

REGULATION

FOR THE ADMINISTRATIVE PROCEDURE AND THE PROCESS OF IMPOSING ADMINISTRATIVE SANCTIONS

(2021 version)





**REGULATION FOR THE ADMINISTRATIVE PROCEDURE
AND THE PROCESS OF IMPOSING ADMINISTRATIVE
SANCTIONS**

2021 VERSION

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This Regulation is adopted for the purpose of providing a regulatory framework for the initiation and conduct of an administrative procedure and for the determination of a proportionate, appropriate, and effective sanction.

During the assessment and enforcement of an appropriate, adequate and effective sanction, ICPAC is guided by the following principles:

- The protection of the public and the public interest
- The protection of the professions' reputation
- The maintenance of appropriate standards of professional conduct
- Remedy and prevention of misconduct

Protection of the public and the public interest

When applying the principle of public protection, ICPAC shall take into consideration not only the clients or any other third parties that have suffered harm as a result of the conduct of the supervised person, but also the general public that might be put at risk by the future conduct of the supervised person, as well as the risks that may adversely affect the public interest.

Protection of the professions' reputation

When applying the principle of protection of the professions' reputation, ICPAC should take into account the importance of maintaining the trust of the public confidence in the conduct of its members, and of the general image and reputation of the profession.

Maintenance of appropriate standards of professional conduct

In applying this principle, ICPAC shall take into account whether the members and supervised firms follow and apply ICPAC's standards of professional conduct and ethics.

Remedy and prevention of misconduct

Any sanction acts on the one hand as a punitive measure against improper or incomplete work and behaviour, and on the other hand as a deterrent both in relation to a supervised persons future actions, as well as preventing other supervised persons from acting in a similar way, due to the risk of financial and reputational repercussions.

1. Introduction

This Regulation is issued by ICPAC under the powers provided by article 59(4) of the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended from time to time, paragraph 2(a)(2) of the Memorandum of Association and paragraph 69 of Chapter 1.200 of the Articles of Association.

Title

The Regulation will hereafter referred to as «The Regulation of the Administrative Procedure and the Process of Imposing Administrative Sanctions».

Definitions

Cyprus Public Audit Oversight Board (CyPAOB)	means the legal person of public law established under the Auditors Law of 2017 and provided for therein.
Administrative Committee	means the Committee established under the current Regulation which is appointed by ICPAC.
Members Handbook	means the "ICPAC Members' Handbook", as applicable from time to time.
Findings Report	Means the report of findings, observations, conclusions, and corrective measures prepared by the Monitoring & Compliance Officer following an on-site monitoring visit.
Affected person	means the natural or legal person against whom a procedure is initiated to examine any violations of its obligations under the Law and/or the AML/CFT Directive and/or the Directives, based on this Regulation.
Supervised persons	means: (i) a member of the Institute of Certified Public Accountants of Cyprus (ICPAC),

(ii) a general partnership or limited partnership or a limited liability company, whose majority general partners or shareholders and directors are members of ICPAC and

(iii) subsidiary company, directly or indirectly of any of the above,

supervised by ICPAC in its capacity as a Supervisory Authority under the Prevention and Suppression of Money Laundering and Terrorist Financing Law.

Monitoring &
Compliance Officer

means the Monitoring & Compliance Officer, who is appointed and/or acts on behalf of ICPAC and his/her duties consist of carrying out, inter alia, the Monitoring Visits and/or Follow-up visits and to prepare the Officer's Report.

Regulation

means the current Regulation.

Law

means the Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007, as amended from time to time (L.188(I)/2007).

Insolvency Law

Means the Insolvency Practitioners Law of 2015 (L. 64(I)/2015), as amended from time to time.

Administrative Services
Law

means the Law regulating companies providing administrative services and related matters of 2012 (L.196(I)/2012), as amended from time to time.

Auditors Law

means Auditors Law of 2017 (L. 53(I)/2017), as amended from time to time.

Sanctions Law	means the Implementation of Provisions of Resolutions or Decisions of the United Nations Security Council (Sanctions) and the Decisions and Regulations of the Council of the European Union (Restrictive Measures) Law of 2016 (Law 58 (I) / 2016), as amended from time to time.
Terrorism Law	means the Combating of Terrorism and Victim Protection Law of 2019 (N.75(I)/2019), as amended from time to time.
Directive	means any other Directive issued by ICPAC, other than the AML/CFT Directive.
AML/CFT Directive	Means the Directive to the Members of ICPAC on Anti-Money Laundering and Combating Terrorist Financing Activities, as amended from time to time.
Person	means a natural or legal person.
ICPAC	means the Institute of Certified Public Accountants of Cyprus.
Teleconferencing	means the remote session and/or meeting, i.e. the two-way communication between persons through sound, image and sound systems or computers or electronic means or other means provided by information and communication technologies, given that each of the parties taking part in the session has the opportunity to hear or see and hear all those present and to be heard at any essential time throughout the session.

Note: Terms used in this Regulation which are not interpreted otherwise have the meaning assigned to them by the Law.

It is noted that in this directive words importing the masculine gender include the feminine gender as well.

Purpose and Scope

This Regulation governs the procedure to be followed with regard to the examination, determination and decision-making regarding any commitment of misconduct and/or breaches and/or offences provided for in:

- the Law and its secondary legislation,
- the Insolvency Law and its secondary legislation,
- the Administrative Services Law and its secondary legislation,
- the Auditors' Law and its secondary legislation,
- the Sanctions Law and its secondary legislation,
- the Terrorism Law and its secondary legislation,
- the AML/CFT Directive,
- any other Directive issued by ICPAC,
- the ICPAC Members' Handbook,
- any Regulations and/or orders and/or directives and/or in general secondary legislation applicable to ICPAC and/or related to ICPAC,
- ICPAC's Memorandum and Articles of Association,
- the ICPAC Regulations.

This Regulation shall also apply to any matters that ICPAC exercises competence under any delegation agreement between ICPAC and any competent supervisory authority.

This Regulation also aims to establish a methodology for the application of penalties.

Notwithstanding any sanctions that may be imposed, ICPAC has established a procedure for imposing a defined sanction that will be automatically imposed on breaches that will be determined and/or reviewed from time to time to be handled through this procedure, in accordance with Article 3.1 of this Regulation.

This Regulation applies to:

1. All persons supervised by ICPAC pursuant to articles 59(1)(δ) and 2 of the Prevention and Suppression of Money Launder and Terrorist Financing activities Law and the Law Regulating Companies Providing Administrative Services and Related Matters, respectively.
2. All natural persons holding a valid insolvency practitioners license issued by ICPAC, pursuant to the Insolvency Practitioners Law of 2015.
3. All holders of any certificates issued by ICPAC.
4. All ICPAC members.

2. Administrative Committee

2.1 Responsibilities of the Committee

2.1.1. The Administrative Committee shall exercise the powers, authorities and duties provided for in this Regulation.

2.1.2. The Administrative Committee has the power and authority to examine and decide on the determination of any misconduct and/or violations provided for by the applicable Law and/or Regulations and/or secondary legislation in general and/or by the ICPAC Members' Handbook and/or professional standards of ICPAC and/or any Codes and/or professional standards applicable to ICPAC and/or related to ICPAC and/or any Regulation and/or any relevant directive under which ICPAC is given decisive power, provided that:

2.1.2.1. The competences of the CyPAOB provided under the Auditors Law 53(I)/2017 are not compromised and/or there is no conflict of authority with any other authority of public law and/or legal person of public law.

2.1.3. The Administrative Committee shall have the power at its discretion to impose all or any of the sanctions and/or penalties provided for:

2.1.3.1. The legislative provisions and/or articles corresponding to article 1.3 above.

2.1.3.2. The sanctions and/or penalties provided for in Annexes A, B, C, D, E and F to this Regulation.

2.2. Composition of the Committee

2.2.1 The Administrative Committee shall be composed of the Chairman of the Administrative Committee and two other members, who are appointed by the Council of ICPAC.

2.2.2. The Chairman of the Administrative Committee is a person of recognised standing and honesty and high professional standard, who must possess the qualifications for appointment to the position of Judge of the District Court.

2.2.3. The two members of the Administrative Committee are persons of recognised standing and honesty and high professional standard.

2.2.4. The Chairman and both the members of the Administrative Committee may at any time submit a written resignation addressed to the Council of ICPAC.

2.2.5. The term of the Chairman and the members of the Administrative Committee shall be four years. Each person may exercise a maximum of two terms in any position of the Administrative Committee.

2.2.6. The position of the Chairman or any member of the Administrative Committee shall be vacant in the event of:

2.2.6.1. Death

2.2.6.2. Resignation submitted in writing to the Council of ICPAC

2.2.6.3. Its termination by the Council of ICPAC, in accordance with article 2.2.10.

2.2.7. If during any period of time, a member of the Committee, other than the Chairman, is on leave or is unable due to their absence from Cyprus or illness or any other reason to perform its duties or to exercise its responsibilities as a member of the Administrative Committee, in accordance with this Regulation, the Council of ICPAC may appoint any

natural person as a temporary member for the period of time during which the member is on leave or incapacitated.

- 2.2.8. In the event that the position of the Chairman is vacant for any reason, the Council of ICPAC shall ensure that the position is filled for the remainder of the term of the Administrative Committee.
- 2.2.9. The vacancy of the position of the Administrative Committee or a deficiency in the appointment of a member shall not result in the nullity of any acts or proceedings.
- 2.2.10. The Council of ICPAC dismisses the Chairman or any member of the Administrative Committee, in any of the following cases:
 - 2.2.10.1. In the eventuality where, under legal proceedings of the Republic becomes bankrupt or has been issued an order or an order is in force against him for the receipt or administration of his property, or has a settlement or arrangement for the benefit of his creditors or has been or is subject to any similar legal proceedings abroad,
 - 2.2.10.2. If, due to mental or physical incapacity or disability or illness, he becomes unable to perform his duties either permanently or for such a period as to make it impossible to continue their service,
 - 2.2.10.3. He has been convicted of a disgraceful offense or offense involving moral obscenity,
 - 2.2.10.4. He refrains unjustifiably from the performance of his duties, and in particular after an unjustified absence from at least three consecutive regular sessions of the Administrative Committee.
 - 2.2.10.5. He has received a financial or other interest which may affect the impartiality of his judgment and/or which may give rise to a conflict of interest and has not submitted his resignation,
 - 2.2.10.6. They have abused their position in such a way that any continuation of term would be detrimental to the public interest.

2.3. Operation of the Committee

- 2.3.1 The Administrative Committee may convene in regular and extraordinary meetings to examine violations in case of non-compliance of the supervised persons with the provisions of the Law and/or the AML/CFT Directive and/or other Directive and/or the Member's Handbook and in case of violation the imposition of financial penalties depending on the violation.
- 2.3.2 The Administrative Committee convenes in regular meetings once a month on a day and time predetermined by the decision of the General Manager of ICPAC which is notified in writing to all members, by letter or e-mail or by fax, or other means.
- 2.3.3 If the Chairman of the Administrative Committee deems it to be appropriate, the Administrative Committee may hold an extraordinary meeting and convene for extraordinary meetings.
- 2.3.4 The Administrative Committee meets at the offices of ICPAC and may use administrative and/or secretarial and/or technical services and/or support from ICPAC.
- 2.3.5 The Chairman of the Administrative Committee presides the Administrative Commission, convenes its meetings and signs any document or correspondence.
- 2.3.6 The Administrative Committee shall not be legally composed if its meeting is attended by a person who has no authority under the current Regulation, even if he has not taken part in the decision, except in the case of an employee responsible for keeping the minutes.
- 2.3.7 The presence of persons and/or officers, including the Monitoring & Compliance Officers for the purpose of providing clarifying information or the submission of data does not constitute a bad composition of the Administrative Committee, if they depart prior to the discussion for the decision.
- 2.3.8 In the event of an extraordinary meeting, all members must be duly invited to the session according to the procedures and on time. The invitation to a meeting is written and is addressed to all members of the Administrative

Committee at least two (2) days before the date set for the meeting and is communicated by letter or e-mail or by fax or otherwise as agreed in advance between the members of the Administrative Committee.

2.3.9 By decision of the Chairman of the Administrative Committee, the members of the Administrative Committee may, in the event of their absence abroad or in the event that their physical presence is difficult or in the event that there is any other impediment preventing the attendance of one or more or all of the members of the Administrative Committee, participate in a meeting thereof by teleconference:

Provided that, without prejudice to the provisions of article 2.3.11 regarding the establishment of a legal quorum, decisions taken with the participation of one or more or all members of the Administrative Committee via teleconference are considered to be legal and any member who participates via teleconference is considered to be present at the meeting of the Administrative Committee.

2.3.10 The agenda is drawn up by the Chairman of the Administrative Committee and ensures that it is communicated to all members, by letter or e-mail or by fax, at least two (2) days before the meeting. In case of urgency, the agenda may be circulated among the members immediately before the meeting.

2.3.11 The Administrative Committee shall be in quorum when the Chairman and both of its members are present at the meeting. It is provided that the Administrative Committee may not meet in the absence of the Chairman. For the purpose of establishing a quorum, it shall be deemed that those members who take part in the meeting via teleconference are also present, provided that in any such case a record is kept of the reasons for their participation in the meeting via teleconference in accordance with the provisions of article 2.3.9.

2.3.12 The meetings of the Administrative Committee are presided by the Chairman of the Administrative Committee.

- 2.3.13 The Chairman and the members of the Administrative Committee shall consider and treat as confidential anything raised or discussed at the meeting or other work of the Committee and any information in writing or oral that came to their knowledge in performing their duties and shall not disclose or transmit any such matter or information without the consent of the Administrative Committee given in writing by the Chairman of the Administrative Committee.
- 2.3.14 The decisions of the Administrative Committee are taken by a simple majority vote of its members.
- 2.3.15 The decisions of the Administrative Commission, which have the element of public interest, must be made public and will be published for transparency purposes, on the official website of ICPAC, immediately after the completion of the procedure and without affecting the notification to interested parties.

It is provided that the provisions of the data protection laws shall be complied with during the publication and all publications must be made in compliance with and respect for the fundamental rights referred to in the Charter of Fundamental Rights of the European Union, especially the right to respect for private and family life and the right to protection of personal data.

- 2.3.16 Decisions may be published anonymously and in a way which does not contravene, depending on the case, any legislative provision, where:
- (a) In accordance to the principle of proportionality, it is considered disproportionate to disclose the personal data of a natural person who has been sanctioned,
 - (b) where publication would jeopardise the stability of financial markets,
 - (c) where publication would jeopardise an ongoing criminal investigation, provided that ICPAC is aware of the conduct of the investigation,
 - (d) where publication would cause disproportionate damage to the legal or natural persons concerned.

- 2.3.17 Detailed minutes of the meeting of the Administrative Committee are kept. A copy of the minutes is distributed to the members of the Administrative Committee the soonest possible and any remarks on the distributed minutes are submitted in writing to the Chairman within forty eight hours from their distribution and a decision is taken on them at the next meeting at which point they are validated. The minutes shall be signed when they are validated by the Chairman of the meeting and shall be kept in a special minutes file.
- 2.3.18 The decisions of the Administrative Commission should be duly justified. It is provided that a legally incorrect justification of the Administrative Committees decision does not render it illegal if that decision may be based on another legal basis.
- 2.3.19 Where decisions of the Administrative Committee are taken by majority vote, it is not necessary to state the reasons for the minority's decision, while respecting the right of the members of the minority to state the reasons for their decision.

2.4. Principle of Impartiality

- 2.4.1 The Administrative Committee must provide the safeguards for impartial judgement.
- 2.4.2 A person who has a special relationship or related by blood or marriage up to the fourth degree or who is in acute animosity with the person involved in the case in question or who has an interest in the outcome of the case shall not be involved in the investigation of a breach and/or in the decision-making process.
- 2.4.3 In the eventuality where the Chairman or member of the Administrative Committee has a personal interest and/or conflict of interest in a matter under discussion and/or case under investigation, they must disclose the issue prior to the commencement of the proceedings before the Administrative Committee and be excluded from the process.
- 2.4.4 In the eventuality where a member of the Administrative Committee has a personal interest and/or conflict of interest in a matter under discussion

and/or case under investigation, the General Manager of ICPAC may appoint any natural person who holds qualifications to be Member of the Administrative Committee.

- 2.4.5 In the eventuality where the Chairman of the Administrative Committee has a personal interest and/or conflict of interest in a matter under discussion and/or case under investigation, the General Manager of ICPAC may appoint any natural person who holds qualifications to be Chairman of the Administrative Committee.

2.5. Remuneration

The Chairman and the members of the Administrative Committee are paid remuneration, the amount of which is determined by the Council of ICPAC.

3. Administrative Procedure

3.1. Procedure for infringements arising from the Members' Handbook and for infringements handled through the automated process of imposing sanction and/or penalty

- 3.1.1. Without prejudice to the provisions of Part 6 of the Members' Handbook, in cases of incompliance of a person to whom this Regulation applies with the provisions of the Members' Handbooks, and especially Part 6 thereof, ICPAC may decide to initiate an administrative procedure through the imposition of an automatic sanction/penalty.

- 3.1.2. In such a case and/or in the eventuality of failing to respond to the notifications of the Monitoring & Compliance Officer for an on-site monitoring visit or a follow-up visit and/or preventing or presenting impediments for the conduct of the on-site monitoring visit or the follow-up visit, the responsible Department of ICPAC prepares a list of affected persons and an automatic sanction/penalty is imposed in accordance with Annexes A, B, C, D, E and F as well as for any other breach defined in this Regulation as «defined penalty», as applicable.

3.2. [Infringement procedures arising from ICPAC's supervisory activity](#)

- 3.2.1. By its decision, the Council of ICPAC may authorise the General Manager of ICPAC to exercise its individual responsibilities, including the initiation of an administrative procedure and the approval of indictments. In case of incompliance of the Supervised Person or any other person falling within the scope of this Regulation with any provisions of the Law and/or the Directives and/or with its obligations under the AML/CFT Directive and/or in case of incompliance with the instructions of the Monitoring & Compliance Officer notified to the Supervised Person through its Report, ICPAC may decide to initiate an administrative procedure and prepare and/or approve a relevant indictment against the Supervised Person. The indictment shall be prepared by the responsible Department of ICPAC.
- 3.2.2. An administrative procedure may be initiated even if correspondence has been sent to the Supervised Person accepting the proposed action plan and/or a recommendation for corrective measures and/or setting a date for follow-up visit.
- 3.2.3. The indictment is served to the Defendant, who may proceed to make written representations within the set deadline as determined by the Administrative Committee or request to make oral representations. ICPAC may, at its absolute discretion, reject the request for oral representations.
- 3.2.4. The Defendant may send any other evidence and/or documents along with their written representations, that may assist the Administrative Committee in taking the decision in relation to the proof of the charges faced by the Defendant and subsequently in the determination and/or mitigation of the sentence to be imposed on him. Where they were not produced and/or were not available during the on-site monitoring visit and/or follow-up visit, the Administrative Committee may, at its absolute discretion, reject and/or disregard such information and/or documents.
- 3.2.5. In case of serious impediment or other reasonable cause, the Administrative Committee may extend the deadline for the submission of written and/or oral representations. The extension will be given only upon written request by the Defendant.

- 3.2.6. The Administrative Committee may request clarifications on the written representations of the supervised person and/or invite him for oral representations.
- 3.2.7. In case of non-submission of any representations within the set deadline, the Administrative Committee may proceed to take a decision without further notice.
- 3.2.8. The Administrative Committee examines the case and decides whether the charges have been substantiated. In the event that any charges have been proven or in case of admission by the Defendant, prior to imposing any penalty the Administrative Committee, gives the opportunity to the Defendant to say, through written or oral representations, anything he wishes regarding the issue of the sentence that may be imposed on them. After the Administrative Committee has taken into account everything the Defendant has to say, it can proceed to impose a sentence on him. Omitting to discuss the subject of the sentence with the Defendant does not affect the validity of the proceedings.
- 3.2.9. The decision is notified to the Defendant.
- 3.2.10. The decisions of the Committee are final.

4. Administrative Procedure Costs

- 4.1. Irrespective of the imposition of any penalty, the Administrative Committee can impose to the Defendant found guilty the payment of all or part of the costs of the administrative procedure.

5. Enforcement of Financial Penalty Policy

The policy describes the applicable methodology in cases where the Administrative Committee of ICPAC decides to impose sanctions in the form of a financial penalty.

The policy categorises the breaches based on the degree of severity of each breach and determines the following scales **per breach**:

Less serious breach	€1 - €1.000
Serious breach	€1.001 - €10.000
Very serious breach	€10.001+

The above scales are applied per breach. Therefore, multiple violations that fall under the same category of seriousness, may lead to a penalty greater than the maximum amount of the range corresponding to the severity category, with a maximum total penalty amount for all violations, irrespective of severity category, amounting to €1,000,000, in accordance with the provisions of the Law.

5.1. Determining the severity of the breach

The severity of the breach is assessed as “less serious”, “serious” and “very serious” and it is determined based on the damage, the extent, the duration and the nature of the breach in relation to the degree it interferes with the achievement of the purposes of the Law and/or the Directives.

5.1.1 Damage

During the examination of the damage, the size of the actual damage that occurred as a result of the underlying breach is taken under consideration, as well as any subsequent damage. The term «subsequent damage» indicates a possible independent breach to the initial breach.

5.1.2 Extent of breach

During the examination of the extent of the breach, consideration is given to the eventuality where the underlying breach is present to one or more clients.

5.1.3 Duration of breach

The duration of the breach is deemed to be the total calendar days the breach exists and is calculated from the date of the establishment of a business relationship and includes possible repetition of the breach.

5.1.4 Nature of breach

During the determination of the nature of the breach, it is necessary to assess whether the breach is of a typical or horizontal nature i.e., it affects and/or interferes with the level of compliance of a number of compliance obligations of the Defendant. Furthermore, consideration should be placed on whether the breach has endangered or harmed the public interest.

During the examination of the breach, it is necessary to take into consideration the degree of intervention of the breach in the achievement of the objectives of the Law and/or the AML/CFT Directive and/or the Directives i.e., partial compliance or non-compliance of the Law and/or Directives by the Defendant. In the cases where there is no compliance, the maximum amount specified in the category the breach falls under is imposed as it is implied that non-compliance with the provisions of the Law and/or the Directive intervenes with the achievement of the objectives of the Law and/or Directive to the maximum extent.

5.2. Calculating the amount of Administrative Penalty

5.2.1. Once the severity of the breach has been determined on the basis of the table in Annex A, the following factors shall be taken into account in determining the amount of administrative penalty to be imposed on a case by case basis:

- I. the severity of the breach on the basis of circumstances and as defined in sub-paragraph 5.1,
- II. the degree of responsibility of the responsible natural or legal person,
- III. the financial strength of the responsible natural or legal person, as indicated, inter alia, by the total turnover of the responsible legal person or by the annual income of the responsible natural person,
- IV. the profit generated by the natural or legal person from the breach, in so far as it can be determined,

- V. third party losses caused by the breach, to the extent that they can be determined,
- VI. the extent of cooperation of the responsible natural or legal person with the competent supervisory authority,
- VII. previous breaches of the responsible natural or legal person,
- VIII. the degree of systemic risk and/or the degree of risk classification of the responsible natural or legal person

Mitigating / Aggravating factors

Aggravating factors

- I. Adverse financial or other consequences on the client and / or third parties
- II. Ignoring advice and/or guidance from ICPAC or persons acting on behalf of ICPAC
- III. Repeated failures and / or poor conduct over a lengthy period of time
- IV. Previous sanctions imposed by ICPAC or other regulatory bodies for similar breaches

Mitigating factors

- I. Incorrect guidance from ICPAC or persons acting on behalf of ICPAC or from a third party
- II. Isolated failure and/or over a very short period
- III. No adverse financial or other consequences on the client or third parties
- IV. Full cooperation with ICPAC or acting on behalf of ICPAC
- V. Immediate and effective remediation of the situation/breach

The above aggravating/mitigating factors are non-exhaustive, and the Administrative Committee may take into account any other factors it deems applicable.

- 5.2.2. The process of calculating the amount of the financial penalty consists of three stages:
- 1. Determining the severity of the breach
 - 2. Determining the basis of the penalty, based on the table in Annex E.
 - 3. Determining the final financial penalty.

5.2.2.1. Determining the severity of the breach

The severity of the breach is determined through the process described in subparagraph 5.1.

5.2.2.2. Determining the basis of the penalty based on Annex E

In determining the basis of the penalty, the Administration Committee takes into consideration the highest possible penalty based on the category the breach falls under. Within this scope, the Administration Committee decides the amount of the penalty which must be appropriate, necessary and proportionate.

1. «Appropriate» means that with the amount of penalty imposed, the desired result can be reached, namely the benefit gained from any breach has been eliminated, the prevention of further breaches and the achievement of the objectives of the Law and/or the AML/CFT Directive and/or the Directives.
2. «Necessary» means that the rights of the accused person are restricted to the least possible way.
3. «Proportionate» means that there is a clear correlation between the breach, the penalty and the intended purpose.

This creates the basis of the penalty.

5.2.2.3. Determination of the final financial penalty

After the accused person has been heard in accordance with paragraph 3.2.8, and the penalty has been determined, the Administration Committee examines whether there are any mitigating/aggravating factors.

5.2.3. In the eventuality that mitigating factors are applied, the Administration Committee may apply a discount to reduce the penalty of up to 50% in cases where the breach is classed 'serious' and discount of up to 30% if the breach is classed as very serious.

5.2.4. In the eventuality that any aggravating factors are applied, the Administration Committee may impose an increased penalty, with a maximum penalty being the highest end of the scale of penalty provided for by the category of the breach.

5.2.5. The Administration Committee may impose an increased penalty in cases where it considers that the risk arising from the responsible natural or legal person is systemic and/or increased. However, this increase cannot exceed 50% of the sum of the penalties that will be imposed.

5.3 Possible cases for imposing the penalty of revocation, suspension or modification of any practicing license

The following cases may be referred to the relevant responsible department of ICPAC and/or to ICPAC's Disciplinary Committee and/or the CyPAOB accordingly for the assessment of imposing the penalty of revoking, suspending or modifying a practicing license.

1. Continued breaches following the conduct of 2 (two) on-site monitoring visits.
2. Failing to respond to a notification by ICPAC, including any other person authorized by ICPAC to conduct an on-site monitoring visit and/or preventing or claiming impediment to the conduct of an on-site monitoring visit and/or failure to provide or undue delay in providing any requested documents/information/data/copies.
3. Non-compliance with all the provisions of the legislation relating to breaches deemed to be very serious, based on Annex E.
4. Continuous breached based on Annex B following the conduct of two (2) assessments.

Revocation, suspension or modification of a practicing license and/or to provide administrative services may be imposed regardless of the imposition of any other administrative and/or disciplinary penalties.

6. Entry into force

The current Regulation enters into force on the date of its publication of the ICPAC website.

ANNEX A

PENALTIES FOR THE BREACH OF MEMBERS CONTINUOUS OBLIGATIONS IN RELATION TO THE ANNUAL MEMBERSHIP SUBSCRIPTION

Breach	Category	Penalty
Non-payment of the renewal fee of the Annual Membership Fee within the preset deadline and following the third and final reminder by ICPAC	Predefined penalty	Financial penalty equal to 50% of the amount of the annual subscription

ANNEX B

PENALTIES FOR THE BREACH OF MEMBERS CONTINUOUS OBLIGATIONS IN RELATION TO THE CONTINUOUS PROFESSIONAL DEVELOPMENT (CPD)

Breach	Category	Penalty
Failure to submit the annual CPD declaration within the set deadline and following the third and last reminder by ICPAC	Predefined penalty	€100
Failure to respond and submit the CPD evidence during the process of Reviewing the CPD documents within the set deadline and following the second and last reminder by ICPAC	Predefined penalty	€500
Submission of insufficient / incomplete evidence of CPD during the process of Reviewing the CPD documents	Predefined penalty	€500

ANNEX C

PENALTIES FOR THE BREACH DURING THE RENEWAL OF PRACTICING CERTIFICATE OF A LICENSED MEMBER

Breach	Category	Penalty
Failure to submit the Member's application for updating data and maintaining the Practicing Certificate(s) within the set deadline and after the third and last reminder by ICPAC	Predefined penalty	€100
Non-payment of the annual fee for the maintenance of the Members Practicing Certificate(s) within the set deadline and after the third and last reminder by ICPAC	Predefined penalty	Financial penalty equal to 50% of the amount of the annual subscription
Failure to provide notification of any changes to the Member's personal and contact information within the specified deadline	Predefined penalty	€100
Failure to renew the Member's professional indemnity insurance	Predefined penalty	€1.000

ANNEX D

PENALTIES FOR THE BREACH DURING THE RENEWAL OF PRACTICING CERTIFICATE OF A LICENSED FIRM

Breach	Category	Penalty
Failure to submit the Firm's application for updating data and maintaining the Practicing Certificate(s) within the set deadline and after the third and last reminder by ICPAC	Predefined penalty	€200
Non-payment of the annual fee for the maintenance of the Firm's Practicing Certificate(s) within the set deadline and after the third and last reminder by ICPAC	Predefined penalty	Financial penalty equal to 50% of the amount of the annual subscription
Failure to provide notification of any changes to the Firm's contact information within the specified deadline	Predefined penalty	€200
Failure to provide notification of any changes to the Firm's shareholding structure and directors	Predefined penalty	€1.000
Failure to renew the Member's professional indemnity insurance	Predefined penalty	€1.000

ANNEX E

PENALTIES FOR BREACHES IN RELATION TO THE CPD APPROVED EMPLOYER SCHEME

Breach	Category	Penalty
Non-response and non-submission of evidence by licensed approved employers, during the process of the Review of the employer's compliance with its obligations towards the said Scheme.	Predefined penalty	€5.000
Submission of insufficient / incomplete evidence by licensed approved employers, during the process of the Review of the employer's compliance with its obligations towards the said Scheme.	Predefined penalty	€5.000
Preventing or presenting obstacles to the conduct of supervisory visit.	Predefined penalty	€5.000

ANNEX F

PENALTIES FOR AML/CFT RELATED BREACHES AND OTHER BREACHES

1. Internal policies, procedures and controls				
Breach	Category	Degree	Justification	Scale of penalty
Appointment of Compliance Officer	Serious breach	Non-compliance: A Compliance Officer has not been appointed	Non- appointment of a Compliance Officer may lead to a widespread failure to implement internal policies, procedures and controls, which could potentially create significant deficiencies, given there is no person responsible for their design and supervision. If the criteria are not met, the Compliance	€1.001 - €10.000

		<p>Partial compliance: The person appointed does not meet the criteria of the Law (expertise, competence, access to information etc.)</p>	<p>Officer may not be able to complete his obligations.</p>	
<p>Design and implementation of the internal policies, procedures and controls</p>	<p>Serious breach</p>	<p>Non-compliance: Non-existence and/or non-implementation of policies, procedures and controls</p> <p>Partial compliance: Policies, procedures and controls do not cover the entire Scale of obligations referred to in the Law and/or the AML/CFT</p>	<p>The absence of policies, procedures and controls makes it impossible to detect, prevent and combat ML/TF.</p> <p>The breach may lead to other breaches</p>	<p>€1.001 - €10.000</p>

		Directive and/or do not allow the effective implementation of the Law and/or the AML/CFT Directive and/or are not updated		
Appointment of member of the Board of Directors under 58D of the Law	Predefined penalty		Breach of the provision of the Law	€500
Group-level due diligence and verification of identity procedures	Very serious breach	Non-compliance: Non-effective application by obliged entities with branches and subsidiaries in third countries and/or no additional measures in case the third country does not	Increased risk of creating gaps and vulnerabilities in the systems and processes of the obliged entity	€10.001 -

		allow for their implementation. Partial compliance: Failure to inform the Supervisory Authority		
Establishment of an independent internal audit service	Serious breach	Non-compliance: Despite indications due to the size and nature of the activities of the obliged entity, an independent internal audit service has not been established.	Weakness of the internal audit of systems and procedures of the obliged entity	€1.001 - €10.000
	Less serious breach	Partial compliance: Internal audit is not carried out on a regular basis and/or does not include all		€1 - €1.000

		policies, procedures and controls and/or is not of sufficient quality.		
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2. Risk Assessment				
Breach	Category	Degree	Justification	Scale of penalty
Risk Based Approach	Very serious breach	Non-compliance: No risk-based approach	The absence of a risk assessment leads to the non-identification of risks and prevents supervised entities from implementing adequate and appropriate risk mitigation measures, leaving them exposed to those risks.	€10.001 +

Risk assessment of new products, services or technologies	Serious breach	Partial compliance: Inadequate, partial, incomplete approach, non-inclusion of customers as high risk by default, non-updating and not documents the approach.	Ανεπαρκής προσέγγιση οδηγεί σε σημαντικά κενά στο πρόγραμμα συμμόρφωσης του εποπτευόμενου, με συνεπακόλουθες σοβαρές αδυναμίες.	€1.001 - €10.000
	Very serious breach	Non-compliance: Failure to assess risks associated to any new technology, service or product prior to the promotion by the obligated entity	The absence of a risk assessment leads to the non-identification of risks and prevents supervised entities from implementing adequate and appropriate risk mitigating measures,	€10.001 –

	Serious breach	Partial compliance: Inadequate, partial, incomplete assessment.	leaving them exposed to those risks. Insufficient assessment leads to significant gaps in the compliance program of the supervised entities, with subsequent serious weaknesses.	€1.001 - €10.000
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3. Due Diligence Procedures and Measure

Breach	Category	Degree	Justification	Scale of penalty
Identification and verification of identity	Very serious breach	<p>Non-compliance: Non-identification of the client's identity</p> <p>Partial compliance: The identity has not been verified, not all information required by Law and/or the Directive has been obtained.</p>	<p>Failure to identify and/or verify the client completely contradicts the objective of the Law and makes it impossible to take any measures.</p> <p>Failure to implement appropriate risk-related measures.</p>	€10.001 -

Reliance on Beneficial Owners Registers	Less serious breach	Non-compliance: reliance only on the Registers	Risk of invalid and/or misleading data	€1 - €1.000
Maintenance of up-to-date information	Serious breach	Non-compliance: the information is not updated.	Risk of not taking appropriate risk mitigating measures	€1.001 - €10.000
Infringement under Article 62(4) of the Law	Serious breach	<p>Non-compliance: continuation of the business relationship while the supervised entity cannot comply with the provisions of article 61(1)(a)-(c)</p> <p>Partial compliance: Continuation of a business relationship while the supervised person has complied</p>	<p>Absence of substantive information that results in difficulty in taking adequate, effective and appropriate measures commensurate to the residual risk, while the business relationship continues.</p>	€1.001 - €10.000

<p>Application of due diligence measures</p>	<p>Serious breach</p>	<p>only with some provisions of Article 61(1)(a)-(c) and/or has not considered reporting to MOKAS</p> <p>Non-compliance: Non-application of measures prior to establishing a business relationship and without the existence of exemption conditions</p>	<p>Increase risk of executing a transaction and/or activity with an unknown individual and/or without the completion of the «know your client» procedures.</p>	<p>€1.001 - €10.000</p>
<p>Certification of documents</p>	<p>Less serious breach</p>	<p>Partial compliance: Implement some measures before entering into a business relationship</p>	<p>Ability to demonstrate the review of the original document to mitigate the risks associated with certification.</p>	<p>€1 - €1.000</p>

<p>Simplified due diligence</p>	<p>Serious breach</p>	<p>Non-compliance: Non-certification of documents</p> <p>Partial compliance: Non-inclusion of all information referred to in paragraph 5.5.3 of the AML/CFT Directive</p>	<p>Risk of executing a transaction without ongoing monitoring</p>	<p>€1.001 - €10.000</p>
<p>Enhanced due diligence</p>	<p>Very serious breach</p>	<p>Non-compliance: Apply simplified due diligence measures, while there is suspicion and/or the business relationship is not low-risk</p> <p>Non-compliance: Non-implementation</p>	<p>Failure to implement enhanced due diligence measures indicates that there is no risk mitigation and that vulnerabilities/pathogenicities to the effectiveness of anti-money laundering and terrorist</p>	<p>€10.001 -</p>

<p>Conducting background screening</p>	<p>Serious breach</p>	<p>of enhanced due diligence measures or non-implementation of all enhanced due diligence measures in high-risk cases</p> <p>Non-compliance: Failure to carry out a background check</p>	<p>financing systems and controls are created</p> <p>Inability to detect and/or identify information that affects and/or determines the risk arising from the client and the subsequent necessary, appropriate risk mitigating measures.</p>	<p>€1.001 - €10.000</p>
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4. Reliance on third parties				
Breach	Category	Degree	Justification	Scale of penalty
Reliance on third parties who do not fall under the definition of "third parties" under Article 67(2)(a) of the Law	Serious breach	Non-compliance: Reliance on third parties who do not fall under the definition of "third parties" under article 67(2)(a) of the Law	Reliance on third parties who do not comply with the provisions of the legislation.	€1.001 - €10.000
Prohibition of reliance on third parties established in high-risk third countries	Serious breach	Non-compliance: Reliance on third parties established in high-risk third countries.	Risk of AML/CFT vulnerability due to the absence of effective anti-money laundering and terrorist financing systems	€1.001 - €10.000

Procedures under ICPACs AML/CFT Directive	Less serious breach	<p>Non-compliance: Non-implementation of the provisions of paragraph 5.9.3 of the AML/CFT Directive</p> <p>Partial compliance: Implementation of some provisions of paragraph 5.9.3 of the AML/CFT Directive</p>	Κίνδυνος μη διασφάλισης της ποιότητας δέουσας επιμέλειας που εφαρμόζει το τρίτο πρόσωπο	€1 - €1.000
Timing of reliance	Serious breach	Non-compliance: Reliance on third parties during the on-going monitoring	Explicitly prohibited by the AML/CFT Law and the Directive	€1.001 - €10.000

5. Ongoing transaction monitoring

Breach	Category	Degree	Justification	Scale of penalty
Failure to thoroughly examine transactions	Very serious breach	<p>Non-compliance: Transactions were not examined thoroughly</p> <p>Partial compliance: It is carried out for some transactions and/or with insufficient evidence and/or without assessing the rationale of the transactions and/or without comparison with the client's economic profile</p>	Risk of executing transactions and transferring of funds and/or assets without examination	€10.001 -

6. Record keeping				
Breach	Category	Degree	Justification	Scale of penalty
Timing	Serious breach	Non-compliance: No records maintained for 5 years after the end of the business relationship or the completion of an occasional transaction	Inability to retrieve documents	€1.001 - €10.000
	Less serious breach	Non-compliance: The method of record keeping does not allow for a timely retrieval of documents without delay.	Delay in document retrieval	€1 - €1.000
	Serious breach	Non-compliance: No record kept	Unable to retrieve documents and/or inability to	€1.001 - €10.000
Method of record keeping				
Records				

		Partial compliance: Not all documents/ information/ data provided by law and/or AML/CFT Directive are maintained	reconstruct transactions	
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7. Suspicious Transaction & Activity Reports				
Breach	Category	Degree	Justification	Scale of penalty
Submission of internal report	Very serious breach	Non-compliance: Failure to submit an internal report while there is suspicion	Inability to detect cases of ML/TF which completely contradicts the purpose of the Law	€10.001 -
Examination of internal report	Very serious breach	Non-compliance: Failure to examine internal reports	Failure to determine whether ML/TF is proven or suspected as well as the consequential risk of	€10.001 -

<p>Documentation of the result of the examination of internal reports</p>	<p>Serious breach</p>	<p>Non-compliance: Non-documentation of the result of the examination of internal reports</p>	<p>potential execution of activities/transactions involving ML/TF</p> <p>Failure to demonstrate the examination of internal reports</p>	<p>€1.001 - €10.000</p>
<p>Submission of external report</p>	<p>Very serious breach</p>	<p>Non-compliance: Failure to submit an external report to MOKAS, even though there is knowledge or reasonable suspicion of ML/TF</p>	<p>Failure to effectively combat ML/TF which completely contradicts the purpose of the Law</p>	<p>€10.001 -</p>

8. Training				
Breach	Category	Degree	Justification	Scale of penalty
Training of Compliance Officer/ other staff	Serious breach	<p>Non-compliance: No training</p> <p>Partial compliance: The training is not adjusted to the needs and risks of the supervised person and/or is incomplete and/or not regular and continuous</p>	<p>Failure to identify suspicious transactions/ activities and/or non-implementation and/or ineffective implementation of AML/CFT procedures and measures</p>	€1.001 - €10.000

9. Other breaches				
Breach	Category	Degree	Justification	Scale of penalties
Ensuring the ethical character, honesty, skills, knowledge and expertise of the staff	Serious breach	Non-compliance: Failure to ensure the ethical character, honesty, skills, knowledge and expertise of staff	Provision of administrative services by unsuitable persons.	€1.001 - €10.000
Provision of an action plan at the request of ICPAC	Predefined penalty	Non-compliance: Failure to provide an action plan at the request of ICPAC		€1.001 - €10.000
Safekeeping of client monies in the personal accounts of the supervised entity	Serious breach	Non-compliance: Safekeeping of client monies in the personal accounts of the supervised entity		€1.001 - €10.000

<p>Notifying ICPAC within 7 days of changes in the details of the Compliance Officer and the member of the Board of Directors according to article 58D of the Law</p>	<p>Predefined penalty</p>	<p>Non-compliance: Notifying ICPAC within 7 days of changes in the details of the Compliance Officer and the member of the Board of Directors according to in article 58D of the Law</p>		<p>€500</p>
<p>Failure to submit the Annual Compliance Officer's Report within the set deadline.</p>	<p>Predefined penalty</p>			<p>€500</p>
<p>Failure to submit the annual AML</p>	<p>Predefined penalty</p>			<p>€500</p>

<p>questionnaire within the set deadline.</p>				
<p>Failure to obtain a certificate of registration in the respective central registers, in case of a new business relationship with a company, legal entity, trust, other similar arrangements</p>	<p>Predefined penalty</p>			<p>€500</p>
<p>Failure to register a trust within the prescribed time limit under section 25A of the Law Regulating</p>	<p>Predefined penalty</p>			<p>€100</p>

Administrative Services and related matters				
Failure to notify ICPAC of any changes to a trust under section 25A of the Law Regulating Administrative Services and related matters	Predefined penalty			€100
Preventing or claiming impediment to the conduct of an on-site monitoring visit and/or failing to respond to a Monitoring and	Predefined penalty			€5.000

Compliance officers notification for an on-site monitoring visit.				
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ANNEX G

PENALTIES FOR BREACHES RELATING TO THE DIRECTIVE FOR THE COMPLIANCE WITH THE PROVISIONS OF THE UN SECURITY COUNCIL RESOLUTIONS (SANCTIONS) AND THE DECISIONS/REGULATIONS OF THE COUNCIL OF EUROPEAN UNION (RESTRICTIVE MEASURES)

Breach	Category	Degree	Justification	Scale of penalty
Design and implementation of internal policies, procedures and controls	Serious breach	<p>Non-compliance:</p> <p>Non-existence and/or non-implementation of policies, procedures and controls</p> <p>Partial compliance: Policies, procedures and controls do not cover the entire scale of obligations referred to in the Sanctions</p>	<p>Non-existence of policies, procedures and controls prevents the detection of persons and activities subject to a sanctions regime and deeming it impossible to detect attempts to circumvent sanctions.</p>	€1.001 - €10.000

		Directive and/or are not updated and/or are incomplete thus do not allow the effective implementation of the Sanctions Directive and/or do not include policies against the circumvention of sanctions.		
Firm-wide risk assessment and/or client risk assessment	Very serious breach	Non-compliance: Non-existence of risk-based approach	Non-existence of a risk assessment leads to failure to identify risk and prevents supervised persons from applying adequate, and appropriate measures to mitigate the risks, leaving them exposed to such risks.	€10.001 +

	Serious breach	Partial compliance: Inadequate, incomplete and insufficient approach, failure to update and record the approach.	Insufficient approach that leads to significant gaps in the Compliance Program of the supervised entities, with consequent serious deficiencies.	€1.001 - €10.000
Annual compliance program report	Predefined penalty			€500
Training of Compliance Officer/ other staff	Serious breach	Non-compliance: No training Partial compliance: The training is not adjusted to the needs and risks of the supervised person and/or is incomplete and/or not regular and	Failure to recognize and identify designated persons, activities and transaction subject to sanctions, failure to understand and identify attempts to circumvent sanctioned activities and/or non-	€1.001 - €10.000

		continuous and/or is not documented	implementation and/or ineffective implementation of procedures and measures towards the compliance of the sanction's provisions and/or the Sanctions Directive.	
Screening of persons and/or activities on sanctions lists	Very serious breach	<p>Non-compliance: No screening has been carried out.</p> <p>Partial compliance: The screening was not carried for all the parties covered by the Sanctions Directive and/or there is no record of the screening</p>	Risk of provision of services and/or processing transactions with persons subject to sanctions and/or carrying out activities subject to sanctions in breach of the sanction's provisions.	€10.001 +

		performed and/or was not carried out at the appropriate time.		
Recording of "false positive" results	Serious breach	Non-compliance: There is no record and/or assessment of "false positive" results following a screening through the sanctions lists	Possibility of processing transactions/activities in violation of sanctions	€1.001 - €10.000
Submission of an internal report	Very serious breach	Non-compliance: Non-submission of internal reporting where suspicion exists	Inability to detect cases of violation or attempts to circumvent sanctions which is in complete contradiction the purpose of the Law	€10.001 -

Assessment of internal reports	Very serious breach	Non-compliance: Failure to assess internal reports	Failure to determine whether there is a breach or an attempt to circumvent the sanctions	€10.001 –
Documentation of the assessment result of the internal reports	Serious breach	Non-compliance: Non-documentation of the assessment of the internal reports	Inability to demonstrate the assessment of the internal reports	€1.001 - €10.000
Reporting to ICPAC	Predefined penalty	Non-compliance: No report has been submitted to ICPAC in relation to "true matches" or no report was made to ICPAC in relation to all information required		€500

		to fully comply with the Sanctions Directive		
Record-keeping period	Serious breach	Non-compliance: No record is kept for 5 years after the end of the business relationship or after the date an occasional transaction was completed.	Failure to retrieve documents	€1.001 - €10.000
Method of record keeping	Less serious breach	Non-compliance: The method of record keeping does not allow for rapid and timely retrieval of documents	Delay in document retrieval	€1 - €1.000
Record keeping	Serious breach	Non-compliance: No	Failure to retrieve	€1.001 - €10.000

		<p>records are kept</p> <p>Partial compliance: Not all documents/ information/ data provided for by the Sanctions Directive are kept</p>	<p>documents and/or inability to reconstruct transactions</p>	
<p>Provision of documents, copies, data and information to ICPAC</p>	<p>Predefined penalty</p>	<p>Non-compliance: Failure to provide the requested documents, copies, data, information upon request by ICPAC or incomplete provision thereof or provision of false and/or misleading documents, copies, data, information.</p>		<p>€1.000</p>

		Partial compliance: Failure to provide the requested documents, copies, data, information at the request of ICPAC, within the set deadline.		
Preventing or claiming impediment to the conduct of an on-site monitoring visit and/or failing to respond to a Monitoring and Compliance officers notification for an on-site monitoring visit.	Predefined penalty			€5.000

ANNEX H

NON-FINANCIAL PENALTIES

1. Change of appointed Compliance Officer
2. Compulsory training
3. Reprimand
4. Early follow-up visits and/or second review
5. Setting an action plan by ICPAC
6. Ordering the mandatory adoption of specific actions

(*) The list is non-exhaustive, and the Administrative Committee may impose any other sanction it deems appropriate.