

EUROPEAN BANKING GUIDE FOR NONPROFITS

HOW TO OPEN AND MANAGE AN ORGANIZATIONAL BANK ACCOUNT



European Center for
Not-for-Profit Law



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European Center for
Not-for-Profit Law

European Center for Not-for-Profit Law Stichting (ECNL)

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1. OPENING AN ORGANISATIONAL BANK ACCOUNT

a. What are the requirements to open an organisational bank account?

i. Do organisations have to be physically present in the country to open a bank account? I.e., can they operate in country X but have a bank account in country Y? Is the presence of a statutory representative required or can the presence be fulfilled through an authorization?

It is necessary for CSOs to have physical presence in Cyprus, irrespective of the country they are operating in in order to open an account with a Cypriot bank. CSOs established/registered in Cyprus need to have their board based in Cyprus and perform the activities/objectives of the CSOs in/from Cyprus. Most Cypriot banks won't accept opening a bank account for a CSO which is not registered/established and operating in Cyprus or a CSO which is registered/established and operating in Cyprus but is not reputable and well known. As for the presence of a statutory/legal representative for the purpose of opening a bank account, this is normally required but some banks may accept a duly issued power of attorney/or other form of authorisation. Please note that these are not matters of regulation but rather matters of banking practice, noting that each bank has its own practices and policies.

ii. Are there specific requirements for CSOs to open accounts by law or asked in practice by the banks (e.g, years of operations, annual turnover, to have director or member of governing body to be national of the country)

The banks examine each application on a case by case basis. The banks would require (without limitation and among other things) documents such as certificate of registration of the CSO, certificate confirming its registered office, articles of association, certificate or other document listing the members of the board, certificate or other document evidencing the founder(s), latest set of accounts (unless it is a newly established CSO) and a completed and signed application form/questionnaire or other relevant bank document for onboarding purposes. It should be noted that most Cypriot banks won't accept opening a bank

account for a CSO which is not registered/established and operating in Cyprus or a CSO which is registered/established and operating in Cyprus but is not reputable and well known. Generally, some banks would be reluctant to open an account for an NGO which is not well-known, unless they have full evidence of the objectives of the NGO, the activities that the NGO will be undertaking for the purpose of its objectives, the charitable purpose that it represents, and the jurisdictions that will be involved in carrying out its objectives.

Other banks might be more “lenient” with newly established NGOs. It should also be noted that each bank has its own practices and its own client acceptance policies and requirements.

iii. Who is authorized/required to open a bank account? Can this be done online, or that person needs to be present in the country?

The application needs to be completed, signed and submitted on behalf of the CSO by a member of its board, or presumably by a person authorized through a power of attorney (in case the selected bank accepts this). Depending on the procedures and policies of each bank, early/preliminary stages of the application might be able to be made online, provided that the CSO has physical presence in Cyprus. Also, it is unlikely that banks will accept the signing of paperwork at an embassy. Please note that this is not a matter of regulation but rather a matter of banking practice, noting that each bank has its own practices.

iv. What is the process of setting up a bank account? E.g., how long it takes, is there a practice to have an interview in the bank?

The process involves the (physical) submission of documentation and application form(s) to the bank which are then reviewed and examined by the bank. In case the bank has queries or needs clarification or further information, then it requests this from the CSO accordingly. Opening an account with a Cypriot bank can take two to three months (or even more), depending on the cooperation of the client with the bank, the precision and completeness of the information provided to the bank, and the bank’s satisfaction with respect to the Know Your Client policy. Normally, banks would need to have a physical interview or otherwise meet with a prospective client in person, in order to accept onboarding a client. It should be noted, however, that this is not a matter of regulation but rather a matter of banking practice, noting that each bank has its own practices.

2. BANKING ACTIVITIES

a. What customer due diligence requirements are in place and what is their impact on civil society organisations' banking activities?

Cypriot banks are strict with due diligence requirements. Prior to onboarding a client and opening a bank account they need to satisfy themselves as to (without limitation) who the client is, what activities the client undertakes for which purpose and where, and the route of the funds that will be passing through the account that is to be opened (i.e. where the funds will be coming from and why and where the funds will be transferred to and why). The banks need to also maintain, at all times, up to date due diligence documentation. As long as the CSOs are compliant with legal requirements, transparent as to their activities, source of funds and destination of funds, there shouldn't be a negative impact on their banking activities. It should be noted, however, that this is not a matter of regulation but rather a matter of banking practice, noting that each bank has its own practices.

b. Which internal principles or official (central bank) "suspicious transaction" monitoring criteria are in place affecting the civil society organisations? Is it publicly available?

Internal principles, circulars or other practices of the central bank and/or other Cypriot banks are not usually available to the public (as they are internal). Also, banks are not usually sharing this type of documentation with prospective clients or associates, as they are examining and treating each case based on its own circumstances. In accordance with the [Prevention and Suppression of Money Laundering Activities Law 188\(I\) of 2007](#), as amended (the "AML Law"), obliged entities (as defined in the AML Law) including banks and financial institutions have an obligation to perform relevant due diligence procedures prior to onboarding a client and such due diligence should at all times be maintained up to date. Obligated entities are also required to report and/or provide information with respect to any suspicious transactions to the Unit for Combating Money Laundering ("MOKAS"), without notifying the client or any other third party about the provision of such information. MOKAS is the national center for receiving, requesting, analysing and

disseminating disclosures of suspicious transactions reports and other relevant information concerning suspected money laundering or financing of terrorism activities. There aren't any specific requirements/criteria for CSOs in relation to suspicious transactions other than what is provided in the legislation in general. Useful links:

MOKAS website: http://www.law.gov.cy/Law/MOKAS/MOKAS.nsf/index_en/index_en?OpenDocument

Central Bank of Cyprus website: <https://www.centralbank.cy/en/licensing-supervision/prevention-and-suppression-of-money-laundering-activities-and-financing-of-terrorism-1>

c. Do the banks in the country of operations have any restrictions/limitations to bank transactions and transfers to certain jurisdictions (such as high-risk ones).

Yes, Cypriot banks have limitations and restrictions on transactions and transfers concerning certain jurisdictions and such limitations and restrictions are based on the announcements/standards published on the EU level, but this may defer from bank to bank.

i. If yes, is the list of jurisdictions publicly available?

Banks may have available on their website documentation that could include list of jurisdictions that they refuse to or do not transact with. Such list is based on (but can defer from) the EU list of high risk jurisdictions, that can be found here https://finance.ec.europa.eu/financial-crime/high-risk-third-countries-and-international-context-content-anti-money-laundering-and-countermeasures_en

ii. What would be the procedures the bank would follow in this case for their CSO clients?

The banks have standards and policies that must follow, based on which certain transactions might be prohibited. So, in case of a proposed transfer from Cyprus to a high-risk or prohibited jurisdiction the bank will, normally, not proceed with the transfer. In addition, if the bank believes that a proposed transaction is a suspicious transaction, it may report this to MOKAS. Needless to say, each transaction is to be examined on a case by case basis by each bank, taking into account internal and official practices and standards that each bank has to follow.

3. OBLIGATIONS AND REPORTING REQUIREMENTS

a. Are banks required to provide CSO clients' financial information to CSO regulatory authorities or public officials? If yes, under what circumstances must banks do so, and what types of information must they provide?

No, financial information with respect to the account(s) of a client are protected by bank secrecy. There are, however, circumstances where bank secrecy does not apply and financial information of a client may be disclosed.

Such circumstances include cases where information is provided to the police pursuant to the provisions of any law or to a public officer who is properly authorized by law to obtain such information or to a court in the context of a prosecution or the hearing of a criminal offense pursuant to the relevant law, or in cases where the information is provided to the tax authorities for the purpose of compliance with the provisions of the law and/or multilateral or international agreements.

b. What obligations do banks have to protect the privacy of clients' information?

As far as personal data is concerned, banks apply the provisions of the EU General Data Protection Regulation. As far as financial information is concerned, banks are bound by the [Business of Credit Institutions Law No. 66\(I\) of 1997](#) (as amended) to keep financial information of their clients confidential, but it further provides for circumstances in which bank secrecy is not applicable and/or can be lifted.

Such circumstances include (in addition to those mentioned in item 4(a) above), without limitation, when (i) the client gives his/her/its prior written consent for this purpose, (ii) the client has been declared bankrupt (for individuals) or is in the process of being dissolved (for legal entities), (iii) legal proceedings have commenced between the bank and the client or his/her/its surety in relation to the client's account(s), (iv) the bank has been served with a court order for the confiscation of funds in the client's account, (v) information is provided according to the provisions of the AML Law, and (vi) information needs to be provided for reasons of public interest.

c. Are there specific reporting obligations for banks to inform governments on civil society banking in certain circumstances?

There are reporting obligations under the Organization for Economic Cooperation and Development (OECD) Common Reporting Standard. Cyprus is a signatory to the Multilateral Competent Authority Agreement for the automatic exchange of financial information of financial accounts between a number of participating jurisdictions (including Cyprus), and since January 2016 Cyprus financial institutions are required to identify, maintain, and report information about individuals and entities tax residents in another jurisdiction for whom they maintain financial accounts for the purpose of exchanging this. Banks are required to keep such information in respect of all account holders for a period of at least five years from the end of the year to which it refers and to report it to the Cyprus Tax Department to the extent that it is reportable under the relevant agreement.

d. Are you aware of any change in regulation/practice due to the Russian sanctions?

Banks and financial institutions need to comply with the sanctions imposed by the EU against Russia, therefore, they have adopted relevant practices and enhanced their due diligence checks and imposed limits/restrictions/prohibitions on transfers from or to Russia/Belarus and/or transactions associated with Russians/Belarusians.



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