



Final Circular of the Cyprus Central Bank concerning the definition of " Shell Companies"

The Circular dated 2/11/2018 revised the definition of "shell companies" as the following :

Definition of Shell Companies:

The term "shell company/entity" refers to a limited liability company or any other legal/business entity that bears the following characteristics:

1. It has no physical presence or operations in its country of incorporation/registration (other than a mailing address); Physical presence of a company/entity is construed as having a place of business or operations (own or rented premises) in the country of registration/incorporation. Also, absence of meaningful mind and management could be construed as lack of physical presence. The presence of a third person providing merely nominee services including company secretary duties does not constitute on its own physical presence **and**
2. It has no established economic activity in its country of incorporation/registration, little to no independent economic value and no documentary proof to the contrary.

Exceptions:

1. the company/entity is established for the purpose of holding stock or shares or other equity instruments of another business entity or entities engaged in legitimate business with identifiable ultimate beneficial owner(s);
2. the company/entity is established for the purpose of holding intangible or other assets including real estate, ship, aircraft, portfolio of investments, debt and financial instruments;
3. the company/entity is established to facilitate currency trades and asset transfers, corporate mergers as well as carrying out asset management activities and trading of shares;
4. the company/entity acts as a treasurer for companies recognized as a group or manages the activities of the group;
5. any other case where convincing evidence can be provided that the company/entity is engaged in legitimate business, with identifiable ultimate beneficial owner(s).

if an entity falls within the above exceptions **but**

1. it is registered in a jurisdiction where companies/entities are not required to submit to the authorities independently audited financial statements and does not voluntarily



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prepare audited financial statements by independent qualified professional accountants who are licensed or regulated and/or

2. it has a tax residence in a jurisdiction included in the EU list of non-cooperative jurisdictions for tax purposes or the OECD's list of non-cooperative jurisdictions for tax purposes or has no tax residence whatsoever,

then business relationships (i.e. banking) with such an entity shall be avoided.