities, as prescribed in the AML Law;
5. the address of the relevant crypto-assets of the Applicant.



Applicants must also submit any relevant supporting documentation and comply with additional requirements for registration, related with the following:

- **Capital adequacy:** Requirements on initial capital and own funds (i.e. depending on the type of services to be provided, the initial capital requirements range from €125K – €150K).
- **Competency of directors and shareholders:** Requirements on good repute and competency of directors/persons holding a managerial position, and requirements on good repute and financial soundness of beneficiaries with qualifying holding in the Applicant.
- **Board composition:** the Applicant must be composed by at least 4 directors, of which 2 perform executive duties and the other 2 being independent directors.
- **Close links:** Requirement to ensure that any close links existing between the applicant and any third parties do not impede CySEC to perform its supervisory functions.
- **AML and risk management:** Requirement to have in place risk management systems and adequate procedures and systems to ensure the Applicant's compliance with the AML regime (the AML Law and the Directive).
- **Governance and operational arrangements:** Robust governance and business continuity arrangements, record-keeping, complaint handling processes and remuneration conditions.
- **Organisational arrangements:** Proper administrative, accounting, internal control, risk assessment, and digital processing of data systems/mechanisms, protection, and confidentiality of data.
- **Operational Functions' outsourcing:** Requirement for maintaining adequate outsourcing arrangements, especially for the outsourcing of critical functions with the view of ensuring business continuity and compliance with the applicable legal and regulatory framework
- **Staff:** Requirements on employing persons with the appropriate knowledge, experience and competence to perform their assigned responsibilities.

CySEC has six (6) months to decide on the application for registration.

### Own funds

CASPs are required to maintain at all times, own funds that are at least equal with the greater amount of the following:

- a) The amount of the initial capital that the respective Applicant is required to possess, or
- b) The quarter (1/4) of the CASP's fixed expenses of the previous years, that is based on a transitional basis, starting from 30% of the 1/4 of fixed expenses from 1 January 2022, 60% of the said fixed expenses from 1 January 2023, and 100% of the said expenses from 1 January 2024 and thereafter.

### Payable Fees

For the evaluation and assessment of the CASP's application, the registration fees are €10.000. Upon approval and registration of the CASP in the Register, the renewal fees are €5.000 (for one year), while for any material changes the fees range from €1.000 to €5.000, depending on the nature of the material change.

CySEC will publish a Policy Statement to further clarify and substantiate aspects of the relevant processes.



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