



WHITE PAPER

APPENDIX: THE CONTROVERSIAL ISSUES

A STUDY OF THE BASIC PILLARS OF THE PROPOSED LEGISLATION CONCERNING THE STATEMENTS OF WEALTH OF POLITICALLY EXPOSED PERSONS

Christos P. Panayiotides, *Retired Certified Public Accountant*
Nicos G. Syrimis, *Retired Certified Public Accountant*
Sir Christopher A. Pissarides, *Nobel Prize Winner in Economics,*
Regius Professor of Economics at the London School of Economics
and Professor of European Studies at the University of Cyprus

Nicosia, March 2021 (latest update)

**THIS APPENDIX TO THE WHITE PAPER,
TITLED “THE CONTROVERSIAL ISSUES”,
AIMS AT HIGHLIGHTING AND EXPLAINING
THE OPTIONS WE HAVE CHOSEN
ON NUMEROUS CONTROVERSIAL ISSUES,
IN ORDER TO FACILITATE THE PUBLIC DISCUSSION,
WHICH IS CURRENTLY IN PROGRESS.**

In this section of our study we set out the “controversial issues” and the options we have chosen in respect of the issues identified as the areas where certain diverging views and assessments have been voiced. The setting out of our unanimous views on these issues aims at justifying the positions we have taken and to demonstrate that the adoption of these positions was the product of reflection and consultation with those who had a different opinion. We do, of course, acknowledge the possibility that certain of the positions we have adopted may prove, in practice, to be not the most suitable. However, we wish to assure you that all our choices have been made with a view of serving the public interest and that we have exerted – as we had a professional duty to do – every possible effort to minimise the risk of making an inappropriate choice. Undoubtedly, our extensive collective experience and our expertise on the issue as well as our independence from any conflicting interests which could influence our thinking provide material safeguards that the end-result of these efforts will be what society urgently demands.

The overall objective of “pothen esches” is to demonstrate and document that the family wealth of a politically exposed person (PEP), which has been acquired in the course of his/her service in the public domain, has been derived from known, legitimate transactions, in order to rule out the possibility of decisions having been taken (by the politically exposed person) under circumstances entailing conflicts of interest, to minimise the risk of indulging in tax evasion and to generate, through the publication of pertinent information, a climate of transparency. The attainment of this goal entails the acceptance, on the part of the politicians and the high-ranking civil servants, of the obligation to be “accountable” to society, which has elected or appointed them, for their acts of commission and omission.

Christos P. Panayiotides, Certified Public Accountant

Nicos G. Syrimis, Certified Public Accountant

Sir Christopher A. Pissarides, Nobel prize winner Professor of Economics at the Universities of London and Cyprus

Table of Contents

1	Why are the fixed assets forming part of a PEP's wealth valued on the basis of their historic cost, which may have no relevance to their current market value? _____	4
2	Why is it necessary to publish the statements of wealth of the politically exposed persons? _____	4
3	Is it possible that such publication would constitute a violation of the duty to protect personal data? ___	5
4	Why not include in the published statements of wealth the assets of the extended family of a PEP, such as his/her parents and siblings? _____	5
5	Why is it necessary to file an annual statement of wealth (as opposed to the statement required by the legislation currently in force, which requires the filing of a statement of wealth at the entry of a PEP into the public arena and at the point of his/her exit from the public arena)? _____	6
6	What should the composition of the “pothen esches” Supervisory Board be? _____	7
7	How can the accuracy and the completeness of the statements of wealth be secured? _____	8
8	Why has the number of PEPs obliged to file a statement of wealth been restricted? _____	9
9	What should the term of office of the Supervisory Board be? _____	10
10	Who should appoint the Supervisory Board? _____	10
11	Should the system of Wealth Declarations by Politically Exposed Persons and the related "Pothen Esches" be combined with the system of Identifying and Monitoring Conflicts of Interest? _____	10
12	When should the proposed law be enacted? _____	11

An explanatory note on “Pothen Esches”

“**Pothen Esches**” is a Greek phrase, which - literally translated - means “where has it (the wealth) come from?” It is a short term used to describe the process of “bridging” two consecutive statements of wealth. This is the process of explaining, justifying and documenting the changes noted in the net worth of a person’s wealth between two consecutive points in time.

1 Why are the fixed assets forming part of a PEP's wealth valued on the basis of their historic cost, which may have no relevance to their current market value?

The best and easiest way of attaining the ultimate goal of “pothen esches” is by valuing the fixed assets reflected on a statement of wealth at their historic cost value, which, of course, does not change over time, in contrast to the corresponding current market value of these assets, which – as a rule – changes over time (either upwards or downwards). As a consequence of the continuous changes in current market values, the quantification of the current market value of these assets is a difficult task. Such a valuation is, by its very nature, a subjective exercise and, therefore, it is impossible to determine fair market values in an absolutely objective fashion (10 valuers will probably come up with 10 different valuations). Furthermore, the determination of the current market value of an asset entails the investment of significant time and costs. This is certainly the case if such a valuation is undertaken in respect of a business enterprise or even a simple building.

What is the benefit of generating all these complications and difficulties? The answer is that – for the purposes of the “pothen esches” system – such exercises are useless and unnecessary.

Some may claim that by valuing fixed assets at their current market value the disclosure of transactions of a questionable moral standing may be facilitated. For example, the intervention of a minister for the purposes of promoting the modification of building regulations in a manner that would increase the current market value of a piece of immovable property owned by him/her is such a case. The rejection of this argument is an easy task. Besides the fact that there is no easy way of ensuring that the value which will be assigned to the property on the statement of wealth filed will be a fair reflection of its current market value (as we have already pointed out, this is a particularly difficult task), the same goal can be attained (easily, quickly and inexpensively) by publishing the particulars relating to the ownership of the land of the politically exposed person – a procedure that will enable every single citizen to identify the intervention and to evaluate it. For example, if the minister owns 100 acres of land, the value of which has increased manyfold as a result of a decision of the town planning authorities, the fact will be easy to spot by those residing in the area, if the particulars of the real estate owned by the minister are readily accessible through the world-wide web (as part of the statement of wealth filed). This information will, of course, be accessible by political parties in the opposition, whose duty is to monitor these matters and uncover such action steps. Today, this is not feasible because the necessary tools are not at their disposal.

2 Why is it necessary to publish the statements of wealth of the politically exposed persons?

The public disclosure of the declared assets and the provision of an easy and inexpensive way of accessing this information is a well-known, established method in auditing for confirming the validity of specific pieces of data and information. This audit tool (known as “negative confirmation”) is often chosen because it is inexpensive. It is true that this method does not lead to definitive conclusions but it activates other controls embedded in the system, such as the in-depth investigation and evaluation of specific transactions. This signalling of the alarm is not working today because the transactions entered into are hidden behind a veil of fog and smoke.

It is not sheer coincidence that many politically exposed persons are strongly opposed to every effort seeking the public disclosure of their family wealth, by claiming that such disclosure is not permitted by the rules designed to protect citizens' personal data. They are reacting in this manner because they are aware of the fact that it will be almost impossible to keep hiding activities and transactions of a questionable moral standing, if the proposed system is adopted and implemented.

3 Is it possible that such publication would constitute a violation of the duty to protect personal data?

The argument about a breach of personal data is, in our opinion, unfounded, given that the publication of personal data on an exceptional basis is permitted by the Cyprus Constitution (Article 15). It is deemed appropriate to set out the relevant provision of the Constitution verbatim: *“Every person has the right to demand that his/her private and family life is respected. There shall be no interference with the exercise of this right except if stipulated by law and is necessary in the interests of ... transparency in public life or for the purpose of taking measures against corruption in public life”*.

It is true that in 2017, the Supreme Court of Cyprus ruled in Judgement #10/2016 that the publication of the wealth of a politically exposed person is permissible because it satisfies the conditions set in the Cyprus Constitution; however, the publication of the remaining family wealth of the politically exposed person (i.e. the wealth of the PEP’s spouse and that of their underage children) was ruled as not being permissible because it fails to satisfy the conditions set by Article 15. As we have shown in the White Paper on the subject, the separation of the family wealth is unfeasible in practice because all the component parts of this wealth are found in “mutually communicating vessels”. In other words, it is not possible to acknowledge legally that one may cover up the product of an improper transaction by merely transferring the related economic benefit to the spouse of the PEP or their underage children.

In the event that the honourable members of the Supreme Court continue to hold the same opinion, we would respectfully suggest that the issue is referred by the Supreme Court of Cyprus itself to the European Court of Justice (ECJ) for a preliminary ruling, as these matters are governed by EU Regulations. The request should be classified as “particularly urgent”, given that it relates to corruption and collusion in Cyprus, an issue that has recently attracted negative comments on the part of many international organisations but also on the part of the European Commission itself.

Alternatively, we believe that this perceived obstacle may be set aside by securing the opinion on the issue of the competent directorates of the European Commission, which should be respected by the Cyprus judiciary, given that the issue affects the judges of the Supreme Court themselves. The suggested approach would be the equivalent of a kind of “self-exclusion” of the judges from ruling on the issue, given the potential conflict of interest they could have, if their choice would be not to publish their wealth, even though such publication is judged to be in the public interest.

In this connection, we underline the impossibility of separating the family wealth, which is also confirmed by Cyprus family law, which stipulates that in the event of a divorce, dividing the wealth accumulated after marriage cannot be based on who is the registered owner of a certain item of wealth but proof must be procured as to who has “generated” such wealth and, in the absence of proof, it is allocated on a notional basis.

It is noteworthy that the “pothen esches” system that has successfully been in operation in Greece over the past 4 years, stipulates the publication of the entire family wealth of PEPs, including the wealth of their spouse and underage children.

4 Why not include in the published statements of wealth the assets of the extended family of a PEP, such as his/her parents and siblings?

Certain critics argue that for the “pothen esches” system to be really effective the circle covered by the disclosure requirements should be extended to cover other close relatives such as the PEP’s siblings and parents. We are of the opinion that the likely benefit from such an inclusion would be far smaller compared to the magnitude of the practical problems and difficulties that are certain to arise. The expansion of the circle is certain to come up against the restrictions imposed by the Constitution, given that parents and siblings constitute independent decision-making units (and so are cousins), who, as a rule, have no authority or power to influence the choices of the politically

exposed persons (nor vice-versa). In fact, many cases of conflict and tension in respect of wealth matters are often noted in Cyprus amongst siblings.

5 Why is it necessary to file an annual statement of wealth (as opposed to the statement required by the legislation currently in force, which requires the filing of a statement of wealth at the entry of a PEP into the public arena and at the point of his/her exit from the public arena)?

The arrangement currently in force (under existing legislation) is unacceptable for four basic reasons. The first reason is that quantifying the wealth of a PEP at the stage of his/her entry into the political arena is of little practical value until his/her wealth is “re-measured” (three years down the line or at the stage of his/her exit from the political arena) and the differentiation between the two statements is quantified and (in theory) justified. The motto “no error will be recognised, once you leave the cashier’s desk” is widely known and readily acknowledged. In other words, the existing system allows a greedy elected baron or a dishonest senior public servant to suck the state throughout his/her term of office, in the hope that the fear that his/her shameful behaviour will be exposed at a much later stage, will serve as a deterrent for this kind of behaviour. Ordinary citizens know that the impact of such a future threat is insignificant, if any.

The second problem is the significant practical difficulty of measuring somebody’s wealth at a point in time other than the end of a calendar year. The magnitude of this problem will be readily understood if you attempt to obtain a confirmation certificate of your bank account balance as at a date that does not coincide with the end of a month and, ideally, the end of a calendar year. Obtaining such a certificate, as at the middle of a month, is not difficult, it is simply impossible.

The third problem is the difficulty of quantifying the family outflows (for example the family’s living expenses) over a period of time which extends over more than 12 months. Only those who have attempted to compile statements of wealth and to bridge the differences between two consecutive statements of wealth, by reconciling them with the tax returns they have filed, are in a position to understand the practical difficulties that are likely to arise. In contrast, the systematic compilation of annual statements of wealth (shortly after the end of each calendar year) is an easy task, particularly if one takes advantage of the facilities that are readily available nowadays for electronically extracting the necessary documentation and other information (electronic access to bank accounts and electronic downloading of all bank transactions, electronic access to the income tax returns filed and to the taxes and contributions paid or payable, electronic access to the particulars of all real property owned in Cyprus - through “Ariadne”- etc.).

The fourth problem is the “bridging” (reconciliation) of the net change in the PEP’s family wealth in a given year with the income declared and other inflows and outflows of funds in that year. If, for example, the initial statement of wealth filed is as at 23 September 2019 and the next statement of wealth is as at 11 February 2021, which is the income that needs to be taken into consideration for “bridging” purposes? That of 2019? 2020? 2021? Or should the aggregate of the 3 years be prorated on a time basis? And, if a large amount of income (such as the collection of a retirement lump sum benefit) is awarded in November of 2019 and, as a consequence, is not reflected in the statement of wealth as at 23 September 2019, how should it be treated to avoid the inevitable mismatching?

It follows that the provisions of the legislation currently in force are impossible to implement in practice and it would be a grave mistake to retain them because maintaining them in the law would be tantamount to rendering “pothen esches” a useless tool. The existing provisions must be annulled because they are not workable and they have led to an absurd setup.

6 What should the composition of the “pothen esches” Supervisory Board be?

The role of the Supervisory Board is primarily a “managerial” role. It is related to the managerial function that must be served in any organisation or enterprise. The wealth declarations of the politically exposed persons and the related “pothen esches” constitute a stand-alone, self-contained institutional tool for combating corruption and collusion. The management of this system in a manner that secures the smooth and effective functioning of the system entails the assigning of this task to persons of unquestionable integrity, with experience in the management of stand-alone (independent) organisations, who have the necessary technical know-how and experience so as to be able to fully appreciate the consequences of their decisions (particularly as they relate to the technical aspects of the system), who are persons who do not have other commitments or undertakings that may cause conflicts of interest and, above all, who are persons that have the intention and the commitment to serve an institution discharging a vital role in the political well-being of the country.

The specific conditions, which must be satisfied for appointing a person as a member of the Supervisory Board, are the following:

- Non-involvement in the activities of any political party (including the non-involvement as a mere member of the party) for a period of at least 5 years prior to the appointment.
- A commitment not to exercise, throughout his/her term of office, any economic activity entailing the generation of an annual gross income from the sale of goods or the provision of services, in excess of €36,000 per year. It is clarified that pensions, any other similar income, rents, passive interest income and dividends from investments effected in family companies (prior to the appointment) and in undertakings in which the Board member’s equity holding does not exceed 5% of the invested capital of the investee shall not be taken into account for the purposes of determining compliance with the aforementioned undertaking.
- An undertaking not to accept, while serving on the Board, any other position, elected or not, in the public and private sectors, with the sole exception of participating, on a gratis basis, in the management bodies of non-for-profit organisations and the participation in the administrative bodies of pre-existing family asset management companies (such as real estate or investment companies), provided that such interests and positions are disclosed by a declaration before the appointment.

The members of the Supervisory Board must be able and committed to get involved personally with the “management” of the “pothen esches” system, and be free from any other material commitments and responsibilities. This is the principal reason for which we believe that it would not be appropriate to have persons who will become members of the Board on an ex-officio basis (automatically as a result of holding another position of responsibility in the public arena) because such an undertaking would mean, that they would, by definition, have limited time to participate in the “management” of the “pothen esches” system, while the risk of conflicts of interest arising would be multiplying.

Of course, it goes without saying that the Supervisory Board would be acting in consultation with other bodies, which are seeking to secure or are involved in the smooth and effective functioning of the system of “pothen esches” (such as the tax authorities, the public prosecutors, the judiciary, the audit vehicles in both the public and the private sectors, the state streamlining services and, of course, the executive and the legislative arms of the state). Such a consultative process is absolutely necessary and must be sought on an ongoing basis.

7 How can the accuracy and the completeness of the statements of wealth be secured?

The securing of the accuracy and the completeness as well as the prompt filing of the statements of wealth of PEPs is, clearly, the foremost goal of the entire process, given that the compilation and filing of statements such as those required by existing legislation has zero added value, while it absorbs substantial time of those involved in the process and burdens the tax payers with a substantial sum of money, without generating any benefit.

As explained in the White Paper, this goal will be attained by a multi-dimensional scheme of inspection and audit processes that will be independent of each other and would secure the disclosure of problems, even if one of the sub-systems fails to function properly; in such a case, one of the other sub-systems will identify the problem and will promptly sound the alarm.

We believe that the specific inspection / audit procedures we have proposed will secure the desired reliability and completeness of the filed wealth declarations. These procedures are set out below:

- Publishing the declared data in a readily comprehensible and easily accessible manner that can be understood by the public at large and by facilitating the submission of eponymous confidential remarks, in those cases where errors of commission or omission are believed to have been committed.
- Having the returns “certified” by a certified public accountant, appointed by the politically exposed person, who is a co-signatory of the return, having been satisfied in respect of (a) the consistency of the declared particulars (i) as they relate to each other, (ii) as they relate to the particulars reported in the preceding year and (iii) as they relate to any other particulars that may have come to his/her attention in any other way, (b) the compliance of the return with the provisions of the law, (c) the agreement of the declared particulars with those reflected in the supporting documentation, which is filed with the return or may have come to his/her attention in any other way, and (d) the reasonableness of the declared information.
- Subjecting the declared information to a mechanistic, electronic check as to its consistency and reasonableness.
- Performing a preliminary summary review of the returns, prior to their publication, by the staff of the Supervisory Board, aiming at identifying readily apparent errors.
- Performing a detailed examination of the returns by the Department of Taxation that should be carried out within 6 months of the filing of the returns, on a priority basis.
- Performing a detailed examination of the returns by the Office of the Auditor General of the Republic of Cyprus, within 6 months of the filing of the returns.
- Performing a detailed examination of specified returns by independent qualified accountants, on the basis of a mandate given in the form of a Decision of the House of Representatives, as a result of reasonably suspecting the commitment of material errors of commission or omission in relation to the returns referred for such an examination. Such a decision should be taken by simple majority of the members of the House, while the politically exposed person, whose return is the subject-matter of the examination, may himself nominate, at his/her expense, another independent qualified accountant to participate in the examination.

It is important to highlight the fact that the supervisory Board will not carry out (and should not carry out) any substantial audit function in relation to the specific wealth declarations filed by PEPs but should rely on the conclusions of the independent persons / functions involved in the inspection / auditing of the returns, as explained above. This is absolutely essential because, otherwise, those

who will have the responsibility for identifying and documenting the improper behaviour of the politically exposed persons will end up being the same persons with those charged with the responsibility of managing the system, i.e. for ensuring that the system functions in a satisfactory fashion, and for imposing administrative penalties, in the case of non-compliance. This would be a classic arrangement of conflicting duties. Furthermore, beyond the need to avoid arrangements under which the auditor and the auditee end up being the same person, the creation of yet another hydrocephalus organisation, charged with the task of checking the statements of wealth of the politically exposed persons, is certainly undesirable. Such an arrangement is judged to be an unnecessary financial burden on the state as well as an ineffective approach in addressing the problem, which will thus persist ad infinitum.

8 Why has the number of PEPs obliged to file a statement of wealth been restricted?

Under the existing two parallel but autonomous systems of “pothen esches” - one for the “big fish” (such as the President of the Republic, the ministers and the members of the House of Representatives), who are “audited” by MPs and the other one for the “small fish” (such as officials in the civil service, municipal officers etc.) who are “audited” by a three-member Board - the persons obliged to file wealth statements come to some 20,000. The size of the population of the people who are subject to the “pothen esches” control renders the smooth functioning of the system totally unfeasible. The limited information, which has been published under these schemes, blurs rather than enlightens the picture and has failed to provide the desired transparency, which would have identified problematic cases.

Our proposal is to initially restrict the number of persons, who will be subject to the “pothen esches” monitoring, to approximately 300 (these PEPs are specified in the White Paper). Once the system is up and running smoothly and effectively, this number should be gradually expanded so as to cover all the important players in the public sphere.

In our opinion, the expansion of the system to cover a population that will render the process unmanageable will defeat the object of the exercise and will render the total failure of the system inevitable. This is, indeed, what has happened in the past. We believe that, if we are genuinely keen to see a system functioning smoothly and effectively, we must avoid the mistakes of the past, which are readily visible with a naked eye.

Our proposal concerning the composition of the Supervisory Board is that it should comprise 4 persons: 2 retired certified public accountants, 1 retired judge or lawyer and 1 retired economist. The proposed size of the Board is such so as to facilitate the uninhibited communication and quick decision making within the Board, while avoiding the concentration of excessive power in the hands of any one person. In such a 4-member arrangement, the chairman of the Supervisory Board may be deprived of the casting vote (in the event of a tie), which means that the passing of important decisions would require the support of 3 out of the 4 members of the Board.

What is of critical importance is to ensure that all the members of the Board (including the lawyer and the economist) should have a good, in-depth understanding of the accounting mechanism on which the statements of wealth and the related “pothen esches” are based. We have noted that, unfortunately, the majority of the members of the House of Representatives but also of the other officials who have played a decisive role in formulating the existing legislation governing “pothen esches” were lacking this in-depth knowledge. Probably, this was the principal reason which caused the resounding failure of the system to serve its purpose.

9 What should the term of office of the Supervisory Board be?

Our proposal is that the term of the members of the Board should be a 3-year period, which may be renewed for a second 3-year period. We consider the 3-year period as sufficient for securing the effective functioning of the Board but not too long a period that would unnecessarily delay the removal of a person, who might prove unable to respond adequately to the duties and responsibilities assigned to him/her.

Participating in the work of the Supervisory Board should not be seen by the members of the Board as a career path. These thoughts have led us to the choice of retired people. The compensation of the members of the Supervisory Board must be within the range of the rewards given for analogous positions in the public sector, both for reasons of fairness as well as for avoiding an implicit downgrading of the significance of the work of the Supervisory Board.

In our opinion, the suggestion of time-rotating these appointments will generate more problems than the ones it is likely to solve. We would, however, favourably view a parallel term of service (of duration of, say, one month) for both the outgoing and the incoming members of the Board, which will ensure that the transition process is smooth and obstacle-free.

10 Who should appoint the Supervisory Board?

Our response to this difficult question is that the members of the Board should be proposed by the executive arm of the state (the Council of Ministers) and should be approved (confirmed) by the House of Representatives and the judiciary (the Supreme Court). Such a balanced approach between the executive, the legislative and the judicial arms of the state is common in the rules governing the functioning of the state in many democratic countries.

The suggestion of making these appointments on the basis that would deprive the principal institutions of the state from having a say does not find us in agreement because we believe that such important appointments must (indirectly) be empowered by the people (and not by any one pressure or interest group).

Another suggestion was the indirect specification of the composition of the Supervisory Board by appointing persons who already hold other public positions (e.g. the position of the president of a professional organisation). This approach has the serious handicap of treating a particularly sensitive and difficult task as a defocusing "side-business" of another activity, ignoring the fact that the task in hand will demand undivided attention and commitment. Such an arrangement is certain to lead to an inability to fulfill the duties and the obligations of both positions. Also worth mentioning is the fact that all professional bodies invariably embody an element of "trade-unionism", which inevitably leads to the generation and the promotion of sectional interests, within and without the specific trade organisation.

11 Should the system of Wealth Declarations by Politically Exposed Persons and the related "Pothen Esches" be combined with the system of Identifying and Monitoring Conflicts of Interest?

For the purposes of responding to this question, we have proceeded on the basis that the work of Identifying, Monitoring and Neutralising Conflicts of Interest is identical to the substantive content of the related study that has been compiled by a group of experts from EU member states, under the coordination of OLAF (European Anti-Fraud Office / Office européen de lutte antifraude).

Following an extensive evaluation of the issue raised, we have concluded that it would be practically unfeasible and unwise to combine the aforementioned two functions, for the following reasons:

1. The nature of the work that will be undertaken in each case is completely different between the two. In the case of the "Pothen Esches" (henceforth "PE"), non-compliance is expected to be the

exception to the rule. In contrast, in the case of the Conflict of Interest / Fraud (henceforth “CIF”), non-compliance is the subject matter of the work that will be undertaken.

2. The work of PE is primarily of an accounting nature as opposed to the work of CIF, which is more of a legal / socio-economic nature.

3. The ongoing work of CIF will need to be preceded by extensive consultation as to what constitutes a “conflict of interest”, for the purposes of the law. Until the completion of this preliminary stage of the process, it will not be possible to implement the rules (as a result of the absence of the necessary “yardsticks”).

4. Needless to say that the publicly available information (which will be provided by the PE system through the internet) will be readily available for the purposes of identifying potential “conflict of interest” situations.

5. The declarations of the presence or the absence of conflicts have a frequency, which is totally unrelated to that of the PE system.

6. Those who may have potential conflicts of interest, which would have to be declared and investigated, form a much wider circle than those who will be under an obligation to file a statement of wealth.

7. The conclusion as to whether there was / there is a conflict of interest is – to a certain extent – subjective, particularly in the case where there is a lack of specific, explicit rules setting the dividing line between the presence and the absence of such conflicts. This uncertainty is likely to lead to challenging many of the rulings on the issue, a fact that could threaten the authority of the body charged with the responsibility of issuing such rulings.

8. Due to the small size of Cyprus, it is almost inevitable that there will be circumstances that in larger countries could be considered as giving rise to conflicts of interest but, if strictly applied in Cyprus, could lead to the classification of most relationships / transactions as “problematic and unacceptable”.

9. One way of addressing this problem would be to accept an arrangement in which the conflict arising is deemed to be “soft”, on condition that such cases would be publicly declared. The dividing line between the “acceptable” and the “unacceptable” conflicts is an issue that must be addressed by the executive, the legislative and – to a certain extent – the judicial arms of the state (rather than a task which should be assigned to a technocratic committee).

10. The technocratic mechanism for applying the CIF rules and those of the PE system differ very substantially. The CIF service could easily be accommodated within the Ministry of the Interior or the Ministry of Justice, thus avoiding the generation of additional unnecessary costs and expenses.

12 When should the proposed law be enacted?

We believe that the existing “pothen esches” system has been proven useless and is incapable of being repaired. It follows that the enactment of the proposed changes must be effected FORTHWITH, prior to the end of the current term of Parliament (as a result of a general election process being initiated). We have the impression that the civil society is demanding IMMEDIATE corrective action and would reject any excuse for deferring such action into the future.

***The conceptual and the detailed design of this project,
including the drafting of the Legislative Bill,
the Introductory Memorandum,
and the form of the Annual Return
regulating the Statements of Wealth
of the Politically Exposed Persons
has been accomplished, on a gratuitous basis,
by a four-member team
of experienced professionals
comprising:
Christos P. Panayiotides, chairman/rapporteur,
Nicos G. Syrimis, moderator on accounting and tax issues,
A distinguished lawyer*, moderator on legal issues,
Sir Christopher A. Pissarides, moderator on economic issues.***

Christos P. Panayiotides is a retired certified public accountant, with a service record of 40 years in senior professional positions. He has served as president of the Association of Certified Accountants & Auditors of Greece and as a member of the Supervisory Board of the Institute of Certified Public Accountants of Greece.

Nicos G. Syrimis is a retired certified public accountant, with a service record of 40 years in senior professional positions. He has served as president of the Institute of Certified Public Accountants of Cyprus and as a member of the Council of the Institute of Chartered Accountants in England & Wales.

Sir Christopher A. Pissarides, Nobel Prize Winner in Economics, Regius Professor of Economics at the London School of Economics and Professor of European Studies at the University of Cyprus.

(*) Because of the political sensitivity of the subject-matter of this proposal, the identity of this person is withheld at his request.